



THE INSTITUTE OF  
CHARTERED ACCOUNTANTS  
OF INDIA (Set up by an Act of Parliament)



Centre for Audit Quality Directorate

# Firm Manual

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# FIRM MANUAL

## MODEL REFERENCER



Centre for Audit Quality Directorate  
The Institute of Chartered Accountants of India  
(Set up by an Act of Parliament)  
New Delhi

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**DISCLAIMER:**

This firm manual is illustrative in nature. Members are advised to suitably modify the same as per the size, structure and the type of entities and the services it provides. Members are advised to read or use the Manual in conjunction with the SQCs. Members can add more policies or detailed policies to suit their requirements.

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# Foreword

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Standard on Quality Control (SQC) 1, 'Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements' is designed to provide the firm with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that the reports issued by the firm or engagement partners are appropriate in the circumstances. SQC 1 also requires the firms to document and communicate its policies and procedures to its personnel.

These policies and procedures for the firm are laid down by the firm in their practice or firm manual. The nature of these policies and procedures depends on size and operating characteristics of the firm.

I am happy to note that the Centre for Audit Quality Directorate has come up with this Firm Manual to aid the firms in having a set of policies which can be modified to suit their requirements as per the structure and size. With the Audit Quality Maturity Model (AQMM) in place, it would also be helpful for the firms to have documented policies on various aspects of SQCs and become future ready. I urge all the members to have a *documented* firm manual in place. The documented policies also help in better monitoring and identification of the deviations from the policies the firm has in place. It also serves as a ready reckoner in cases of conflicts and helps to identify the deviations. Along with this Audit Manual, Members and Firms should keep in mind the provisions of Standards on Auditing, Guidance Notes and related pronouncements and suitably modify it to suit the facts, circumstances, and nature of the entity under audit.

My heartiest congratulations to CA. Vishal Doshi, Convenor, CA. Sripriya Kumar, Deputy Convenor and other members of the Centre for Audit Quality

Directorate, for coming out with the practice aids for use by the firms. These aids together with the utilities launched and released by the CAQD will together contribute to the audit quality.

I am confident that the members would find the manual useful.

**CA. Aniket Talati**  
President, ICAI

**New Delhi**  
**June 30, 2023**



# Preface

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The Centre for Audit Quality Directorate of the Institute of Chartered Accountants of India has, since its establishment in 2020, consistently endeavoured to enhance the quality of services rendered by practitioners.

In addition to various other initiatives such as developing an Audit Quality Maturity model, the CAQD is also in the process of providing tool kits and ready to use templates for the assistance to members. In this regard, the CAQD is now pleased to place before you a manual that documents certain Standard Operating Procedures in certain key areas of Operations and Human resources aspects of a practice unit titled "Firm Manual".

The Firm Manual has been primarily prepared based on the requirements of Standards on Quality Control (SOC-1) at a practice unit level. We believe that adoption of this manual and implementing the contents would enhance the efficiency and effectiveness of operations. This manual would also enable a practice unit to enhance their Audit Quality Maturity Model scores in the areas of Operational and Human Resources segments.

This manual and policies and procedures contained herein, is intended as an illustrative guide on certain best practices and may be considered for adoption, either on an "As Is" basis, or after such modifications as may be considered necessary by the users based on their unique situations including the scale of the firm, structure and nature of clientele handled.

We are thankful to CA. Aniket Sunil Talati, President and CA. Ranjeet Kumar Agarwal, Vice-President for the confidence reposed in entrusting us with the responsibility of the Centre for Audit Quality Directorate. We are also thankful to all the members of the Centre for Audit Quality Directorate CA. (Dr.) Debashis Mitra, CA. Chandrashekhar Vasant Chitale, CA. Durgesh Kumar Kabra, CA. Mangesh Pandurang Kinare, CA. Piyush S Chhajed, CA. Cotha S Srinivas, CA. Abhay Chhajed, CA. Kemisha Soni, CA. (Dr.) Sanjeev Kumar Singhal for their continuous guidance and support.

The special invitees on the Directorate also need a special mention for their valuable inputs and contribution Mr. Anand Kumar Singh (SEBI ) Smt. Renu

Ajwani (RBI) CA Aditya Kumar S, CA Anshuk Aggarwal, CA Bhavani Balasubramanian, CA Bhupender Mantri, CA C S Sathyanarayanan, CA GN Ramaswami, CA Jatin A Thakkar, CA Jayant Gokhale, CA Padmashree Crasto, CA R. Sundararajan, CA Sannat Chitale, CA Shweta Singhal, CA Sunil Gaitonde, CA Himanshu Kishnadwala, CA Dipam A Patel.

We would also like to put on record the contributions of CA. Ruchika Bachchani, Secretary, CAQD and other team members for bringing out this Firm Manual.

We are confident that practice units would find this initiative interesting and meaningful in their sustained journeys towards better Quality. Needless to state that the contents herein would be of guidance both to newly established practice units as well as to existing units in their journeys of professional excellence.

**CA. Vishal Doshi**  
Convenor  
Centre for Audit Quality Directorate

**CA. Sripriya K**  
Deputy Convenor  
Centre for Audit Quality Directorate

**New Delhi**  
**June 30, 2023**



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## Background

A Chartered Accountant can practice either as an individual or as a proprietor, or as a partner in a partnership firm or an LLP. The mutual rights and duties of partners inter se and those of the firm/ LLP and its partners are governed by the agreement between partners or between the firm/ LLP and the partners. This Agreement would be known as "Partnership Deed" and "LLP Agreement" based on whether they are drawn up in compliance with the requirements of the Partnership Act and LLP Act.

In a partnership firm, partners are the agents of the Firm (Section 18 of the Indian Partnership Act, 1932). An LLP constituted under the Limited Liability Partnership Act has designated Partners, who are responsible for all acts, matters and things to be done by the limited liability partnership in compliance with the LLP Act.

In view of the audit firm's responsibilities for its system of quality control for audits and reviews of historical financial information, and for other assurance and related services engagements as per Standard on Quality Control (SQC) 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements", the audit partners may designate specific duties among themselves for the various functions that are required to be carried out by the firm. The Managing Partner/ Senior Partner/ Quality Partner (where designated) is entrusted with the responsibility of maintaining the Firm's Quality Control System. In the case of the sole proprietorship firm, the proprietor is responsible for the firm's quality control.

This is an illustrative format, and firms are encouraged to make changes as applicable to their practice.

FIRM MANUAL OF \_\_\_\_\_

FRN:

YEAR OF ESTABLISHMENT:

PREPARED BY:

LAST UPDATED:

## Firm's profile

\_\_\_\_\_ was established in the year \_\_\_\_\_, with its Head Quarters at \_\_\_\_\_ and branches at \_\_\_ locations across India. It is registered with the Institute of Chartered Accountants of India with the FRN/ MRN; \_\_\_\_\_ The firm provides multi-disciplinary services to its clients, which includes:

1. Audit & Assurance
2. ....
3. ....

The audit and assurance division of the firm provides statutory audit services to various clients. The objective of the 'Firm Policy Manual' is to provide reasonable assurance that its personnel comply with applicable professional standards as well as regulatory and legal requirements, and that reports issued by the firm or engagement partner(s) are appropriate in the circumstances.

Accordingly, the manual has been adapted to comply with the guidelines laid down under the Standards of Quality Control (SQC-1) "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements".

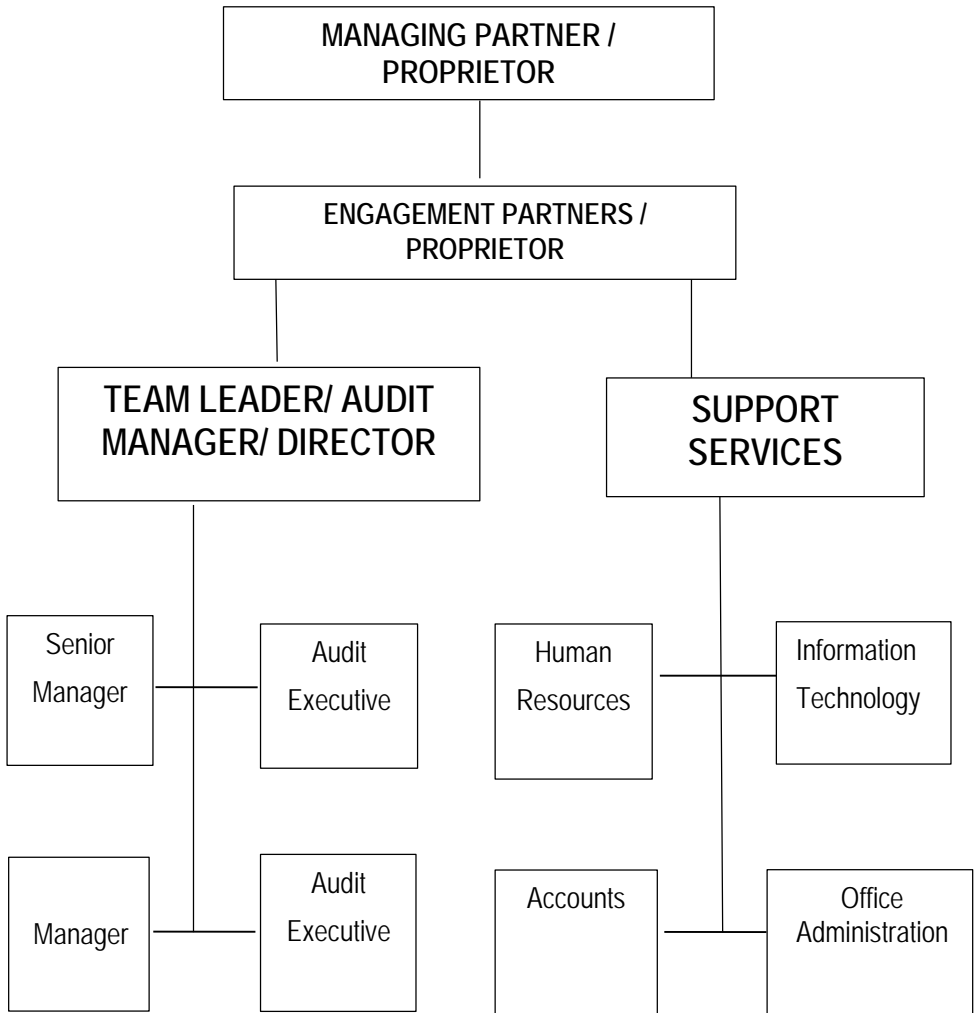
## Vision & Mission Statement

**Vision:** Vision Statement should be developed by the individual Firms based on what they want to achieve in the long term.

**Mission:** (Illustrative)

- To provide best in class professional services while maintaining the highest levels of integrity and professionalism.
- To be looked upon as the most trusted and respected auditing firm delivering the highest audit quality services to its clientele in the region.
- To provide value to the client in the services rendered.
- To provide a conducive environment to the personnel for their individual and firm growth.
- To contribute to the society.
- To be known as an organisation of trust, values and ethics in all the services we render.

## Organisation Chart



## Management Responsibilities

1. The Managing Partner (hereinafter referred as MP) /Proprietor (in case of Sole proprietorship) shall decide on all key matters regarding the professional practice.
2. The Quality Control Partner (hereinafter referred as QC Partner) (if designated)/ MP/ Proprietor is responsible for leading and promoting a culture of quality within the firm and for providing and maintaining this manual and all other necessary practical aids and guidance to support engagement quality. This is reinforced through clear, consistent and frequent actions and messages emphasising quality. Such actions and messages are communicated and reinforced in the Firm's mission statement, formal or informal dialogues, and training and induction programmes, internal circulations.
3. The QC Partner determines the operating and reporting structure. In addition, the QC Partner may designate qualified staff, on an annual or other periodic basis, the person(s) responsible for record keeping or other administrative elements of the QC system; however, ultimate responsibility for these functions will rest with the QC Partner.
4. The MP/ Proprietor designates a QC Partner who is responsible for designing, implementing, and monitoring the Firm's QC system.
5. The MP/ EP/ Partners are committed to the ongoing evaluation of the firm's system of quality control.
6. MP/ Proprietor is responsible for empanelment with various regulatory bodies.
7. Awareness & knowledge dissemination to client is the responsibility of Engagement Partner (hereinafter referred as EP)/ Proprietor.
8. The Firm organises (monthly/ quarterly) staff meetings with all professional staff (including trainees) and document for future reference. This accords management the opportunity to disseminate and discuss matters such as:
  - The Firm's recent achievements and performance.



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- Plans for the year ahead.
- Upcoming new/revised SAs and/or Ind ASs/ ASs.
- Updates to the Firm's Policy Manual and Audit Methodology.
- Recurring review findings raised by the EP, as well as review findings of regulatory bodies.
- Disciplinary findings about noted breaches of the Firm's Policy Manual.
- Updates to the Code of Ethics and other ethical requirements.

In addition, the firm shall hold management meetings to discuss matters such as:

- Status of ongoing engagements
- Status of billings and collections
- Staff-related matters
- Client-related matters
- Technical matters

A record of management meetings held, noting key points, especially decisions taken, shall be duly documented for future reference.

- The partners may invite managers and other key staff to attend management meetings, if deemed appropriate.
- The frequency of these meetings depends on the items in the agenda.
- It is suggested that quality-related matters be included as a standing agenda item at every management meeting. This will help ensure that management is not fixated on financial indicators of the Firm, overlooking the critical aspects of quality control.
- Key matters discussed shall be minute and added to the database. This will form a useful repository of precedents for future reference, thereby promoting uniformity and consistency in decision-making.

## Commercial & Qualitative Considerations

MP/ Proprietor / QC Partner / Partner Designated Continually evaluate client relationships and specific engagements so that commercial considerations do not override the objectives of the system of Quality Control.

The EP may decide not to accept/ continue with the engagement and communicate the same to the MP/ Proprietor/ QC Partner/ Partner Designated, who is ultimate authority for client acceptance and continuance. However, the partners shall not recommend acceptance or continuance of any engagement where fees is unreasonably low or below the minimum scale of fees as suggested by ICAI, such that the Firm cannot deliver work which meets its own standard.

Time records shall be maintained to determine cost recovery on an engagement basis.

At all times, the EP shall ensure that the quality of work performed should be in line with the professional standards including in situations where there are cost overruns.

The Firm may consider discontinuing engagements with low fees as a business decision to free up capacity for higher value-added endeavour such as staff development, client servicing or growing the client base.

The firm shall adhere to the Minimum recommended Scale of Fees for the professional assignments prescribed by ICAI, to the extent possible.

## Independence

- MP/ Proprietor / Independence and Ethics Partner (if designated) responsible for all aspects of the independence and ethics of the Firm's partners and professional staff. The QC / another partner may also be designated as Independence and Ethics Partner / Leader.
- Independence and Ethics Partner will put in place checks as may be required to ensure that all personnel respect and follow the independence and ethics policies of the Firm. Breaches, if any, will be promptly reported to the MP/ Proprietor, who shall take such disciplinary action as is warranted.
- Partners, professional staff and all other personnel employed by the Firm are required to:
  - a) Read all relevant independence policies.
  - b) Understand the extent to which they apply to them and their immediate family members.
  - c) Understand that the financial and employment relationships of immediate family members can threaten or impair independence with respect to an auditee.
  - d) Provide information to their immediate family members about the independence policies.
  - e) Understand that there are limitations or restrictions on our ability to provide services to auditees.
  - f) Comply with applicable independence policies and procedures at all the times.
- There is a system for identifying all services performed for each client and evaluating whether any of those services might impair independence.
- All professional personnel may regularly consult the ICAI's journal and website for information about changes in Code of Ethics and Independence Standards/ Requirements.

- All professional personnel are directed to attend CPE programs on Ethics and Independence, Standards on Auditing and comply with the requirement of CPE hours per year as per the CPE Guidelines in place.
- The firm shall prepare and maintain a list of entities with which the personnel and others, if any, are prohibited from having a financial or business relationship.
- The list will be available to all the personnel for evaluating their independence.
- Accumulating and communicating relevant information to ensure:
  - The EP, Firm Personnel, and others, if any, can determine independence requirements.
  - Maintenance & updation of information relating to independence.
- This will be particularly relevant if partners and employees desire to:
  - a) Make an investment in the auditee.
  - b) Make a borrowing from or give a loan to the auditee.
  - c) Obtain or modify an insurance policy with an insurance company auditee.
  - d) Accept employment with an auditee; and
  - e) Enter into a business relationship with an auditee.
- The EP can take appropriate action regarding identified threats to independence, in consultation with the Independence and Ethics Partner.
- Personnel must promptly report circumstances and relationships that create a threat to independence and independence breaches of which they become aware to the Independence and Ethics Partner so that appropriate action can be taken.
- Communicate identified breaches of policies and procedures, and the required corrective actions, to the following personnel:

1. The EP needs to address the breach.
  2. The Independence and Ethics Partner shall report the breaches to the MP/ Proprietor For necessary action.
  3. Other relevant personnel in the Firm and those subject to the independence requirements who need to take appropriate action.
- The Independence and Ethics Partner, or an individual designated by former, periodically review unpaid fees from clients to ascertain whether any outstanding amounts impair the independence.
  - Written Annual Independence Form must invariably reach Ethics Partner by 1<sup>st</sup> of April every year at the firm platform/ official mail id. Non-adherence shall be viewed seriously.
  - The EP has to step in the engagement program attesting to compliance with independence requirements that apply to the engagement.

### **Financial Interests**

- Partners and employees of the Firm and their immediate family members are prohibited from making investments in equity or debt instruments in the auditee if they are members of the Assurance Engagement Team (hereinafter referred as "AET").
- Should any such investment be made inadvertently (e.g., upon receiving an inheritance or gift), the partner/employee shall ensure that it is disposed of within a period of one month from the date of investment.

### **Gifts and Hospitality**

- Partner and employees of the Firm, if they are members of the AET, should not accept gifts or hospitality from the auditee, unless the value is clearly insignificant. This does not include diary/ calendar received from the client during in the new year or a sweet/ savoury box during the festivals.
- If there are any questions regarding receipt of the gift or hospitality, the Ethics and Independence Partner should be consulted.

## Confidentiality

- (a) Confidentiality of information in client documentation must be maintained unless the client has authorised the disclosure or there is a legal or professional duty to do so.
- (b) In case of data of a personal nature, the EP shall observe the requirements of any specific laws and regulations which may impose additional obligations for client confidentiality.
- (c) The documentation can be maintained either in paper, electronic or hybrid mode. However, the custody, integrity, accessibility and retrievability thereof must be ensured, including:
  - (i) Logs for when and by whom the engagement documentation was created/ amended/ reviewed/ signed off.
  - (ii) Integrity at all stages of the engagement, including when shared within engagement teams or shared through internet.
  - (iii) Prevention of unauthorised changes by tracking the changes; and ensuring access to engagement documentation only to the engagement team and other authorised parties, to enable discharge of responsibilities, e.g., by use of passwords and data encryption, in case of electronic data.
  - (iv) Back up routines at appropriate periodic basis, and appropriate stages during the engagements.
  - (v) Allocating responsibility for particular areas of audit, to specific team members for documentation/ processing and collation of audit documentation.
  - (vi) Procedures for restricting access to, enabling proper distribution and confidential storage of hard copy documentation.
- (d) Where original paper documentation is electronically scanned for inclusion in engagement files the following shall be ensured:
  - (i) The document is scanned in its entirety, including signatures, cross references, footnotes, annotations, appendices etc.

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- (ii) These scanned documents are included in the audit files, with proper indexing and authentication.
- (iii) The scanned documents will be capable of being retrieved and printed.
- (iv) The original paper documentation, which has been scanned and included as electronic document in the files, may be considered by the firm for retention.

## Partner's & Senior Level Performance & Firm's KPIs

1. As an ongoing effort, the Firm shall assess, at least, on an annual basis, the partners' capabilities. The Firm shall include quality of work performed and proven commitment to quality in their performance evaluation and compensation considerations.
2. The assessment of partners' performance is subject to the broad guidelines below:
  - Technical competency (e.g., ability to identify and resolve accounting and auditing issues).
  - People competency (e.g., ability to develop staff and maintain good relationships with staff and clients).
  - Profitability growth (e.g., ability to grow the Firm's revenue and improve overall engagement recovery without sacrificing quality).
  - Personal behaviour (e.g., professional behaviour to comply with relevant laws and regulations and avoid any action that discredits the profession).
  - The compensation system shall be established to provide incentives to partners and senior level employees for the quality of their work. The compensation system shall take the following considerations into account:
    - ✓ Feedback based on monitoring results, peer reviews and engagement quality reviews & other external bodies reviews.
    - ✓ Identification of significant and emerging auditing and accounting issues and timely consultation with firm's experts.
    - ✓ Building new client relationships.
    - ✓ Feedback from the existing clients.
    - ✓ Lead in emerging accounting/ auditing/ consultancy areas.



### Communication

- Communication with all personnel will be through mail. WhatsApp messages shall also be used as a mode for disseminating information internally.
- Communication with clients will be through physical meetings/ website updates/ mails (for specific issues/ industry update).

## Acceptance and Continuance of Client Relationships

1. The acceptance & rejection letter for client proposal must be signed by the Partner designated / Management Partner / QC Partner (MP/ Proprietor).
2. The acceptance and continuance for engaging with any client is approved by the Quality Partner, through an approval process, which includes assessing the following:
  - ✓ Type of deliverables that would be required by the client.
  - ✓ Availability of resources with the audit firm.
  - ✓ Risk factors associated with the engagement, such as management bias and intention.
  - ✓ Whether, keeping in mind the nature and extent of audit work to be performed including compliance with the laws, regulations and technical standards, proposed fee covers the cost of carrying out the audit.
  - ✓ Emphasize that fee considerations and scope of services shall not impact the quality of work carried out, the documentation of work performed etc.
3. In case of withdrawal from an engagement the EP must consider the professional, regulatory, and legal requirements and any mandatory reporting which must be undertaken as a result. The matter must be consulted with the MP.

## Engagement Performance

### Consultations

- (a) A technical team/ help desk has been created for handling technical consultations during the engagements.
- (b) The engagement team must raise consultation to technical team if any, EP can take consultation from outside experts in difficult and contentious matters.
- (c) The EP will inform consultation policies and procedures to engagement team members; and also ensure that the engagement team members are sufficiently experienced to identify matters for consultation or consideration during the engagement.
- (d) EP will ensure that sufficient resources are available to various functions to enable them to respond to the consultations raised on a timely basis. Where external service providers are used, either from other firms or other professional and regulatory bodies, the EP shall consider whether the external service provider is suitably qualified for consultations.
- (e) Consultations may be required in specialised areas or situations with appropriate individuals within and outside the firm, in areas such as:
  - (i) The application and interpretation of technical pronouncements.
  - (ii) Industries with special accounting, auditing, or reporting requirements.
  - (iii) Emerging practice problems.
  - (iv) Choices among alternative generally accepted accounting principles.
  - (v) Re-issuance of a report, consideration of omitted procedures after a report has been issued, or subsequent discovery of facts that existed at the date a report was issued, or restatement.
  - (vi) Filing requirements of regulators.
  - (vii) Meetings with regulators at which the Firm is to be called on to support the application of Generally Accepted Accounting

Principles or Generally Accepted Auditing Standards that have been questioned.

- (f) The engagement teams raising consultations shall provide, at a minimum, the following:
  - (i) Relevant facts, including the background of the issue.
  - (ii) The query that is being raised by the engagement team.
- (g) The EP shall provide the Function Consultants with access to, and the Function Consultants shall use appropriate, adequate and current reference materials, research resources as well as collective experience and technical expertise of the firm, to help promote quality and improve the application of professional judgement.
- (h) Both the Function Consultant and the EP shall agree on the conclusion of the consultation and document the nature of consultation raised, the scope, and the conclusions from the consultations.
- (i) Additionally, the EP will also document the decisions taken, the basis for those decisions and how they were implemented.
- (j) If there is an unresolved disagreement, an outside source may be consulted to assist in determining the appropriate application of accounting or auditing principles.
- (k) The report/ deliverable will be issued only after the consultation has been agreed upon with the requesting partner and consulting partner.

## **Resolving Differences of opinion**

In case of difference of opinion,

- (a) Within the Engagement Team,
- (b) Between the EP and Engagement Quality Control Reviewer and
- (c) Between the EP and the Consultation Team:
  - (i) Both the parties having a disagreement of opinion, raise the issue with a panel comprising of the QC Partner, and at least two other partners or with \_\_\_\_\_, who are/ is not connected with the engagement, but who have the appropriate expertise and authority.

- (ii) Both parties present their point of view and, post deliberation, a common conclusion is reached by the QC Partner and the other partners who form part of the panel.
- (iii) This conclusion will be documented and communicated to the consulting team and the engagement team, who document this in their respective work papers, along with the background, viewpoints of both parties, and the partners forming part of the panel.
- (iv) Where the difference of opinion is with the external Engagement Quality Control Reviewer, then consult with another partner/ firm/ regulatory body to resolve the difference.
- (v) The report/ deliverable will be issued only after the matter has been resolved.
- (vi) If members of the team continue to disagree with the resolution, they may disassociate themselves from the resolution of the matter and may document that a disagreement continues to exist.

### Performing Quality Control Reviews

Engagement Quality Control Review shall be required for following types of engagements of the firm:

- (i) Engagement Quality Control Review is required for all audits of financial statements of listed entities.
- (ii) The engagements which are Public Interest Entities (PIE) as per the National Financial Reporting Authority (NFRA) definition.
- (iii) Engagements categorised as high risk or the ones involving complex accounting or auditing issues.
- (iv) The engagements where laws or regulations require an Engagement Quality Control Review.
- (v) Any other engagement identified by the QP for Quality Review
  - a) All engagements will be evaluated against the criteria, and such evaluation will be documented.
  - b) The EP must ensure that the Engagement Quality Control Review shall be completed before the issuance of the report/ deliverable.

## Eligibility of Quality Control Reviewers

The Engagement Quality Control Reviewer:

- (i) Shall be selected by the QC Partner or the MP/ Proprietor.
- (ii) Has sufficient technical expertise and experience. Executes duties with objectivity and due care, disregarding the relative positions of the engagement QC Reviewer and audit EP.
- (iii) Meets the independence requirements relating to the engagements reviewed, even though the engagement QC Reviewer is not a member of the engagement team.
- (iv) Is subject to rotation requirements, as applicable to EP.
- (v) Does not make decisions for the engagement team or participate in the performance of the engagement except that the EP may consult.

## Assembly of Final Engagement Files on a Timely Basis

- a) The assembly of final files must be completed within 60 days of assigning.
- b) Where there are two or more different reports for the same subject matter information of an entity, then the final engagement files for each report shall be treated as a separate engagement and the aforesaid timelines apply to each separate report.

## Retention Policy

- (a) As per the policy of firm, retention period is 7 years in case of audit/ assurance engagements, from the date of the auditor's report, or, if later, the date of the group auditor's report.
- (b) The procedures for retention of audit documentation include:
  - (i) Enabling retrieval and access to engagement documentation during the retention period, with consideration for upgrade/ change of technology in which the documents are retained.

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- (ii) Maintain record of changes to engagement documentation post completion of assembling the engagement files signed by EP & MP/ Proprietor or QC Partner if designated separately.
  - (iii) Enable access of documentation to external reviewers for review of specific documentation for quality control or other purposes.
- (c) The audit documentation is the property of the audit firm, unless otherwise specified by law or regulation. At its discretion, the firm may make available portions/ extracts to clients, where it does not undermine validity of work performed, and in case of audit engagements, the independence of the firm or its personnel.

## Whistle Blower Policy

- To address non-compliance or suspected non-compliance, the matters may be reported anonymously to the Ethical Partner (where designated) or MP or Proprietor.
- The MP or Proprietor shall take the necessary action as it deems fit. Where an EP/ Team becomes aware of a matter to which this section applies, action shall be taken on a timely basis. For taking timely steps, the EP/ Team shall have regard to the nature of the matter and the potential harm to the interests of the employing organisation, investors, creditors, employees, or the public.



## Branch Policies

- Staff/professional personnel includes employees at its branches.
- The policies apply to the organisation as a whole including its branches and other offices.
- The accounting, invoicing and payroll processing will be centralised/decentralised.

## Monitoring Policies

### Annual Inspections

- An annual inspection shall be performed by QC Partner or any other partner (if designated) or MP/ Proprietor. Inspection procedures include reviewing a cross-section of engagements using the following criteria in selecting engagements:
  - Significant specialised industries with emphasis on high-risk engagements.
  - First-year engagements.
  - Significant client engagements.
  - Level of service performed (i.e., audit and attest, review, or compilation).
  - Engagements performed by all partners shall be reviewed at least once in 3 years of span.
  - Engagements for which there have been complaints or allegations from Firm personnel, clients, or other third parties that the work performed by the Firm failed to comply with professional standards, regulatory requirements, or the QC system.
  - Engagements in which there were significant disagreements between the quality review partner and the engagement partner.
- Establishing an approach and timeframe for performing the inspection procedures and determining the forms and checklists to be used during the inspection and the extent of documentation required.
- The inspection shall begin \_\_\_\_\_ and shall be closed by \_\_\_\_\_.
- The inspection shall involve:
  - Reviewing correspondence regarding consultation on independence, integrity, and objectivity matters and acceptance and continuance decisions.
  - Reviewing the resolution of matters reported by professional personnel regarding independence to determine that matters have been appropriately considered and resolved.

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- Selecting a sample of engagements for review to determine compliance with the Firm's QC policies and procedures, re-evaluating that selection throughout the process, and reviewing the selected engagements.
- Engagements reviewed by any regulator/ authority like QRB/ FRRB/ NFRA where advisory has been issued or deficiencies highlighted.
- Preparing a summary inspection report for the partner or management group which shall evaluate the overall results of the inspection and sets forth any recommended changes that shall be made to the Firm's policies and procedures.
- A set of reviewers may be selected for the purposes of monitoring.
- Adequate training of reviewers should be provided.
- Standard format for reviews should be made available.
- The files reviewed should be graded and communicated to the EP / EQCR.
- The learnings arising out of the reviews should be disseminated to the staff.

## Corrective Actions

- Reviewing the recommended corrective actions and reaching final conclusions about the actions to be taken.
- Following up on planned corrective actions to determine whether those actions were taken and whether they achieved the intended objective(s).
- Reviewing and evaluating Firm practice aids, such as audit programs, forms, and checklists, and considering whether they reflect the most recent professional pronouncements.

- Providing information during staff meetings regarding new professional standards, regulatory requirements, and the related changes that shall be made to Firm practice aids.
- Reviewing, or designating a manager-level individual to be responsible for reviewing the CPED policies and procedures to determine whether they are appropriate, effective, and meet the needs of the Firm.
- Reviewing other administrative and personnel records pertaining to the QC elements.
- Soliciting information from the Firm's personnel during staff meetings regarding the effectiveness of training programs.
- The QC Partner's responsibilities include ensuring that the Firm's QC policies and procedures and its methodologies remain relevant and adequate. Factors to be considered include the following:
  - Changes in professional standards or other regulatory requirements applicable to the Firm's practice.
  - Results of inspections and peer review.
  - Review of litigation and regulatory enforcement actions against the Firm and its personnel.
  - Determining whether personnel have been appropriately informed of their responsibilities for maintaining the Firm's standards of quality in performing their duties.
- Identifying the need to do the following:
  - Revise policies and procedures related to QC because they are ineffective or inappropriately designed.
  - Improve compliance with Firm policies and procedures related to QC.
- The firm's systems including the policy manual and all forms and procedures are reviewed by the quality control leader at least annual

basis. This review includes a quality culture assessment, focusing on the firm's commitment to quality. The quality control leader, in conjunction with all partners, is responsible for implementing enhancements of the system.

### **Dealing appropriately with Complaints and Allegations**

- Complaints and allegations that the work performed by the firm fails to comply with professional standards and regulatory and legal requirements, and allegations of non-compliance with the firm's system of quality control. These may originate from within or outside the firm. They may be made by firm personnel, clients or other third parties. They may be received by engagement team members or other firm personnel.
- The firm shall investigate such complaints and allegations supervised by MP/ Designated partner with sufficient and appropriate experience and authority within the firm.
- In case of Sole Practitioners, the investigation may be carried out by qualified external person or another firm who is not otherwise involved in the engagement and includes involving legal counsel as necessary small firms.
- Complaints, allegations, and the responses to them are documented.
- Where the results of the investigations indicate deficiencies in the design or operation of the firm's quality control policies and procedures, or non-compliance with the firm's system of quality control by an individual or individuals, the firm takes appropriate action as recommended by MP/ Proprietor/ Designated partner.

## Support Functions

### Accounts

- Preparation of invoices for services rendered.
- Travelling reimbursement bills.
- Monitoring client-wise service-wise outstanding.
- Collection of cheques and preparation of receipts.
- Payments to employees, articles, and suppliers.
- Payment of taxes and filing of returns.
- Monitoring of bank balance & firm's funds.
- Cash payment and cash receipts.
- Maintaining books of account and preparation of final accounts.
- Employee Taxation.

### Administration

- Co-ordinating for travel arrangements viz. car, train, air and hotel.
- Distribution and purchasing of stationary items.
- Monitoring inward and outward dispatches.
- Work distribution for office boys.
- Maintenance of office and assets of the firm.
- Trouble shooting on admin matters.
- Reception & hospitality of clients / visitors.

### IT Infrastructure

- Laptop shall be given to each of the employees of the level of \_\_\_\_\_ or above.
- The internet access is limited to job-related activities only.

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- Staff are not allowed to download any information, artwork, text, video, audio or pictures from any websites protected by copyright laws through the Firm's internet system.
- Staff are refrained from using unauthorised software or programmes which may trigger viruses or trojans in the Firm's network server.
- All work-related communications, transactions and documents must be transmitted, stored and retained using only approved systems.
- Staff are prohibited from using their personal email accounts and/or file hosting services for such work-related purposes.
- All computing and storage devices (e.g., laptops, smart phones, USB drives, cloud server) must be secured to prevent any unauthorised access and alterations.
- Use of personal devices to connect to the Firm's network or for work-related purposes is strictly not allowed.
- Licensed operating system, software, anti-virus and anti-malware are installed on each computing device.
- All external storage devices must be first checked for any viruses or malware prior to use.
- Computer workstations must be locked when the workspace is unoccupied.
- Sensitive data files should be password protected.
- All user-level passwords (e.g., email accounts, Windows, etc.) must be changed on a regular basis.
- All passwords written on physical media must be stored securely (e.g., in a locked drawer accessible by the password owner only).
- All employees are required to adhere to the password policy of the firm and have it reset at monthly/ regular intervals.
- The Firm shall ensure that sufficient and reasonable measures (such as hardware, software, policies and procedures) are put in place to prevent

loss and leakage of sensitive and/or confidential information, e.g., use of firewall and anti-virus.

- The files must be archived within 1 week from the date of completion of assembly of file.
- The archived files must be password protected & have limited authorised access.
- Alterations to archived file can only be made by authorised personnel. Two authorisations will be required for changes and the same must be documented.
- Disciplinary action shall be taken in the case of non-compliance.
- In the event of a data loss the staff shall inform the EP immediately upon discovery. The EP shall decide the next course of action and may consult legal counsel, if necessary.
- In the event of the loss of a physical file, the team shall conduct a search, inform the client, and reconstruct the file to ensure that there is appropriate and sufficient evidence to support the audit opinion. These procedures should be documented.
- Staff shall make use of Data & Audit Analytical Tools.
- Ensure availability of information technology systems and operations, including IT planning, to support the firm's operations.
- Continuous operational support, proactive analysis, and capacity planning across multiple Microsoft based services supported.
- Responsible for backup and recovery planning as well as the application of operating system related patches and upgrades.
- IT department will coordinate, purchase, and manage all IT/ telecommunications devices and systems utilised by the firm.
- Ensure the safety of the private network from online threat like viruses, spam or hacking attempts.
- Manage the network by implementing group policy to all departments.



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- Implement, manage, and troubleshoot server environment.
- All computers have approved, functioning and up to date antivirus software.
- Implement a formal documented process for the appropriate creation, modification, and safeguard of system passwords.
- Monitor Network traffic using monitoring tools to reduce network bottleneck and detect network abnormalities.
- Ensure minimum loss of time in execution of services due to IT breakdown / failure.
- Control and safety of all IT assets including server, desktops, laptops, printers and other network and peripheral devices.
- Ensure data safety and smooth data storage and retrieval.

## Human Resources

### Office timings

All offices of the firm to work from \_\_\_\_\_ to \_\_\_\_\_ on Monday to Friday.

Saturdays from \_\_\_\_\_ to \_\_\_\_\_.

### Dress Code

All employees are required to dress up in a formal attire on all working days except Saturdays & holidays (when required to work) from office.

### Staff Welfare Policy

1. Group insurance policy for all employees excluding articles & contractual employees (if any).
2. Employee's contribution towards health insurance will be deducted as per the hierarchy.
3. Sum of \_\_\_\_\_ amount is covered for maternity insurance.

### Leave Policy

1. All offices shall be closed on National holidays.
2. The firm shall grant compensatory leave in case the employees are required to work on holidays during busy season.
3. All employees shall be entitled to annual leave of \_\_\_\_days towards family time per calendar year.
4. Rejuvenating/ relaxation leave shall also be granted to engagement team after busy season (as per the recommendation of EP).
5. Female employees are entitled to maternity leave of 6 months for a maximum of two children.
6. Extended maternity leave, one time for a time not exceeding 3 months can be granted as per the recommendation of the EP.

### Trainings

1. All professionals are required to be updated at all times; accordingly, all are required to attend the internal trainings organised on technical subjects every month.

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2. The firm shall impart training on emerging & ongoing subjects throughout the year & updation regarding the training will be communicated through internal communication.
3. All employees above the Manager level are required to attend focussed training sessions as and when organised, the frequency for which is not less than thrice a year.
4. All employees are encouraged to attend the webinars/ VCMs organised by the Institute of Chartered Accountants of India from time to time as and when convenient to stay updated.
5. Employees of the designation of Senior Manager and above can attend a specialised training/ course e.g., DISA/Valuation Standards/ Forensic Accounting and Fraud Detection / Ind AS/ Executive Master Program – New Age Auditors, etc. which shall be sponsored by the firm on the recommendation of the EP.
6. Trainings on Soft skills/ MS may be provided to the employees on the specific requirement by the EP.

### Training Monitoring

Name of Employee	Emp. Code	Trainings Attended	External/Internal Trainings Attended	Sponsored Training Attended

### Policy for Women

- The Firm maintains gender neutral policies.
- The firm provides a motivating career path for women at leadership positions.
- Cab facilities for women working beyond 8 PM.
- Provision for facilities of work from home & flexi hours to professional staff on case-to-case basis.
- The firm shall try to have gender diversity at firm at all times.
- Extended maternity leaves on case-to-case basis.

## Recruitment Policy

1. Hiring of the personnel shall be driven based on existing clientele, anticipated growth, personnel turnover, and individual advancement as determined by the HR Partner/ Head HR/ MP/ Proprietor.
2. The positions shall be hosted on the webpage/ LinkedIn of the firm. In case a HR agency is appointed (on recommendation of MP/ Proprietor), complete job descriptions for all positions shall be shared on approval of the MP/ HR Partner/ Proprietor.
3. The hiring team shall strictly adhere to the criteria laid down in respect of qualifications, attributes, achievements, and experiences desired in entry-level and experienced personnel.

Any relaxation shall require approval of HR partner (if designated) or MP/ Proprietor in Other cases.

4. All candidates with professional degrees shall have to go through three level of screening before being appointed:

Round 1: HR Round

Round 2: Technical Round (with Audit Manager/ EP depending upon the designation offered)

Round 3: Final Round (Engagement/ Managing Partner)

### Procedure for Interview and Selection of Candidates:

Sr. No.	Position/ Parameters	Requirements	Candidates' Parameters	HR/ Manager/ EP/ Remarks
1.	<b>Position applied</b>	Executive/ Assistant Manager/ Manager/ Senior Manager/ Audit Assistant/ Director/ —		
	Location	Delhi NCR/ Mumbai/ Pune/ ___		
1	Educational	CA/ CS/ MBA (Fin)/		

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	Background	DISA qualified/ Valuation Expert/ _____		
2	No. of years' Experience	0-2 yrs./ min 3 yrs./ 5plus yrs./ 10 yrs./ _____		
3	Relevant Work Experience	In statutory audits of Manufacturing Companies _____		
4	Existing Salary	Rs. _____		
5	Previous Employer/ Industry Details			
6	Technical Competency	Handing IFRS assignments		
7	Mobility	Candidate must be open to Pune/ Bangalore/___		
8	Notice Period	Immediate/ 30 days		

Recommendation of:

	Yes	No
HR	<input type="checkbox"/>	<input type="checkbox"/>
Audit Manager	<input type="checkbox"/>	<input type="checkbox"/>
Engagement Partner	<input type="checkbox"/>	<input type="checkbox"/>
Managing Partner	<input type="checkbox"/>	<input type="checkbox"/>

If recommendation is above the scale, then Reasons:

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Summary: Tick applicable:

No offer made:

Employment offer made:

Date of offer:	Planned starting date:
Starting Salary:	Reporting Partner:
Position:	Location:
Approved by:	Other remarks:

Issuance of Appointment Letter post acceptance of the proposal under the signature of the HR Head/ Partner/ Director/ Proprietor.

Employee records documented to the Personnel file/ database.

**Annual Performance Review of Employees**

- 360-degree evaluation for annual appraisal.
- Basic \_\_\_%age increase annually across various levels, subject to max as per the position.
- Recommendation for Promotion shall be made by Audit Manager/ EP/ MP/ Proprietor and final sign off is by EP.
- Star performers (with Exceptional Rating) can be directed a fast-track career advancement path.

**Performance Evaluation Form (Annual)**

Employee name

\_\_\_\_\_

Date of evaluation

\_\_\_\_\_

Person conducting the evaluation

\_\_\_\_\_

Date of last evaluation

\_\_\_\_\_

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<b>Evaluation Criteria</b>	<b>Meet the Criteria</b>	<b>Doesn't Meet the Criteria</b>	<b>Deficiencies (If any)</b>
Technical Knowledge			
Timelines			
Exceptional Contribution			
Client Feedback			
Team Feedback			
CPE Compliance			
Technical Sessions Delivered			
Trainings Undergone			

**Rating on the scale of:**

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Poor	Average	Good	Excellent	Exceptional

**Proposed Career Plan:**

<b>Recommendations</b>	<b>Employee Name</b>	<b>Comments</b>
<b>Next Appraisal date</b>		
<b>Promotion Yes/ No Position</b>		
<b>Recommend Trainings: Technical Soft Skills IT</b>		
<b>Any Other Recommendations</b>		

**Time Report of the Engagement Team Members**

A format for time sheet for the team member may be as follows:

Particular	Name of the client	Nature of engagement	Period of engagement	Time spent	Areas covered
Date/ Day/ Month					
1 Monday					
2 Tuesday					
3 Wednesday					
4 Thursday					
5 Friday					
6 Saturday					
7 Sunday					
8 Monday					
9 Tuesday					
10 Wednesday					

**Exit Procedures**

In case of resignation of employee, exit interview will be conducted by EP/ Proprietor.

Name of Employee	No. of years worked	Designation	Reasons	Last Working Day (LWD)	Pending Obligations (if any)	Full and Final Settlement (FNF)	Employee Turnover Ratio

➤ If reasons are of concern areas, steps taken by the HR/ MP/ Proprietor:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



### Client Complaint format

The Firm is required to deal with complaints and allegations appropriately.

Client name/ contact details: _____
Date complaint was made: _____
How was complaint made: _____
Description of complaint: _____ _____
Category of complaint: _____ _____
Status (open/ resolved): _____
Outcome/ Actions taken: _____ _____
Any issue outstanding: _____ _____
Supporting/ documentation required in file for future reference: _____
Feedback to team: _____ _____
System weakness identified and solutions discuss at the Firm level: _____ _____
Sign off as matter complete by the QC/ MP: _____
Close date: _____



## **The Institute of Chartered Accountants of India**

(Set up by an Act of Parliament)

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