

# MANUAL OF THE FIRM'S POLICIES & PROCEDURES WITH RESPECT TO ISQC-1

January, 2018



AUTHORIZED  
TRAINING  
EMPLOYER

**IECnet S.K.S.S.S**

CHARTERED ACCOUNTANTS & MANAGEMENT CONSULTANTS



( A MEMBER OF IECnet, A NETWORK OF INDEPENDENT ACCOUNTING FIRMS )





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## FOREWORDS

IECnet S.K.S.S.S., Chartered Accountants (*the 'firm'*) is duly registered with the Institute of Chartered Accountants of Pakistan (*the 'ICAP'*) and is operative through practicing members of ICAP (*the 'partners' of the 'firm'*) having rich professional experience for around three decades by now.

The partners of the firm recognize that International Auditing and Assurance Standards Board (IAASB) has issued two documents relating to quality control; namely ISQC-1 and ISA-220. **ISQC-1** (*Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*) applies to firms of professional accountants in respect of audits, reviews of financial statements & other assurance/related service engagements. It should therefore, be applied to non-audit engagements such as reviews of prospective financial information and engagements to perform agreed upon procedures. Whereas, **ISA 220**, (*Quality Control for an Audit of Financial Statements*) is specific to audit engagements and contains requirements that should be adhered to in the performance of any audit. ICAP has adopted ISQC-1, effective from July 01, 2016 and a report of Quality Assurance Board (QAB) of ICAP for 2016 clearly concede a fact that there is no **“one-size-fits-all”** approach and hence the practicing members were advised to seek guidance from the observations summarized in the said report or for that matter any further reporting from to time with a view to improve and maintain quality management in all fairness. Nonetheless, in order to ensure that ISQC-1 is properly complied with and/or is kept updated, this document has been designed to incorporate notable requirements for QCM, augmented by additional directives & guidelines meant for quality control systems & management thereof within the firm's offices besides adhering IECnet Global; the international association of accountants, auditors & tax consultants of which the firm is a member firm in Pakistan.

It is worth mentioning that formal issuance & implementation of QCM is the responsibility of the firm, as well as partners of the firm collectively & individually, for ensuring quality assurance and management of quality control systems in accordance with spirits of ISQC-1. It may also be categorically added that partners, qualified assistants & staff engaged in audit work have read and understood the contents of this QCM besides endorsing & signing requisite **‘understanding-schedule’** to signify their aforementioned statement.

I wish the firm achieves highest quality grading across the country to the entire satisfaction of ICAP and other valued stakeholders.

**M. A. SHAHID**

FPFA., FAIA., FCA

Managing Partner & Partner in-charge for Peshawar Office

Peshawar, the 1<sup>st</sup> day of January, 2018

## VISION, MISSION & VALUES

### VISION:

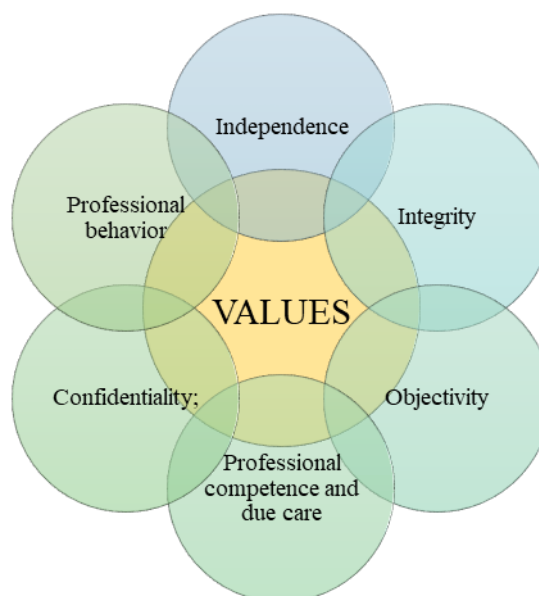
We strive to be the front-runners in the accounting profession serving clients of the firm with excellence that help them make the best business solutions. We are equally committed to establish and maintain a comprehensive system of quality control and quality management of international standards that includes formulation of policies and procedures addressing leadership responsibilities, adhering code of professional ethics, acceptance and continuance of clients' relationship, management of human resources, engagement performance and the constant monitoring & evaluation.

### MISSION:

To go all-out to make effort achieving position in top ten firms of Pakistan by providing broad and coordinated range of excellence, well-timed & valued services that abet achieve clients making '**the-best-business-decisions**' by developing and maintaining quality control systems through dedicated management. To invoke use of IT resources on top of all, in a diligent and professional manner and to communicate clients of the firm regarding our expertise and command over the professional assignments which are accomplished, monitored & evaluated under the Quality Control Systems expected by ICAP and other regulators.

### VALUES:

To provide high quality assurance services by protecting the clients' interest on the one hand while adhering strictly to the code of professional ethics & maintaining the following additional values and principles on the other hand.



## DEFINITIONS

In this manual, the following terms have the meanings attributed below:

- i. **Date of report** - The date selected by the engagement partner to date the report.
- ii. **Engagement documentation** - The record of work performed, results obtained, and conclusions the practitioner reached (terms such as "working papers" or "work papers" are sometimes used).
- iii. **Engagement partner** - The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
- iv. **Engagement quality control review** - A process designed to provide an objective evaluation, on or before the date of the report, of the significant judgments the engagement team made and the conclusions it reached in formulating the report. The engagement quality control review process is for audits of financial statements of listed entities, and those other engagements, if any, for which the firm has determined an engagement quality control review, is required.
- v. **Engagement quality control reviewer** - A partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments the engagement team made and the conclusions it reached in formulating the report.
- vi. **Engagement team** - All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes external experts engaged by the firm or a network firm.
- vii. **Firm** – Means..... IECnet S.K.S.S.S., Chartered Accountants.
- viii. **Steering Committee** – means a 'managing' or 'directing' committee comprising of steering partners specifically to denote 'committee' that determines order in which the business of the firm will be taken in hand and/or quality management will be maintained across the network offices of the firm.
- ix. **Inspection** - In relation to completed engagements, procedures designed to provide evidence of compliance by engagement teams with the firm's quality control policies and procedures.
- x. **Listed entity** - An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.



- xi. **Monitoring** - A process comprising an ongoing consideration and evaluation of the firm's system of quality control, including a periodic inspection of a selection of completed engagements, designed to provide the firm with reasonable assurance that its system of quality control is operating effectively.
- xii. **Network firm** - A firm or entity that belongs to a network.
- xiii. **Network** - A larger structure:
- That is aimed at cooperation, and
  - That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.
- (m) **Partner** - Any individual with authority to bind the firm with respect to the performance of a professional services engagement.
- (n) **Personnel** - Partners and staff, employed by the firm and /or any other firm registered with ICAP through the same partners with authority to represent & practice in two firms simultaneously.
- (o) **Professional standards** - IAASB Engagement Standards, as defined in the IAASB's *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*, and relevant ethical requirements.
- (p) **Reasonable assurance** - In the context of this ISQC, a high, but not absolute, level of assurance.
- (q) **Relevant ethical requirements** - Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which ordinarily comprise Parts A and B of the International Federation of Accountants' *Code of Ethics for Professional Accountants* (IFAC Code) together with requirements of the Companies Act, 2017 and Code of Corporate Governance.
- (r) **Staff** - Professionals, other than partners, including any experts, when need arise, the firm, employs or borrow from another CA firm registered with ICAP through same partners with authority to represent & practice in two firms simultaneously.
- (s) **Suitably qualified external person** - An individual outside the firm with the competence and capabilities to act as an engagement partner, when need arise, for example a partner of another firm, or an employee (with appropriate experience) of either a professional accountancy body whose members may perform audits and reviews of historical financial information, or other assurance or related services engagements, or of an organization that provides relevant quality control services.



## **INTRODUCTION, OBJECTIVES & EFFECTIVE DATE OF QCM**

### **i. Scope**

- This International Standard on Quality Control–1 (**ISQC-1**) Manual (*herein after referred as firm's manual or 'quality control manual -QCM'*) deals with IECnet S.K.S.S.S., Chartered Accountants' (*hereinafter referred to as 'firm' or any or all the offices of the firm*) responsibilities for system of quality control for audits and reviews of financial statements, and other assurance and related services engagements.
- Other pronouncements of the International Auditing and Assurance Standards Board (IAASB) set out additional standards and guidance on responsibilities of firm's personnel regarding quality control procedures for specific types of engagements. ISA- 220 for example, deals with quality control procedures for audits of financial statements are also applicable & covered in this manual.
- A system of quality control consists of policies designed to achieve the objective set out in paragraph 10 and the procedures necessary to implement and monitor compliance with those policies.

### **ii. Authority of this Manual**

- QCM applies to or in respect of audits and reviews of financial statements, and other assurance and related services engagements. The nature and extent of the policies and procedures developed by the firm to comply with this manual are devised considering the size and operating characteristics of the firm.
- The firm's manual contains the objective of the firm for following the ISQC, and requirements designed to enable the firm to meet that stated objective. In addition, it contains related guidance in the form of application and other explanatory material, as discussed further in paragraph 7, and introductory material that provides context relevant to a proper understanding of the manual, and definitions.
- The objective provides the context in which the requirements of firm's manual are set, and is intended to assist the firm in: -
  - Understanding what needs to be accomplished; and
  - Deciding whether more needs to be done to achieve the objective.



- Where necessary, the application and other explanatory material provides further explanation of the requirements and guidance for carrying them out.

In particular, it may:

- Explain precisely what a requirement means, or is intended to cover; *and*
  - Include examples of policies & procedures that may be appropriate in the circumstances.
- While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in this manual. Where appropriate, additional considerations specific to public sector audit organizations or smaller firms are included within the application and other explanatory material. These additional considerations assist in the application of the requirements in this manual.
  - This manual includes, under the heading “Definitions,” a description of the meanings attributed to certain terms for purposes of this manual. These are provided to assist in the consistent application and interpretation of this manual, and are not intended to override definitions that may be established for other purposes, whether in law, regulation or otherwise.

### **iii. Effectiveness & the effective date**

- The system of quality control in compliance with this ISQC-1 is implemented for the financial years ending on or after June 30, 2016; *and*
- The manual is last updated on December 31, 2017 to be effective from January 01, 2018 for all times or the future years unless amended. Directives issues by the firm or partners of the firm (including a partner-in-charge of a particular office) in supplement to QCM and/or directives issued from ICAP, SECP, SBP or AOB shall be deemed as forming an integral part of QCM & ISQC-1 adopted and implemented by the firm.





## **OBJECTIVE OF SYSTEM OF QUALITY CONTROL**

The objective of the firm is to establish and maintain a system of quality control to provide it with reasonable assurance that:

- i. The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; *and*
- ii. The reports issued by the firm or engagement partners from any or all the offices of the firm are appropriate in the circumstances.



## **APPLYING AND COMPLYING WITH RELEVANT REQUIREMENTS**

- i. It is responsibility of all partners who are not part of engagement team for establishing and maintaining the firm's system of quality control for whom firm believe that these have an understanding of the entire text of this ISQC-1, including its application and other explanatory material, to understand its objective and to apply its requirements properly.
- ii. IECnet Pakistan shall comply with each requirement of ISQC unless in the circumstances of the firm, the requirement is not relevant to the services provided in respect of audits and reviews of financial statements, and other assurance and related service engagements.
- iii. The requirements are designed to enable the firm to achieve the objective stated in this manual. The proper application of the requirements is therefore expected to provide a sufficient basis for the achievement of the objective. However, because circumstances vary widely and all such circumstances cannot be anticipated, the firm consider whether there are particular matters or circumstances that require the firm to establish policies and procedures in addition to those required by this manual to meet the stated objective.



## FIRM'S POLICY ON QUALITY CONTROL

- i. The firm is committed to following requirements of ISQC 1 and promoting a culture of quality throughout the organization. The policy in this regard is:

To ensure sufficient resources are devoted to the development, documentation and support of the firm's quality control policies and procedures;	To ensure commercial considerations never override the quality of performance;
To ensure quality in all assignments that we perform; <i>and</i>	To ensure all audit work is controlled and signed off only by specified partners.

ii. **Standing details**

Person in charge of compliance

Role of the Person in charge of compliance within the firm will be of all partners not part of engagement team because:

- They have sufficient knowledge of requirements of International Standard on Quality Control.
- They have sufficient knowledge of accounting and auditing procedures;
- They are acquainted with business processes and business practices;

iii. **Persons eligible to sign off audit reports**

Only the partners of the firm for the time being as per the partnership agreement are eligible to sign off audit reports issued by the firm.



**iv. Ethics Person**

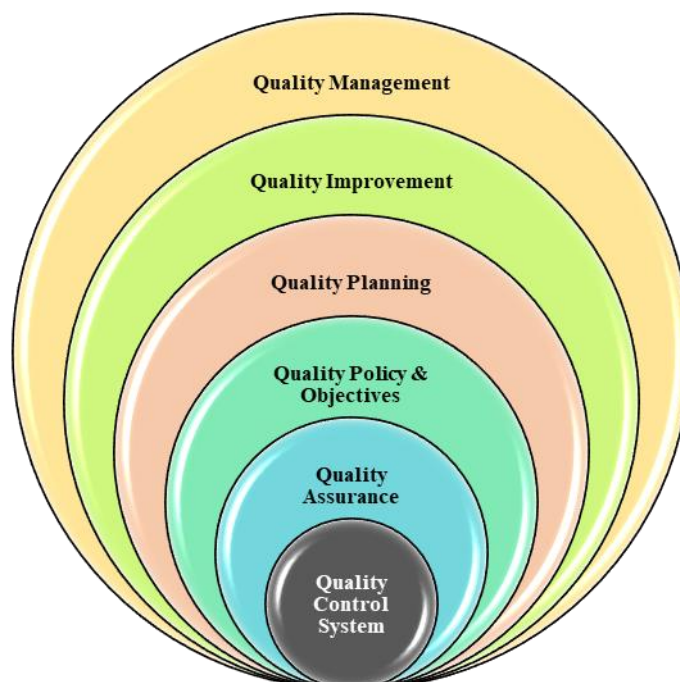
The overall role of the Ethics Person within firm has been assigned to Mr. Muhammad Saleem, FCA, who is the partner in-charge of Karachi Office besides being representing International Contact Partner to deal with IECnet Global, as & when required as Head Office of the firm. Nonetheless, each office of the firm can entrust such role, subject to approval of steering committee/board of partners, to designate one of the partners in respective network offices/branch offices of the firm.

This person has been chosen to fulfil this role in view of the following:

- He has sufficient knowledge of ethical principles applicable to the assurance engagements;
- He is able to identify threats to independence and apply relevant safeguards to reduce the threats.
- He has conducted orientations of engagement team members so that they could understand the ethical principles of independence, integrity, objectivity, confidentiality, professional competence and due care and professional behavior.
- He can evaluate the client acceptance and maintenance procedures.

## ELEMENTS OF A SYSTEM OF QUALITY CONTROL

- i. The firm has established and maintained a system of quality control that includes policies and procedures that address each of the following elements: -
- *Leadership responsibilities for quality within the firm.*
  - *Relevant ethical requirements.*
  - *Acceptance and continuance of client relationships and specific engagements.*
  - *Human resources.*
  - *Engagement performance.*
  - *Monitoring.*
- ii. IECnet believes in documenting quality control systems based on effective planning by focusing objectives behind the same and targeting constant improvements and management thereof through well dedicated team of professionals employed across the offices network. Consequently, the firm has documented its policies and procedures and communicated these to the firm's personnel along with the related objective and message for their personal responsibility. Further, as a matter of the firm's quality control policy, it encourages personnel to communicate their views or concerns on quality control matters recognizes the importance of obtaining feedback on quality control system.





## **POLICIES & PROCEDURES FOR LEADERSHIP RESPONSIBILITIES**

### **i. Policy**

It is the policy of the firm to assign the leadership responsibility to the persons who can bind all the staff and are responsible persons with sufficient experience, skills and abilities to evaluate the proper functioning of quality control. The firm's Managing Board of Partners has the ultimate responsibility for audit quality at all times. They can delegate operational responsibility for this to a suitably qualified partner of the firm at their discretion.

### **ii. Procedures**

The firm has performed following procedures to demonstrate its commitment to the quality: -

- The leadership responsibility for quality within the firm is assigned to the firm's Governing Board of Partners/Steering committee constituted by the Board of Partners.
- Board of Partners is provided with the authority to delegate operational responsibility for this to a suitably qualified partner or other staff of the firm at their discretion.
- They gave operational responsibility for this particular function to one of the senior professional team members who will report to the Governing Board as and when required and at least on an annual basis.
- System of training seminars, meetings, formal dialogue and appraisal procedures for performance evaluation, compensation and promotion are in place to emphasize the culture that recognizes and reward high quality work.
- Firm has established its mission statement to demonstrate its commit to quality which is prominently displayed on the notice board of the firm.
- The firm has assigned the operational responsibilities to its experienced staff as mentioned in earlier paragraphs. These staff has sufficient experience and abilities to enable the firm to develop maintain and implement related policies and procedures for quality. For this purpose, sufficient authority has also been given to such staff.



## POLICIES AND PROCEDURES FOR ETHICAL REQUIREMENTS

### POLICIES

IECnet believes in complying with professional code of ethics meant for the personnel engaged for professional services. The core principles adhered in this regard are as follows:

- *Independence;*
- *Integrity;*
- *Objectivity;*
- *Professional competence & due care;*
- *Confidentiality*
- *Professional behavior;*

#### **Policies for independence**

- All services provided to each client are identified and evaluated to ensure that they do not impair independence.
- Threats to independence will be regularly evaluated to identify the breaches and apply appropriate safeguards. The policy governs the following broad categories of threat to independence.
  - Self- interest;
  - Self- review;
  - Familiarity;
  - Advocacy; *and*
  - Intimidation.
- All potential independence threats must be notified promptly to the Audit Engagement Partner by all audit personnel.
- It is the responsibility of the Audit Engagement Partner to provide to the board of partners' information about the clients' engagements including scope of services to enable the firm to evaluate the overall impact and notify any breaches or potential problem areas to the person in charge of the compliance or Ethics Persons in charge, if any.
- It is the responsibility of personnel to intimate to the person in charge of the compliance or ethics person in charge any issue of independence that concern them and such in charge will communicate these to the board of partners who will communicate to the engagement partner and other concerned person for applying appropriate safeguards.



- IECnet Pakistan shall establish policies and procedures for the undermentioned requirements meant for independence:
  - Setting out criteria for determining the need for safeguards to reduce the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time; *and*
  - Requiring, for audits of the financial statements of listed companies, the rotation of the engagement partner and individuals responsible for engagement QCR, and, where applicable, others subject to rotation requirements after a specified period in compliance with relevant ethical requirements.

#### **Policy for Integrity**

Firm and its personnel will be straight forward and honest in all professional & business relationships.

#### **Policy for objectivity**

Firm and its personnel will not allow bias, conflict of interest or undue influence of others to override professional or business judgments.

#### **Policy for Professional competence and due care**

- It is duty of firm and its personnel to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques.
- Engagement partner shall act diligently and in accordance with applicable technical and professional standards when providing professional services.

#### **Policy for confidentiality**

Firm and its personnel will respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Information acquired as a result of professional and business relationship will not be used for the personal advantage of the firm, its personnel or third parties.

#### **Policy for professional behavior**

Firm and its personnel will comply with applicable laws and regulations and not indulge in any act that discredits the profession.





## PROCEDURES

### Procedures for independence

- All members of staff and partners shall complete independence form before being assigned to the engagement confirming their independence and compliance with the firm's policies and procedures.
- All identified independence threats must be included in the independence register and details of all public interest clients will be identified in the independence register.

The independence register provides following information in columnar form, only whichever is applicable: -

- Name of engagement partner;
- Length of engagement partner;
- Break up of services;
- Identified or suspected threats to independence;
- Business relationship with the client;
- Loan and/or guarantees to or from clients;
- Family relationships between engagement partner or any other senior level employees of the firm and assurance client;
- Detail of previous employment with assurance client of engagement partner;
- Serving as an officer, director on the Board of assurance client.
- Non assurance services to assurance client that may include:
  - *Preparing accounting records and financial statements;*
  - *Valuation services;*
  - *Taxation services;*
  - *Internal auditing services;*
  - *IT system services;*
  - *Temporary staff assignments;*
  - *Litigation support services;*
  - *Legal services;*
  - *Recruiting senior management;*
  - *Corporate finance & similar activities.*



- The independence register will specify the safeguards or to conclude that threats could not be reduced and thus it is appropriate to withdraw from the engagement or to rotate the engagement partner or senior personnel.
- Independence forms and register shall be properly reviewed by the compliance or ethics in charge.
- In case of association of engagement partner with the client for five years or above for audits other than of listed entity, the audit engagement partner will discuss the position with the compliance in charge and determine the appropriate action from the steps described below. This will be documented and approved before any work is undertaken on the audit.

**The following actions could be taken:**

- For listed entities, engagement partner must be rotated every five years to comply with the provisions of the Code of Corporate Governance.
- The audit engagement partner could stand down and the audit be taken over by another partner in the practice;
- Where there are no additional risk factors and person in charge of compliance is in agreement:
  - *The client will be informed of about the risks resulting from the long association;*
  - *The audit engagement partner will remain in place; and*
  - *Where any contentious or controversial issues arise during the course of the audit the audit engagement partner will request independent review by another chartered accountant whether within or outside the firm depending on circumstances.*
- Where there are additional risks but it is not appropriate to assign the audit to a different partner this should be documented on the file, agreed with the person in charge of compliance and the following actions will be taken:
  - *Client will be notified of the risks resulting from the long association; &*
  - *The file will be subject to an independent review by a qualified individual not associated with the audit;*



The details of all audits where there is a long association will be recorded on the independence register and a sample will be included in the cold reviews undertaken as part of the annual compliance review.

- Firm will not accept the professional work where threat could not be reduced by applying the safeguards.

#### **Procedures for integrity**

- Obtain representation from Client that information provided by them is not:
  - *Materially false or misleading;*
  - *Contains statement or information furnished recklessly; and*
  - *Omit or obscures information required to be included where such act lead to mislead the readers.*
- Modify his report to the client or refuse to perform the engagement, if there is risk that integrity will be impaired.

#### **Procedures for objectivity**

- Engagement partner will discuss the level of fees charged with the those charged with governance;
- Fees charges shall commensurate with the volume of work;
- No benefits will be accepted other than professional charges.

#### **Procedure for professional competence and due care.**

- Engagement team will be assigned to the client after considering their professional qualification and skills;
- Work of assistants will be subject to review by qualified staff;
- In house educational seminars will be arranged to develop the skills of staff.
- Staff will be bound to attend the seminars conducted by professional bodies to so that continued professional development will remain in place and clients could receive the best service.



### **Procedure for confidentiality**

- It will be placed in the notice board that confidentiality of information provided by third parties is moral duty of personnel including partners.
- All breaches of confidentiality will be noted by compliance in charge and punishment will be given to those who do not respect the related policy.
- Written authority of the client will be obtained before the disclosure of any confidential information.
- Legal advice will be obtained whenever disclosure is required by law, Institute.

### **Procedure for professional behavior**

- Firm's governing board of partners, compliance in charge and ethics in charge and person responsible for maintenance of quality control will always remain updated for laws and regulations and changes therein. This will be done through formal or informal dialogues among Partners, compliance in charge and ethics officer.
- Ethics in charge and compliance in charge will arrange discussions with the staff of the firm for discussion on applicable laws and regulations and evaluate the breaches and notify to the firm for identified breaches so that appropriate course of action could be taken.



## **POLICIES & PROCEDURES FOR ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS**

### **POLICY**

The firm will only accept or continue an assignment provided we have established that the client concerned does not lack integrity, that we are competent to perform the services required and that we can comply with ethical standards and the Code of Ethics for Chartered Accountants. Further, the firm will only undertake the assignment or continue relationship if has considered the integrity of the client, and does not have information that would lead it to conclude that the client lacks integrity in any manner.

### **PROCEDURES**

- The Audit Engagement Partner must complete the firm's client acceptance or reappointment documentation before the start of every assignment. The relevant section of the firm's standard audit procedures must be completed during the planning stage of the assignment.
- The Audit Engagement Partner must consider immediately any information which arises in respect of an assignment which could have had an impact on the decision to accept the appointment initially.

### **POLICIES & PROCEDURES TOGETHER:**

The policies and procedures obligatory at the firm's end in this regard (continuing an engagement and the client's relationship), addressing the circumstances where the firm obtains information that would have caused it to decline the engagement had that information been available earlier. Such policies and procedures shall include consideration of:

- The professional and legal responsibilities that apply to the circumstances, including whether there is a requirement for the firm to report to person or persons who made the appointment or in some cases to regulatory authorities;  
*and*
- The possibility of withdrawing from the engagement or from both the engagement and the client relationship.



## POLICIES AND PROCEDURES ON HUMAN RESOURCES

### POLICIES

To improve the standard of quality within the firm, the firm has established its policies on following matters so that engagements could be performed in accordance with professional standards and applicable legal and regularly requirements and appropriate audit report could be issued;

<b>Recruitment</b>	<b>Competence</b>
<b>Performance evaluation</b>	Career development
<b>Capabilities for timely work</b>	Promotion
<b>Compensation</b>	Estimation of personnel need

#### **Policy on recruitment**

The firm will recruit the individuals of integrity with capacities to develop the competence and capabilities necessary to perform the firm's work and who possess the appropriate characteristics to enable them to perform competently.

#### **Policy on performance evaluation, compensation and promotion**

The Firm will give due recognition and reward to the development and maintenance of competence and commitment to ethical principles.

#### **Policy on capabilities including time to perform engagements**

Capabilities of individuals will be maintained and developed through continuing professional development and individuals will be guided to follow reporting deadlines.

#### **Policy on competence**

Firm will recruit the individuals who are competent and have capacity to develop their competences

#### **Policy on career development**

The company will guide and help its staff in developing the career path.

#### **Policy on estimation of personnel needs**

Firm will recruit and assign sufficient personnel to that work could be done in effective way and reporting deadlines could be followed.

## PROCEDURES

### **Procedure for recruitment of audit trainees:**

The applicant will complete the recruitment Form and enclose Curriculum Vitae (C.V) with it. Following standards have been set for applying to the firm: -

- Passed CAF or referred in maximum two papers of CAF examination as conducted by the Institute of Chartered Accountants of Pakistan (ICAP).
- Students of Associate Certified Chartered Accountants (ACCA) or Institute of Cost and Management Accountants (ICMA) who have passed at least 9 papers of their exams, giving preference to qualified ACCA or finalist of ICMAP.
- Students from other Institutes will be considered depending on manpower requirements.
- Forms will be available from 1<sup>st</sup> day of April and October and could be submitted up to 10<sup>th</sup> of same months.
- Manager HR or officer nominated specifically by the partner in-charge of the respective office of the firm will short list the application form considering the aforesaid criteria and forward to the interviewers the short listed application Forms.
- Interviews will be conducted by Senior Manager, Compliance In-charge or Ethics Officer depending on circumstances.
- Partner will approve the appointment by signing the application form or disapprove the appointment by writing his conclusion.
- Successful candidates will be informed by manager Human Resources up to end of month in which interviews will be held. Unsuccessful candidates could confirm their status by telephoning to the interviewer whether they are on waiting list or their application was refused.
- Successful students will furnish photo copies of their academic qualification after offering for review the original documents.
- On completion of two months' probationary period, ICAP students eligible for registration will apply for registration so that their training period could commence.



**Procedure for recruitment of supervisor:**

- Jobs will be advertised on the notice board of the ICAP, yahoo groups or when necessary in the newspaper narrating the academic qualification required to perform the role which shall be CFAP/MSA finalist having passed at-least five papers of Certified Finance & Accounting Professional (CFAP) examinations of ICAP or ACCA qualified with completion of prescribed training period from reputable audit firm. Qualification below the stated above will be considered depending on the experience.
  - Recruitment will be conducted when vacancy arise due to increase in work volume or resign or termination of existing staff.
  - Manager Human Resources will short list the application Form considering the aforesaid criteria and forward to the interviewers.
  - Interviews will be conducted by Manager Audit, Compliance In charge or Ethics Officer depending on circumstances and short list the C.Vs for partner's consideration.
  - Partner will conduct the final interview and approve the appointment by signing the C.V or may disapprove the appointment by writing his conclusion and notify to the manager Human Resources.
- s
- Manager Human Resources will inform to the successful candidates immediately by the partner's approval. Unsuccessful candidates could confirm their status by telephoning to the interviewer whether they are on waiting list or their application was refused.
  - Successful candidates will furnish photo copies of their academic qualification after offering for review the original documents.

**Procedure for recruitment of Managers:**

- Jobs will be advertised on the notice board of the ICAP, yahoo groups or when necessary in the newspaper. Incumbent shall be Chartered Accountant from ICAP having five years of post-qualification experience out of which three years shall be in reputable practicing firm. Qualification below the stated above will be considered depending on the experience.
- Recruitment will be conducted when vacancy arise due to increase in work volume or resign or termination of existing staff.
- Manager Human Resources will short list the application Form considering the aforesaid criteria and forward to the interviewers.





- Interviews will be conducted by Board of Partners to whom such manager will report.
- Manager Human Resources will inform to the successful candidates immediately by the partner's approval. Unsuccessful candidates could confirm their status by telephoning to the Manager Human Resources whether they are on waiting list or their application was refused.
- Successful candidates will furnish photo copies of their academic qualification after offering for review the original documents.

#### **Procedure for recruitment of Engagement Partners**

- Engagement partner will be selected from the existing hierarchy of the firm having five years of post-qualification experience. The limit of five years may be further increased or decreased by the Board of Partners in the exceptional circumstances.
- Recruitment will be conducted when vacancy arise due to increase in work volume or resign by the existing partners.
- Interviews will be conducted by existing Board of Partners who will make write up of their conclusion.

#### **Procedures on performance evaluation, compensation and promotion**

- Skills assessment questionnaires will be completed for each staff bi annually so that performance could be evaluated and promotion and benefits could be justified.
- Following hierarchies for trainees are set:
  - Assistants I
  - Assistants II
  - Audit Seniors
  - Supervising Seniors

The questionnaire will be subject to following minimum standards:

- For promoting as Assistants II, Assistants I must have completed one year of practical training and during this year he must pass at least two papers.
- For promoting as Audit Seniors, Assistants II must have completed two and half year of practical training since joining and during this period he must pass at least four papers.



- For promoting as supervising senior, students must have completed their training period and have passed at-least 5 papers of CA final examinations or become ACCA qualified.
- Other criteria in assessment FORM will be punctuality, behavioral aspects, assignments done and rate of error in work performed, manager and partner remarks.

**Procedures on capabilities including time to perform engagements:**

- Continuing Professional Development activities are part of firm's culture, these include:
  - In house seminars;
  - Participation in seminars conducted by ICAP;
  - Allowing students to spare time from normal working hours to attend classes of their professional courses.
  - Formal / informal discussions on financial statements disclosures and types of audit opinion issued by various companies and auditors respectively and available on websites.
  - Foreign secondments to different countries with firms on the network of MSI.
- Development and following of logistics plan narrating reporting deadlines for deliverables.

**Procedures on competence**

Firm always value personnel with competence and skills required to perform the work and have following procedures in place:

- Screening process for recruiting competent personnel [refer recruitment procedures paragraph – 29 (i) – (iv) above];
- Appraisal process is in place for performance evaluation, compensation and promotion to reward the competent personnel [ refer paragraph – 29 (v) above];
- Continuing Professional development for maintaining professional competence [refer paragraph – 29 (vi) above];



**Procedures on career development:**

- The firm has maintained its internal hierarchy as defined in reporting structure which defines career development path;
- The firm has policies and procedures for performance evaluation, compensation and promotion which will induce the personnel to develop their career [refer paragraph – 29 (v) above];
- The firm has culture of continuing professional development [refer paragraph -29 (vi) above] to guide the personnel in career development.
- Appropriate exam leaves schedule is decided for students so that students could get prepared for their professional exams. The leave schedule is as follows:
  - For exams in March and June
    - For appearing first time, per paper allowed leave will be 15 days;
    - For subsequent attempts, per paper allowed leave will be 10 days.
  - For exams in October and December
    - For appearing first time, per paper allowed leave will be 10 days;
    - For subsequent attempts, per paper allowed leave will be 7 days.

**Procedures on, estimation of personnel needs, assignment of engagement team;**

- The Firm recruit trainee staff twice a year as defined in paragraph – 29 (i) above. Number of trainees to be recruited varies each year depending on the trainees turn over, new engagements accepted, expansion of business by recurring audits which require additional staff to handle the assignment.
- The company has sufficient numbers of supervisors, managers' engagement partners for overseeing the engagement performance.
- Work load is managed by assigning the appropriate engagement team as defined in firm's reporting structure and monitored through development of logistics plan
- Logistics plan is communicated to the audit client narrating role of engagement partner and his responsibilities, manager audit, supervising seniors, assistants and budgeted time required to complete each head of accounts.
- Discussions amongst engagement team are held and documented so that applicable legal and regulatory requirements could be identified and appropriate opinion could be expressed by the engagement team.



## **POLICIES AND PROCEDURES ON ENGAGEMENT PERFORMANCE**

The firm has established policies and procedures to assist in the following matters:

- i. In obtaining reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements, and that the firm or the engagement partner issue reports that are appropriate in the circumstances;
- ii. In obtaining reasonable assurance that, appropriate consultation have taken place on difficult or contentious matters, sufficient resources are available to enable appropriate consultation to take place, such consultation are agreed by both consulted person and individual seeking consultation and such consultations are documented.
- iii. In the performance of engagement quality control review;
- iv. In determining nature, timing and extent of engagement quality control review;
- v. In resolving differences of opinion
- vi. In appropriate engagement documentation including related matters;



## POLICIES

### **Policy on performance of engagement**

It is the policy of firm that all engagements will be performed in accordance with professional standards and applicable legal and regulatory requirements, and that the firm or the engagement partner issue reports that are appropriate in the circumstances.

### **Policy on consultation**

It is policy of firm that appropriate consultation will be taken on difficult or contentious matters and agreed both by individual seeking and providing the consultation and matters consulted and relevant conclusion shall be documented.

### **Policy on engagement quality control review**

- It is the policy of the firm that all audits of listed companies, public unquoted companies and companies where significant public interest is involved shall be subject to engagement quality control review. Further responsibilities of engagement partner will not reduce as a result of engagement quality control review.
- The reviewer will be replaced if his objectivity is impaired.

### **Policy on nature, timing, extent and documentation of engagement QCR**

For each assignment undertaken, **the nature, timing and extent of the review must be agreed in advance**. Set criteria must be followed in respect of the eligibility of the reviewer particularly regarding their qualifications and objections. Adequate documentation must be produced regarding the review to demonstrate that the review has been carried out in a proper and timely fashion and to show that any unresolved matters have been dealt with.

### **Policy on differences of opinion**

In situations where differences of opinion arise, either within the engagement team, with those consulted or between engagement partner and engagement quality control reviewer, all conclusions reached must be documented and implemented and the report must not be issued until the matter is resolved.

### **Policy on engagement documentation**

All working papers will be prepared, maintained and assembled on time in accordance with the requirement of ISA – 230 audit documentation, kept confidential in safe custody where their integrity, and accessibility could be maintained.



## PROCEDURES

### **Procedures on performance of engagement:**

- Discussion amongst engagement team are occurred and documented so that areas where the company's financial statements are susceptible to risk of material misstatements could be identified and engagement team could be briefed and audit plan could cater for such risk.
- Appropriate Audit plan and audit programs narrating the nature, timing and extent of audit procedures will be used to direct the engagement team on the audit approach and audit procedures necessary in the circumstances and will be filed in working papers with the relevant head of accounts.
- Audit program will define the assertions addressed to evaluate compliance with the ISA on Audit Evidence No – 500.
- Audit programs will be cross referred with relevant financial statements head of accounts and with procedures performed document.
- Checklists are developed for evaluation the companies' compliance with the IFRS, laws and regulations and evaluating the companies' internal controls.
- Basis to determine materiality and sample size are developed and will be followed.
- Engagement team will be assigned to each audit engagement which includes the senior audit assistants, semi senior audit assistants and junior audit assistants.
- Senior assistant will review the work of junior and semi senior audit assistants and will report to the supervisor.
- Supervising senior will assist the assistants in applying the audit plan and audit procedures and report to the manager in charge of the engagement, findings and difficulties arising in course of performance of the engagement.
- Manager in charge will review the working papers during different stages of the audit and discuss the matters with client' coordinator and meet with the person overall responsible for the financial aspects of the company (say) Chief Financial Officer, Chief Accountant to discuss significant findings.
- Manager will track audit progress on daily basis and visits to audit clients regularly and report his review summary to partner on weekly basis.



- Engagement partner visits the audit clients for discussing the matters that are significant and review the working papers during different stages of audit.
- Significant findings will be reported to the charged with the governance and it will be agreed in advance with the company that with whom matters of governance interest will be discussed.
- Manager Audit and Engagement Partner will decide the matters on which consultation need to be sought.

### **Procedures on Consultation**

- Firm has designated a consultant for extending corporate and taxation advisory services under the Companies Act 2017 and Taxation Laws of the country such as Income Tax Ordinance 2001 and Sales Tax Act 1990. All other services required with respect to Federal Excise, Custom Laws, Capital value tax and technical matters like valuation and impairment of assets, etc., has sufficient expertise to deal with matters arising from these laws;
- Firm has designated a consultant for legal issues who has sufficient expertise to deal matters arising like disclosure of confidential information, publication of financials before signing of audit report.
- Firm has procedure to consult with ICAP on matters requiring interpretation of IFRS, ISA's further matters relating to registration of the firm with Audit Oversight Board and Securities & Exchange Commission of Pakistan will also be dealt through the same arrangements.
- Reviewer will be consulted on issues relating to ethical requirements.
- Reviewer will be consulted for issues relating to ISQC other than ethical requirements.
- All consultation will be sought within one week of the issue being arisen.
- All issues on which consultation was sought will be documented in electronic 'record of consultation' including conclusions there on and remarks by individual seeking consultation and from whom consultation was sought evidencing their agreement on the conclusion.
- Date of implementation of conclusion from consultation will also be reflected in the 'record of consultation'.



**Procedures on Engagement quality control review & nature, timing, extent and documentation of such review**

- All partners except engagement partner may act as reviewer for listed, public unlisted companies and for companies where there is significant public interest.
- Reviewer could be consulted by the Engagement Partner during the course of Audit in a manner that does not influence the decisions of the Reviewer or his objectivity. Matters for consultation include establishing, not at late stage of the audit, that judgment by engagement partner will be acceptable to the reviewer.
- Following precautions are taken to avoid the impairment of reviewers' objectivity: -
  - Reviewer shall be selected by the firm's governing board of partners;
  - Not otherwise participate in the engagement during the period of review;
  - Does not make decisions about engagement team;
  - Reviewer will not consider other work that would threaten the reviewer's objectivity.
- The engagement report shall not be dated until the completion of the engagement quality control review.
- Firm encourage the completion of documentation of EQCR before the date of report, however, due to practical reasons documentation of engagement quality control review may be completed after the date of the report.
- Reviewer work will commence on completion of each significant head of account so that significant matters could be promptly resolved before the date of the report.
- The reviewer will discuss the significant matters and findings with the engagement partner and document the discussions by preparing the minutes of discussions.
- Reviewer shall review the financial statements or the other subject matter information and the proposed report for their and submit his report to the engagement partner before signing of the financial statements.
- Reviewer shall review the selected engagement documentation relating to significant judgments made by the engagement team and the conclusions they reached and place his conclusion in reviewer report document. Matters where significant judgments required to be reviewed by reviewer include consideration of:





- Significant risks identified during the engagement and responses thereto;
  - Judgments made particularly with respect to materiality;
  - Significance and disposition of corrected and uncorrected misstatements identified during the engagement;
  - Matters to be communicated to management, those charged with governance and where applicable to other parties e.g. regulatory bodies.
- 
- Evaluate the conclusions reached in formulating the report considering whether the proposed report is appropriate and place his comments in reviewer documentation.
  - Reviewer will document the extent of review whether it is increased due to complexity of the engagement, risk of inappropriate report and place his comments in reviewer report document.
  - Reviewer shall also consider that how engagement team evaluate the firm's independence in relation to specific engagement and place his conclusion in reviewer report document.
  - Reviewer shall consider whether appropriate consultation has taken place where difference of opinion exists or on difficult matters and related conclusion reached and place his conclusion in reviewer report document.
  - Reviewer report document include opinion that 'the reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate'. If this not the case shall modify his report and with draw from the post of reviewer.
  - Date of completion of review shall be mentioned in reviewer report document.

#### **Procedures on differences of opinion**

- All differences of opinion, conclusion there on along with date of implementation will be documented in the 'record of consultation'.
- Report will not be dated until the matter is resolved.

#### **Procedure on engagement documentation**

- Assembly of working papers will be done before the date of auditor's report, however, for practical difficulties; it may be done with in sixty days of audit report by not later than sixty days.



- A file librarian is appointed who maintained the log book in columnar form for files.
- Log book narrates the names of the clients, and:
  - date the file enters in the record room;
  - date the file was moved out from record room;
  - Name of person authorizing the retrieval of files;
  - Name and signature of person retrieving the files;
  - Signature of file librarian.
- The working papers include the signature of preparer and date of work performed.
- The working papers include the signature of reviewer and date of review.
- In case of any change in working papers, these will include the sign and date of persons making and reviewing such changes.
- Client's written authority will be obtained before disclosure of working papers to third parties unless there is legal or professional duty for such disclosure.
- Password protection is in place for electronic working papers.
- Appropriate backups are taken on portable hard disk on weekly basis.
- Backups are taken quarterly on DVDs.
- Confirmations from third parties will be electronically scanned before being added in the working papers.
- Electronic index of scanned copies will be maintained.
- Engagement documentation will be retained for a period of six years from the date of the auditor's report or in case of audit of component six years from the date of group auditor's report or such other extended number of years/period as notified by ICAP.
- Firm's name and style will be printed on top schedules, lead schedules four column sheets, twelve column sheets and other internal generated documents used in preparing engagement documentation.



## **POLICIES AND PROCEDURES FOR MONITORING & EVALUATION**

The firm has established a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. This process:

- i. Include an ongoing consideration and evaluation of the firm's system of quality control including, on a cyclical basis, inspection of at least one completed engagement for each engagement partner;
- ii. Require responsibility for the monitoring process to be assigned to persons with sufficient and appropriate experience and authority in the firm to assume that responsibility; and
- iii. Require that those performing the engagement or the engagement quality control review are not involved in inspecting the engagements.
- iv. Require that complaints and allegations for non-compliance with the professional standards and applicable legal and regulatory requirements and firm's system of quality control will be dealt appropriately so that instances will not be repeated.



## **POLICIES FOR MONITORING & EVALUATION**

- It is the policy of firm to monitor that established policies and procedures are relevant to system of quality control.
- It is the policy of firm to monitor that established policies and procedures are adequate for system of quality control.
- It is the policy of firm to monitor that established policies and procedures for system of quality control are operating effectively.
- Appropriate action will be taken for deficiencies OR the effects of deficiencies identified by monitoring process.
- Appropriate disciplinary action will be taken for complaints and allegations of non-compliance with professional standards, legal and regulatory requirements and firm's system of quality controls.
- Appropriate feed-back will be provided on policies and procedures related to education and training.



## **PROCEDURES MEANT FOR MONITORING & EVALUATION**

- Responsibility for Monitoring function is designated to a competent person who is not involved in assurance engagements and quality control process and has sufficient experience and authority to assume the responsibility for monitoring function.
- Monitoring in charge will prepare ‘annual compliance summary’ indicating the following;
  - Consideration and evaluation of the firm’s system of quality control;
  - Inspection of one completed engagements for each engagement partner for compliance with professional standards, legal and regulatory requirements and quality control policies and procedures of the firm. The inspection will be carried out once in every three years;
  - Deficiencies noted in the selected engagements and system of quality control;
  - Corrective actions necessary in the circumstances;
  - Analysis of:
    - New developments in the IFRSs, ISAs, taxation laws, corporate laws, labor laws and how these are reflected in the firm’s policies and procedures for engagement performance;
    - Written confirmation on compliance with policies and procedures on independence;
    - Continuing professional development, including training;
    - Decisions related to acceptance and continuance of client relationships and specific engagements;
  - Annual compliance summary will be circulated to the engagement partners.
  - Engagement partner will communicate the deficiencies to the other engagement team member in the meeting (refer meeting summary document)
- An investigating officer is designated for complaints and allegations which may originate from within or outside the firm that may be made by firm’s personnel, clients or other third parties. Investigating officer has appropriate experience and is given sufficient authority to assume the responsibility.



- Investigating officer is authorized to involve legal counsel, when necessary.
- Following disciplinary actions are in place for violators of system of quality control and firm's policies and procedures:
  - Issuance of show cause letters;
  - Demotions;
  - Non assignment of professional work;
  - Terminations of training/ employment contracts;
  - Postponement of promotions;
  - Non deputation to foreign-seconded positions, even if due.
- If monitoring procedures applied by the firm results that a report is (or may be) inappropriate or that procedures were omitted during performance of engagement, such policies and procedures shall require the firm to evaluate or determine what further action is appropriate to comply with relevant professional standards and applicable legal and regulatory requirements, and to consider whether to obtain legal advice.



## **DOCUMENTATION OF SYSTEM OF QUALITY CONTROL**

Policies and procedures on documentation of system of quality control are established to provide evidence of operation of each element of system of quality control. Policies also specify the retention period of such documentation

### **Policy**

Firm will document all its policies and procedures relating to system of quality control for ready reference of all concerned so that each problem concerning the elements of quality control could be appropriately resolved.

### **Procedures**

Firm's manual has been established which narrates all the policies and procedures relating to quality control.

Following documentation is relevant for implementation of quality control policies and procedures: -



<b>Document Nature</b>	<b>Placement</b>
<b>Firm's manual – This manual</b>	<b>Firm's library</b>
<b>Mission statement</b>	<b>Notice board</b>
<b>Independence Form</b>	<b>Audit working papers</b>
<b>Independence register</b>	<b>Firm's library</b>
<b>Representation from client on integrity</b>	<b>Audit working papers</b>
<b>Confidentiality</b>	<b>Notice board</b>
<b>Client acceptance document</b>	<b>Audit working papers</b>
<b>Client continuance document</b>	<b>Audit working papers</b>
<b>Recruitment Form</b>	<b>Staff personal files</b>
<b>Skills assessment questionnaire</b>	<b>Staff personal files</b>
<b>Minutes of in house seminars</b>	<b>Audit database</b>
<b>Logistics plan</b>	<b>Audit working papers</b>
<b>Hierarchy document</b>	<b>Firm's library</b>
<b>Meetings summary document among engagement team and / or with client.</b>	<b>Audit working papers</b>
<b>Overall audit plan</b>	<b>Audit working papers</b>
<b>Manager review notes</b>	<b>Audit working papers</b>
<b>Partner review notes</b>	<b>Audit working papers</b>
<b>Record of consultation</b>	<b>Audit working papers</b>
<b>Reviewer report document</b>	<b>Reviewer's custody</b>
<b>Document narrating significant judgments and conclusions by the engagement team for reviewer consideration.</b>	<b>Reviewer's custody</b>
<b>Log book</b>	<b>File librarian</b>
<b>Annual compliance summary for monitoring</b>	<b>Firm's library</b>





## COMPLAINTS & ALLEGATIONS

**ISQC-1** requires firm to have policies and procedures for handling complaints. There are two types of complaints that needs to be considered. Firstly, complaints that the firm has failed to comply with professional standards, regulatory and legal requirements and secondly allegations of non-compliance with the firm's system of quality control.

The firm's policy is to ensure that a high quality service is provided to all our clients. All complaints and allegations against the firm in relation to professional matters must be dealt with in an appropriate manner. The firm encourages staff, clients, suppliers, regulators and other third parties to inform Partner at least, about concerns if any regarding the firm's quality control procedures or other issues on a timely basis. This applies even if there is no conclusive proof that there has been a failure in the firm's processes.

The steering committee/board of partners should consider each matter raised and determine the appropriate course of action including:

- To supervise any investigation or enquiry required;
- To document the complaint, the action taken and where appropriate to make recommendations for changes in policies or training required; *and*
- To report back to the informant on results of the investigation and proposed courses of action.

The investigation will be initially supervised by a partner or a qualified assistant nominated by the partner with sufficient and appropriate experience and authority within the firm but who is not otherwise involved in the engagement or the matter under consideration, and includes involving legal counsel as necessary. On a quarterly basis, reports of complaints will be circulated to all partners and trends are identified for further advice, training, disciplinary action and changes to the firm's system.

### **Protection:**

No action will be taken against anyone who makes an allegation in good faith, reasonably believing it to be true, even if the concern is not subsequently confirmed by the investigation. Nobody raising a concern will be at risk of losing their job or suffering any other form of retribution, provided that:

- The allegation was made in good faith.
- Basis for believing that the complaint or allegation to be substantially true.
- There is no obvious personal gain or motivation involved.



Every effort will be made to ensure the confidentiality of the informant. Where the firm is not able to resolve the concern without revealing the person's identity, such as where evidence is needed in court, this will first be discussed with the informant. Subject to legal constraints, the informant will normally be notified of the final outcome of the investigation.

Anonymous reports will not be accepted as they are generally more difficult to investigate. Where an allegation relates to a partner of the firm, the informant may take the complaint to another partner and will be provided the same protection as if the informant approached the Partner or Board of Partners of the firm.

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