PART B

GENERAL CONTROLS (Based on SQC 1)

The Standard on Quality Control i.e SQC-1 is made mandatory by ICAI on and from 1st April 2009.Hence, the PU is required to establish a system of 'Quality Control', designed to provide reasonable assurance that the PU and its personnel comply with professional standards; regulatory, legal and ethical requirements.

Broadly, PU system of quality control should include policies and procedures addressing leadership responsibility, ethical requirements, acceptance and continuance of client relationship, Human Resources, Engagement Performance and Monitoring etc. A Questionnaire based on these criteria is given in Para 1 To 6 below.

[Notes: 1) Where responses to the questions below are readily available from PU's own Manual, it will be sufficient to provide a cross reference to the relevant Para/chapter of the same.

2) The application of SQC-1 will depend on various factors such as the size and operating characteristics of the PU and whether it is part of network. Hence Level III category of 'PU' may answer these questions accordingly.]

1 LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN A FIRM

1a What are the policies and procedures established by the PU to promote a culture of Quality in performing assurance engagements and, how does the PU's CEO or managing partner (MP) assume ultimate responsibility for the PU's system of quality control (QC)?

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1b How does the PU ensure that commercial considerations do not override the quality of work performed?

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1c To whom has responsibility for developing, implementing and operating the PU's QC system been assigned? Describe how this authorised person has sufficient appropriate experience, ability and authority within the PU to assume that responsibility?

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1d How policies and procedures of the Practice Unit addresses performance evaluation, compensation and promotion for its personnel to demonstrate the Practice Unit's overriding commitment to quality ?

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1e What resources or investments has the PU made for the development, communication to its personnel and support of its QC system?

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2 ETHICAL REQUIREMENTS (INCLUDING INDEPENDENCE)

2a What internal policies and processes has the PU established to ensure that its partners and professionals adhere to the ethical requirements contained in the Code of Ethics issued by the ICAI?

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2b If the PU has any website, whether the same is in conformity with institute's guidelines/ directions issued on posting of particulars on website by Practice Unit(s). If yes, provide the web address.

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2c What Policies & Procedures has the PU taken to ensure that its partners and professionals comply with the following professional ethics relating to assurance services:

- Integrity

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- Objectivity

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- Professional competence and due care

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- Confidentiality

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- Professional behavior in the client service work that they do?

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2d Has the PU set up policies and procedures to ensure that the PU and its partners and professionals are and remain independent at all times? How did the PU communicated its independence requirements to those who may be subject to them.

2e What policies, processes and safeguards has the PU established to mitigate the following threats to its independence?

- Self-interest threat
- Self-review threat
- Advocacy threat
- Familiarity threat
- Intimidation threat

2f What policies, processes and safeguards has the PU established with regard to threats to its independence that could arise because of the following?

- Financial interests of its partners and professionals in audit clients, their owners and officials

- Employment relationships in audit clients, their owners and officials

- Business relationships with audit clients, their owners and officials

- Long association with the clients, their owners and officials

- Acceptance of gifts and hospitality from clients, their owners and officials

- Where fees from a client/ group of related entities from all services provided by the PU are a significant proportion of the total earnings of the PU

- Scope of services that may involve perceived conflicts of interest provided to a client/ group of related entities by the PU

2g Has the PU, in the past, withdrawn from an engagement if effective safeguards to reduce threats to independence to an acceptable level could not be applied?

2h Has the PU obtained written confirmations atleast annually from its partners and professionals for compliance with its policies and procedures on independence?

2i How does the PU confirm independence of another Firm that performs part of its engagement?

2j Are the number of Tax Audit assignments performed by the PU in a financial year, more than the specified number,as per ICAI Notification? (If yes, specify reasons)

2k Has the PU accepted appointment as auditor of an entity where the audit fee of another auditor for carrying out audit under Companies Act, or various other Statutes has not been paid (except in the case of a sick unit)? (If yes, specify reasons)

2l "Are the number of audit assignments held by the PU, at any time, more than the specified number of audit assignments of companies under the prevailing Companies Actand/or the limit prescribed by the ICAI? (If yes, specify reasons)"

2m Has the PU accepted appointment as Statutory Auditor of PSU(s)/Government Company (ies)/Listed Company(ies) and other Public Company (ies) having turnover of more than Rs. 50 crores or more in a year and accepted other work or assignment or service in regard to the same entity(ies) on a remuneration which in total exceeds the fee payable for carrying out statutory audit of the same entity? (If yes, specify reasons)

2n Has the PU accepted appointment as an auditor of a concern while he is indebted to the concern or has given any guarantee or provide any security in connection with the indebtedness of any third person to the concern, for the limits fixed in the statute and in other cases for amount not exceeding Rs 10,000? (If yes, specify reasons)

2o Has the PU at any point of time received fees from a client below the minimum scale of fees recommended for audit assignments by the ICAI? (If yes, specify reasons)

2p Has the PU, being statutory auditor of a client rendered any services to the same client , as mentioned in section 144 of Companies Act 2013 (if yes, specify reason)

2q Has the PU, as incoming auditor for an entity, followed the direction given by the ICAI not to accept an appointment as auditor in the case of unjustified removal of earlier auditor? (If no, specify reasons)

2r Does the PU or a Network, as a good and healthy practice, make a disclosure of the payment received by it for other services through the medium of a different firm or firms in which the said PU or Network or its partners may have an ownership interest? (If no, specify reasons)

2s Does the PU take care to ensure that the aggregate professional fees received from one or more clients by it, its partners, or other firms in which they are partners does not exceed 40% of the gross annual fees of the PU, its partners, or other firms in which they are partners? (*refer guidance note for independence*)

3 ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

3a When accepting or deciding to continue a client relationship, what processes does the PU have:

- To evaluate the integrity of the entity and its people

- To determine whether it has the competencies and resources to undertake the engagements

- To comply with the ethical requirements

3b How does the PU obtain an understanding with its clients regarding the services to be performed?

3c What processes does the PU have, for withdrawal from an engagement and/or from a client relationship if required?

3d How does the PU document details of issues and decisions taken relating to acceptance and continuance of client relationships and specific engagements?

4 HUMAN RESOURCES

4a What steps has the PU taken to ensure that personnel it hires have the desired capability, competence and commitment to ethical principles to perform as per the professional standards, regulatory and legal requirements?

4b What process does the PU follow for determining the appropriateness of an engagement team?

4c What are the considerations for assigning responsibility for an engagement to a particular partner?

4d What steps has the PU taken to ensure that its personnel participate in CPE, Training and Development activities that enable them to accomplish assigned responsibilities?

4e How does the PU ensure that personnel selected for advancement have the qualifications to fulfil the responsibilities they will be called upon to assume?

5 ENGAGEMENT PERFORMANCE

5a How does the PU ensure that the planning process it undertakes for engagements meets professional, regulatory and legal requirements?

5b How is it ensured that the PU's engagements are performed, supervised, documented, reported and communicated in accordance with the requirements of professional standards, applicable regulators and those of the PU itself?

5c How is it ensured that qualified team members review work performed by other team members on a timely basis?

5d What process exists to ensure that engagement teams complete the assembly of final engagement files on a timely basis?

5e How does the PU maintain confidentiality, safe custody, integrity accessibility and retrievability of engagement documentation?

5f How is it ensured that the PU retains engagement documentation for a period of time sufficient to meet the needs of the Firm, professional standards, laws and regulations?

5g What policies and procedures does the PU have to ensure that proper consultation takes place within the PU for difficult or contentious matters?

5h a) How does the PU deal with and resolve differences of opinion, within the engagement team,or with those who are consulted or between engagement partner and quality control reviewer ?

b) How the conclusions reached are documented and implemented?

c) Does the firm release the Report until the matter is resolved?

5i a) Does the PU have criteria for determining whether an engagement quality control review should be performed for given engagements? b) How is it ensured/ monitored that reports of engagements for which a engagement quality assurance review is required are not released before completion of the review?

5j What are the PU's procedures for addressing the nature, timing, extent and documentation of engagement quality assurance reviews?

5k What are the PU's established criteria for eligibility of 'Engagement Quality Assurance Reviewers'?

6 MONITORING

6a How has the PU assigned responsibility for the monitoring process?

6b How does the PU perform monitoring procedures in the light of adherence to professional standards, regulatory and legal requirement, appropriate designing and implementation of quality control system etc.?

6c How and how frequently does the PU Communicate the deficiencies noted and recommendations for remedial action to concerned engagement personnel and to other firm personnel?

6d How does the PU deal with the issue of complaints and allegations?

6e (a) What documentation does the PU prepare in evidence of the monitoring operation of each element of its quality control system?

b) For how long does the Practice Unit retains monitoring documentation?

6f Has the PU been subjected to a Peer Review in the past? - if so, give details and attach certificate.

Signature

Name of Firm

Name of
Proprietor/Partner/
Individual Practising
in own name

Membership No. of the Signatory

Date: