**AUDIT POLICIES**

**1. INDEPENDENCE:**

The firm has a policy to ensure independence, objectivity, and integrity on the part of the partners and staff. The policy shall also address to leadership responsibility, ethical requirements, performance monitoring to demonstrate the overriding commitment to quality. Every partner and staff must give declaration at the time of joining the firm that he/she will disclose his/her professional interest in the clients of the firm whose engagement is undertaken by the firm to ensure that independence of the auditor is maintained as per expected standards of professional behavior to all staff.

That the policies of independence shall be communicated to all concerns and senior most partners shall be responsible to monitor compliances with policies and procedures related to independence and he/she shall be further responsible for periodical review, the association of firm with clients to ensure objectivity and independence together with ethics prescribed by ICAI and any non compliance is strictly dealt with.

**2. A) PROFESSIONAL SKILLS AND STANDARDS**:

The PU shall follow the policy & procedures for the acceptance and continuance of client relationship and specific engagement and also consider the integrity of the client unless it has information that would lead it to conclude that the client lacks integrity.

The firm has established plans for personnel needs at the required levels commeasuring with the current and anticipated clientele till the personnel retires by way of contribution to various funds as and where the need arises to have retirement benefits. The firm has policy of selecting any insurance retirement scheme and obtain insurance policy which gives either guaranteed return or otherwise as per the choice of the personnel. The firm has a policy of giving contribution to various funds to meet its future liability, if arises. The personnel shall retire at the age of 65, unless otherwise agreed upon. The company maintains the HR policy defined from time to time as to leaves, bonus, Provident fund, Ex-gratia payments, incentives based on performance of the personnel attached to the firm. . The PU at the time of hiring and taking as a partner shall examine and ensure of the requisites of objectivity and before such appointment obtains necessary document to ensure that the person is straight forward and honestly performs professional service. The policies are described in the appointment letter also, apart from the verbal communication to the personnel at the time of joining. As a part of continuous education programme the firm shall conduct monthly meeting to discuss new things/ amendments pertaining to tactical standards, judicial pronouncements, circulars, etc having material effect to meet its professional obligation. The firm shall maintain continuous education programme through its website: smgupta.co.in wherefrom most of the updates are uploaded and links to the various important sites of law, taxation and technical standards are connected to enable the personnel to update themselves. The company shall maintain good library having relevant latest publications and journals, other materials relevant to technical standards which meet the professional need and access to library is available at all relevant time to all personnel. The firm shall ensure the availability of relevant professional literature including accounting and auditing standards and pronouncements by professional bodies through its websites. Periodical seminars and education workshops conducted by professional body shall be attended by relevant personnel as and when they are organized in the city. The professional accountant shall perform professional services with due care, competence and diligence and shall have a continuing duty to maintain professional knowledge and skill at a level required to ensure that a client or employer receives the advantage of competent professional service based on up-to-date developments in practice, legislation and techniques. The professional accountant shall not require ultimate expert but it does extend to every aspect of the audit including the evaluation of audit risk, formulation of audit objective, establishment of audit scope, selection of audit tests and evaluation of test result. It shall require it to exercise the Skill of a level commonly possessed by practitioners of that specialty. A PU as a matter of policy shall respect the confidentiality of information acquired during the course of performing professional services and shall not use or disclose any such information without proper and specific authority or unless there is a legal or professional right or duty to disclose

**B) PROFESSIONAL BEHAVIOUR IN THE CLIENT SERVICE WORK:**

PU shall act in a manner consistent with the good reputation of the profession and refrain from any conduct which might bring discredit to the profession. The PU shall have the obligation which the IFAC member bodies to consider, when developing ethical requirements, the responsibilities of a professional accountant to clients, third parties, other members of the accountancy profession, staff, employers and the general public. The PU shall frame a policy by following procedure: Informing personnel of their responsibilities with regard to independence by examining whether the firm personnel and others, if any prohibited from having a financial or business relationship with any of its entities. If case arises then a list is required to be prepared which shall be available to the concerned personnel so they may evaluate their independence. PU shall meet self-interest threat by debarring from taking the assignment. Further in case of self-review threat if found necessary measures will be taken so as to remove the threat of self interest. PU shall not accept any advocacy threat as a matter of principal if it is at the cost of qualification ,principles, standards, quality ,entitlements ,ethics and principles of independence. In case of familiarity or intimidation threat ,It will be mitigated by virtue of polite behavior with strict determination of not doing anything at the cost of professional independence, integrity, entitlements and ethics and strict action will be taken with adequate degree of professional skepticism. Policies, processes and safeguards with regard to threats to its independence that could arise because of the following :-

In case of Financial interests of its partners and professionals in audit clients, their owners and officials PU shall be debarred if there is a professional interest of such audit clients ,their owners ,officials and the PU shall withdraw the assignment .In case of employment relationships in audit clients, their owners and officials PU shall be debarred and in case of business relationships with audit clients, their owners and officials PU shall not carry on the professional work if it is at the cost of professional independence, integrity ,entitlements and ethics. In case of Long association with the clients, their owners and officials PU shall not carry on the professional work if it is at the cost of professional independence, integrity, entitlements and ethics. In case of acceptance of gifts and hospitality from clients, their owners and officials, according to the policies nobody can accept any gifts and hospitality from clients, their owners and officials. If any such case arises the matter will be brought to the notice of the seniors and the matter will be suitably dealt with within the framework of professional ethics.

**3. OUTSIDE CONSULTATION:**

The company as a policy to engage outside senior professionals if required in discharging professional obligations of the firm to its clients on their request. The firm shall encourage its partner and personnel to develop specialization in the fields of their choice separately such as taxation, company law, auditing assurance, investments and portfolio investment/consultancy and to enable them to take up even the latest assignments relevant to system audit and compatibility compliance with the international financial reporting system, or otherwise.

**4. STAFF SUPERVISION AND DEVELOPMENT**:

1. RESPONSIBILITY: Each partner shall be responsible for the audit and assurance work signed by him so as to be the work of acceptable standards by the law of the land.
2. Each audit staff shall be responsible for the quality audit as per checklist provided to them and ensure that the documents are collected and verified with proper care. Each work shall be performed as per guidance provided by the partner and shall be double checked by another audit staff/ office staff irrespective of the smallness of the jobs. The partners shall also check the work of each and other partner’s work as a matter of internal check system before delivering it to client. The senior partner shall be responsible for all compliances. The practicing unit and its partners ensure that the procedures enumerated in SQC–1 is strictly followed and adhered to. General control principles shall be communicated at the time of initial hiring for the assignment. Each partner shall ensure, before assigning any engagement to any staff, that he/she has the competence to undertake the engagement and possess the required qualification and had been explained in brief the required competence and compliance need of the assignment and must ensure that the staff has clearly understood the assignment-its technicalities and have full knowledge of legal requisites and compliances. Each staff shall gather the working sheets and reporting sheets to its seniors who shall evaluate information on the performance of the staff. There will be periodical counseling of staff on the performance and career opportunities.

Assignment of job shall not be done without ensuring that the assignee is the most appropriate person in the relevant point of time and the requirement of specialized expertise and personnel skill are there in the assignee.

1. The audit staff and all personnel shall maintain the working papers, checklist and documents collected from the client in the record safely and abide by the instruction given from time to time. The company shall issue amended checklist and questionnaire on its website for assistance of the personnel to enable them to download the requisite specimen format of the documents required to conduct the audit.

**5. OFFICE ADMINISTRATION**:

The firm shall keep all the records of audits in its cupboard and the confidential documents, papers and files in lock and key so as to retain its confidentiality. The record shall be maintained in two parts-(a) Permanent records (b) Working papers more specifically designed under the head policies regarding working papers.

The records shall be classified as per convenience as specifically described in the relevant policy paragraph separately. A daak book dispatch register to be maintained where each and every daak documents, books of accounts and materials from clients are recorded, numbered and put up before the personnel for disposal thereof. Acknowledgement to be kept separately in the relevant records and copy of the document. A remark is made in dispatch register with the effect thereto. Records must be kept at the designated place as prescribed in the list of files. All the client names, their contact address shall be maintained in the phonebook and other particulars as to engagement, particulars regarding date of commencement and date of audit report in the permanent record. A bill register shall be maintained wherein the bills raised on the clients shall be entered into and shall be handed over to the clients at their given office address. A receipt of having delivered the bill shall be kept in the pending collection bill file and shall be destroyed after collection of the amount of the bill. Money received will be issued as and when the payment is realized after taking note in the receipt column of the bill register maintained for the purpose and the same is deposited with the bank after due entry in the bank book and then, of course, hand it over to the computerized accounting system for accounting thereof. A voucher file is maintained for all the expenses incurred and unpaid bill file separately. Money received from clients as advance for their expenses are recorded separately. Staff file is maintained along with the attendance register.

**6. RECORD AND COMPLIANCES:**

1. Audit record administration- chart of commencement and completion of audit.
2. Financial statements presentation
3. Review and evaluation of system of internal controls
4. Substantive tests
5. Audit conclusion-letter of representation, audit roles

(g) Audit report- copies to be submitted

**FINANCIAL REPORTING:**

Each Partner is suppose to ensure high level of supervision of the engagement. And to ensure the same that –

1. Subject matter of the engagement and its complexity if any is considered properly.
2. Qualification of persons performing the work.
3. Extent of consultation available and used.
4. Degree of authority delegated to the assistants on our engagement.
5. Evaluation of performance of personnel.
6. Risk involved in the engagement.
7. To collect adequate evidences inform of working papers to support audit opinion including work done by other auditors in case of joint audit or otherwise such as audit programme, audit tests carried out and copies of principles, working papers, letter of representation, any correspondent with the other auditors, if any.

The Audit Report be in the prescribed format under the act as applicable. AS and AAS , statement of qualification on auditors report and another relevant accounting standards, statement on qualifications in auditors report and other relevant guidance issued by the institute.

The audit reports should have clear written expression of opinion on the financial information.

The report should contain following ingredients –

1. Scope of auditors examinations.
2. Effect on report by a departure from acceptable accounting principles.
3. Inadequate disclosure in the financial statements of material nature.
4. Effect of future events, whose outcome is not reasonable determinable on the date of report.
5. Emphatic matter, if any.

**Basic elements of the Report:**

1. **Title**
2. **Address**
3. **Opening or introducing paragraph** :-
   1. Identification with the date and audit period covered.
   2. Responsibility statement.
4. **Scope paragraph**:-
   1. Scope of the audit specifying that the AAS issued by the institute.
   2. Declaration that the audit was planned and performed to obtain reasonable assurance and are free from material misstatements.
   3. Extent of examination of evidence on test basis, assessing the accounting principles used.
   4. Extent of evaluation of the significant estimate by the management in prospect with the overall financial statement presentation.
   5. Statement of reasonable basis for the opinion expressed by the audit.
5. **Opinion Paragraph**:-

Indicate the financial reporting framework used to prepare the financial statements and the opinion as to true and fair view in accordance with the reporting framework and to its compliance with statutory requirements.

1. **Date of Report:-**

**Clean audit report means to indicate**

* 1. Consistence compliance acceptable accounting policies.
  2. Compliance with relevant regulation and statutory requirements.
  3. Adequate disclosures of all relevant material matters.
  4. Adverse opinions must state the reasons therefore and must

comply with the requirement of statement on qualification in auditors

report and other relevant pronouncements of the institute.

**OFFICE SYSTEMS & PROCEDURES:**

To deliver and conduct the auditing services in accordance with AAS and to communicate to the personnel the policies and the standards.

To apply the policies of the firm appropriately to the individual audit.

**Training & Office Admistrative**

The firm shall ensure to audit & other staff

1. acquisition of adequate theoritical knowledge, through website
2. developing skills in applying theoritical knowledge in direct supervision of partners/supervisor.
3. inculcating disciplined Attitude.
4. imbibing due professional orientation .
5. developing ethical values by group discussions

Training of Articles / Audit Clerks:

The Firm shall 1) assign progressive Work Experience commensurate with the expanding abilities of the trainees.

1. Design & study plan to ensure that the trainees are

fully prepared to take examination at the earliest opportunity for which they are eligible.

1. Ensure that the work experience is preceeded and backed by practical instruction including briefing before each assignment

to ensure the application of practical Techniques to the circumstances of individual clients, if properly understood.

1. Ensure , inhouse theoritical Training is integrated with practical work experience , through group discussion, and otherwise
2. Assign higher level of technical & supervisory responsibility & client contact designed to ensure that personnel and managerial skill are developed – through group discussion.
3. To ensure that professional attitute and understanding of professional ethics is developed.

**Audit Working Papers :**

1. Working papers shall be the property of the firm.
2. The working papers shall be stored and kept under custody of office supervisor and to retain there till the client exists with the firm as per legal requirement.
3. Working paper shall be filed properly in the relevant files so that it can be easily retrieved both in permanent & current files preferably the present records to be kept in sequence & bound format.

**DOCUMENTATION**

PROCEDURES

1.Profile of the firm:

1. information related to partners and constitution of firm;
2. staff including qualified members of the Institute and other professional bodies;
3. articled clerks

to be maintained properly and is regularly updated for any changes.

2.Register containing the list of clients including columns for kind of services rendered to its client, unique code number to be allocated and contact details and brief profile of the client for ready reference.

1. Staff files shall contain:
   1. Particulars of each employee
   2. Application/Curriculum vitae
   3. Appointment letter
   4. Details of training programmes undergone during employment
   5. Periodic evaluation of performance
2. Manual of policies and procedures shall include:
   * 1. acceptance of an engagement
     2. skills and competence for particular type of engagement
     3. the manner of assignment and delegation of authority and responsibility for different kinds of engagement
     4. the procedure for consultation
     5. policy for retention of clients
     6. guidelines for monitoring the engagement
     7. policies regarding direction and supervision of the engagement

**MANDATORY REGULATION:**

1. Working paper shall record:
   1. Audit Plan
   2. The nature.
   3. Timing & Extent of Auditing Procedures performed
   4. Conclusion drawn from the evidences obtained.
   5. Design and arranged properly to meet the circumstances of each audit and auditors need in respect thereof.
2. Working paper shall be sufficiently completed and detailed to understand the overall Audit.
3. All sufficient matter which require the exercise of judgment together with the auditor auditors conclusion thereon shall be included.
4. The auditor shall adopt reasonable procedure for custody and confidentiality of its working paper and should retain for a period of time sufficient to meet the needs of its practice and satisfy any pertinent legal or professional requirement of record potentials.
5. To generate sufficient appropriate evidence to support the conclusion arrived at in relation to all the attestation engagement. The logic of conclusion drawn in relation to the engagement should flow from working paper.
6. Working paper should also disclose that no significant point or issues remains unresolved.
7. Working paper shall be prepared in this manner so that they clearly and logically show the schedule result of test etc.
8. Working paper shall depict client’s name, file number, accounting period, subject of working paper, reference of working paper, with current or permanent file, initials of preparations and date of preparation and reviewer (principal / supervisor) or date of such review.

**PERMANENT FILE:**

The firm shall maintain Permanent File which:

1. Shall contain into matters stipulated in AAS – 3
2. Update regularly to reflect changes in the information contained in the file.
3. Must contain the auditors understanding of the accounting and the internal control that has been reflected in the permanent file.
4. a) The auditors assessment of inherent risk and control risk and reasons in case of high risk.
   1. Basis of assessment in case the control risk is less than high.
   2. Changes, if any, along with the reasons and effect thereof.

**CURRENT FILE:**

The firm shall maintain Current file which shall include:

1. AS for compliance corroborating AAS - 3.
2. AAS-1, Basic Principles of engagement.
3. General and specific evaluation of internal audit findings and conclusions in this respect (relevant in case of audit and other functions of similar nature).
4. Significant changes in the audit programme, if any and reasons thereof.
5. In case audit report of another auditor to be merged with included in the client’s financial statement whose audit has been conducted by the firm, shall be dealt with suitably.
6. In case joint audit, area covered by each auditor to be specifically mentioned and the papers related to other auditors shall be kept and division of work to be communicated to the client.
7. Evidence that work performed by assistants has been reviewed.
8. Non compliance of laws and regulations by the entity.

**WORKING PAPER GUIDELINES:**

Content of the working paper shall be guided by:

1. Completeness and accuracy
2. Clarity and understanding
3. Eligibility and neatness.
4. Auditable as to whether work performed as per generally accepted accounting principles.
5. Use of standardized working paper i.e.
   1. Check List.
   2. Preprinted forms.
   3. Questionnaires
   4. Specimen letter
   5. Standards of organization.
6. To show the schedule clearly and logically results of tests, etc.
7. To depicts the client’s name, File no. Accounting period, subject of working paper, reference of working paper with current / permanent file, initials of preparer and date of preparation and reviewer (principal / supervisor) and date of such review.
8. Classification as permanent file and current file.
9. Each audit paper to be headed with the following information:
   1. Name of the Client.
   2. Period covered by audit.
   3. Subject matter.
   4. File reference.
   5. Initials of members of audit team.
   6. Who prepared it.
   7. The date on which it was prepared.
   8. In case of working paper prepared by the client, the date of receipt and initials of the audit team who reviewed the working paper.
10. The largest portion of working paper includes:
    1. Details of schedule prepared by the client for the auditors in support of specific amounts on the financial statement such as:
       1. Accounts analysis.
       2. List schedules
       3. Reconciliations of amounts.
       4. Test of reasonableness of procedures, descriptions, information, and outside documentation.
       5. Summary of procedures, descriptions, schedules shall summarize the result of audit procedures performed.
11. Information schedule shall also contain non audit information such as tax information, regular information and time budgets.
12. External documentation shall include Confirmation replies, copies of Client agreement, etc.
13. Review report shall include:
    1. Determination that whether the work performed meets the firms internal standards
    2. Correlate the working papers with the financial statements and access whether adequate evidence has been obtained
    3. Determine whether sufficient matters or problems have been properly considered and resolved and in general provide assurance upon which the firm may assume responsibility for the work done by its professional personnel.
    4. To establish compliance with the technical standards.
    5. The procedures used by the firms are sufficient and appropriate, that the procedures are properly effected in an attestation engagement.
    6. To ensure that the firm generates sufficient appropriate evidence to support the conclusion arrived at in relation to the attestation engagement being reviewed.
    7. Logic of conclusion drawn in relation to the engagement should flow from the working papers.
    8. To disclose that no significant point or issue remains unresolved.