OFFICE MANAGEMENT MANUAL FOR MEMBERS IN PRACTICE

Committee for Members in Practice
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

Office Management Manual for Members in Practice

DISCLAIMER:

The views expressed in this Manual are those of author(s). The Institute of Chartered Accountants of India may not necessarily subscribe to the views expressed by the author(s)

Practitioners should utilize the Manual in the light of their professional judgment and the ground realities prevailing in their firm and/or in each particular engagement. The Committee and the ICAI disclaims any responsibility or liability that may arise, directly or indirectly, as a consequence of the use and application of the Manual.

Foreword

The profession of Chartered Accountancy has always been recognized for the quality of its education, training and strong reservoir of knowledge, skills and professional values. In view of the continuous developments in the professional arena, the Institute of Chartered Accountants of India (ICAI) always make focused efforts to facilitate the CA practitioners with updated professional knowledge and enhance their professional competency to meet the emerging challenges.

The new age complex business eco-system of global corporate world and society at large has cast huge responsibility on the professional practitioners to deliver quality services and ensure timely compliances. In the present business environment, which is primarily driven by technology, it became quite challenging for practitioners to operate with prudence, proficiency and professionalism while discharging their duties and responsibilities. To manage and sustain in an increasingly complex and competitive environment, CA firms/practitioners regularly need to take due care of important aspects of practice management such as strategic planning, managing staff, client relationship management, and succession planning etc.

In view of the above objective, the Committee for Members in Practice (CMP) of ICAI has come up with this e-book on **'Office Management Manual for Members in Practice'** which compiles important management aspects such as Client Relationship Management, Human Resource Management, Technology Management, Assignment Management and specimen copy of various documents with respect to the regular activities carried out by the office and important areas of the CA profession. This manual is intended to provide knowledge and guidance on practice management principles and promote good governance in offices.

I congratulate CA. Satish Kumar Gupta, Chairman, CA. Prasanna Kumar D., Vice Chairman, and all other members of the Committee for Members in Practice of ICAI for taking this initiative for the benefit of members.

I am sure that the said e-book will be a great aid for CA firms in their professional pursuits and will help them to serve their clients better.

CA. Atul Kumar Gupta
President ICAI

Preface

Dear Colleagues

The Committee for members in practice of the Institute of Chartered Accountants of India is feeling proud in bringing this very useful publication titled "**OFFICE MANAGEMENT MANUAL**" for the use of our Members and Students.

Office management has always been a matter of concern for the members in practice. In this competitive and challenging time, proper office management not only increases the office revenue but also keep members relaxed even in challenging times.

Good management system always helps the enterprise in taking good and informed decisions. It also ensures proper legal compliances and in this age of technology it helps a lot.

In this publication, we have incorporated following sections:

1.   Client relationship management

2.   Human resource management including articles management

3.   Technology management

4.   Assignment management

5.   Virtual office management

In this aforesaid office management manual, you will find some suggested formats which can be used and be amended according to the needs. Some links and references have also been provided which are very useful. Conclusively it is very useful publication and should be in your library or on the table as a referencer.

This publication has been written and consolidated by Pune based task force formed by Committee for Members in Practice under the convenorship of my brother in council CA C.V. Chitale ji. I heartily pay my appreciations towards him and towards members of task force CA. Yashwant Kasar, Regional Council Member, ICAI, CA Kusai Goawala, CA Dinesh Gandhi, CA Gokul Rathi, CA Bhushan C Shah, CA Sachin Shinde, CA Sudeep Chhallani, CA Mohit Dhand, CA Aadesh Bora, CA Dhruva Doshi, CA Suraj R. Agrawal for bringing such a nice and useful publication. I shall not do justice if I do not

recognise the enormous contribution of CA Prasanna Kumar D, honourable Vice Chairman, CMP, ICAI and of my fellow council colleagues and other members of committee, without whose support it could have not been executed. I also put my thanks to the CMP secretary Dr Sambit Kumar Mishra and other officers for their untiring efforts.

With warm regards

CA. Satish Kumar Gupta
Chairman, CMP, ICAI

Date: 11-07-2020

Place: New Delhi

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Chapter 1
Objective and Scope

1.1. Objective and Need for the Manual

- The Office of a Chartered Accountant provides professional services to its clients as also imparts training to future Chartered Accountants, i.e., Article/Audit students pursuing CA Course.

- As standardization is required for Accounts and Auditing which is normally followed by Chartered Accountants meticulously, it is equally important and relevant to have set Operating Standards for a Chartered Accountant's Office.

- Though not mandatory, it is advisable to follow the guidelines suggested in this Manual for efficient operations and providing services befitting the Profession of Chartered Accountancy.

- Various aspects of Work Management, Client Relationship Management, Human Resource Management and Technological management (both software and hardware) will provide a readymade guide to a Chartered Accountant in practice not only while setting up practice but also while managing its day to day affairs as also for development of practice.

- The Manual aims to assist practices in operating in a safe, profitable and professional manner. The Manual seeks to do this by providing practical guidance across a select range of practice management topics.

- The Manual is intended to improve the management and operational efficiency of SMPs, ultimately making them more sustainable and successful. As such, the Manual is intended to: address the challenges faced by SMPs; improve the competitiveness, profitability, and sustainability of practices; enhance the expertise, competence, and efficiency of those managing practices; provide practical assistance to those engaged in managing practices so as to provide an environment conducive to the provision of high quality services; showcase global best practices and latest practice management techniques.

1.2. Scope of this Manual

- This Manual brings out various best practices that may be followed by various firms as the guidelines are a result of relevant research and pulling in of experience of various members which the Committee has been able to compile at one place for the benefit of membership at large, more particularly members from small and medium firms.

- Substantially all operating areas are covered:

  - ➢ Assignment Management – It covers how one deals with an engagement right from initiation to completion within scheduled time, such as billing and recovery.

  - ➢ Client Relationship Management deals with managing relationship with clients while maintaining professional independence as also complying with the regulations of ICAI in this regard.

  - ➢ Human Resources Management includes recruitment standards and processes to enable quality of human resources and their training.

  - ➢ Technology Management highlights various tools required and available for delivering seamless professional services to the clients. It also enumerates various safeguards that are necessary in these days of digitisation.

1.3. Intended Users

This Manual is primarily directed at chartered accountants working for, or as SMPs. While the primary users are likely to be those managing the practice and senior professional staff, certain parts will be useful to more junior staff and as an introduction to the practices for new staff. It is also considered suitable as a reference.

It is suggested that this manual be stored in a particular folder where a new employee/article assistant should be asked to go through the same.

A firm can modify the same to suit their requirements.

Guide meant for everyday use: In addition, SMPs may find the Guide helpful when it comes to providing general business advice to SMEs, likewise professional accountants working in SMEs may find it useful.

This is a maiden effort at providing best office practices at one place and will be reviewed and updated from time to time for the benefit of members at large.

Chapter 2
Client- Relationship Management

Strong and effective client relationships are the backbone of a successful accounting firm. The relationships accountants have with their clients is fundamental to the value of the accountancy firm. Increased competition demands that firms maintain and enhance client relationships. Increased regulation places more importance than ever on knowing your clients.

This Chapter examines the development and ongoing maintenance of client relationships, and strategies to improve and cement your client relations.

Client Relationship Management (CRM) is one of the most important ingredients of a successful practice of Chartered Accountancy, be it a small firm, medium sized firm or a large firm.

CRM should not be misconstrued as Customer Relationship Management. Colloquially, Customer Relationship Management means reaching out to customers, existing as well as potential, through mass communication means like bulk emails, sms, etc.

One must take care to ensure that the CRM of the firm does not lead to Mass Marketing or advertising of the firm's services as the ICAI Guidelines in this regard are quite stringent. Any violation of those guidelines may result in disciplinary action from the Institute.

CRM Policy needs to be designed such that the organizational structure of the CA firm as well as that of the client is taken care of. An organizational matrix is helpful in prioritizing interactions with appropriate levels of hierarchy in the clients' organization. The layers in such a Matrix will vary according to the constitution & size of the CA firm.

An **"A ,B ,C analysis"** of the clients is desirable depending upon the size of the client, services required from the firm, scale of fees generated or expected to be generated from the client, social/professional/political and/or business wise standing of the client (potential in generating references for future assignment) etc.

Various aspects of Client- Relationship Management may be as follows :

2.1 Pre – Relationship stage

Acquisition of a new client is a critical aspect in terms of commercial and professional development. Traditionally, new clients are developed from out of referrals given by existing clients. This is the organic mode in which growth of practice is gradual & slow. Rapid scaling up of practice needs inorganic methods so as to actively reach out to potential clients.

Soliciting Professional work:

Our profession is heavily regulated as far as solicitation of work is concerned. The "Code of Conduct and Professional Ethics" issued by the ICAI strictly prohibits certain acts –acts that must be avoided. There are guidelines as regards advertisements, maintenance of name board, flaunting of professional achievements, maintenance of the website, etc. One needs to keep in mind the Code of Conduct and Professional Ethics while trying to develop one's professional practice.

For generating new clients and retaining existing clients, one may give lectures on professional topics, may write articles on current topics of importance, share the profile of the firm when asked for, etc. The profile of the firm may include details of professional achievements of the firm, awards and appreciations received, important assignments handled, etc.

o   Solicitation process may include personal presentation about the firm before a prospective client and/or sharing of the firm's profile through mail or physically (printed copy). Considering huge competition, one needs to put in the best efforts in this regard.

o   Before making any presentation, one needs to understand the expectations of the potential client. Focus should always be on addressing those expectations and presenting as to how the firm is most eligible to meet those expectations.

o   Information about the Firm's core strengths & capabilities should get conveyed in a precise manner. This should help a firm in getting an easy audience in future if a relevant engagement opportunity arises, even if the firm loses out to competition in the engagement currently being tried.

o   One must keep in mind the regulations of ICAI in this regard, Council Guidelines in respect of Advertisement by Members in Practice -

https://www.icai.org/new_post.html?post_id=1960&c_id=90 and also
Website Guidelines - https://resource.cdn.icai.org/
39896esb191115.pdf

Empanelment & Tendering

This is the main mode of getting engagements from public sector enterprises
such as Banks, PSUs, Co-op. Societies, etc.

- Empanelment for audit of Banks & PSUs is through the database
  compiled & maintained by the ICAI. Hence it is imperative that all
  information about the firm is updated with the ICAI database. Every
  year the window for updation of the information is open for a limited
  time & firms should submit the form filled correctly, completely and
  within the given time. Based on the information in this database the
  auditee selects the firms as per their requirements. For revised norms
  for categorization of audit firms for their empanelment as branch
  auditors for public sector banks, please refer -
  https://www.icai.org/new_post.html?post_id=3022&c_id=251.

- Tendering, too, is regulated by ICAI code of conduct. Hence, before
  submitting a response to any tenders floated, these guidelines should
  be adhered to.

Mergers & Acquisitions:

In recent years, there is substantial upsurge in growth of firms due to
mergers & acquisitions. Size does matter in soliciting corporate clients &
scaling up of standards. Expectations of industries cannot be fulfilled by a
small firm; hence small firms are not considered for engagements by
corporates & large entities.

- In case of acquisition of a firm, the relationship with the clients of the
  merged entity is as good as new one & therefore, needs nurturing in
  the initial stages. There is likely to be some sort of anxiety on the part
  of both the entities. The clients acquired through the acquisition route
  may be somewhat apprehensive about the changes in professional
  approach, personnel & other modalities. If some of the partners of the
  acquired firm are continuing, then the client will be quite comfortable.
  Else, special efforts may be needed to make them comfortable. A
  formal introduction of the firm's team & orientation of the firm's
  approach may go a long way in strengthening the relationship.

- A merger is a step forward to bring in synergies & scale of operations to the practice. Hence, re-engineering of work methodologies & organizational hierarchy is imperative. Clients should be apprised of such changes in order to usher in the benefits of merger at the earliest. Delay in getting the clients to accept the changes certainly extends the gestation period for the merged Firm.

To Specialize or To Generalize? Your Competitive Strategy

A successful accounting firm—indeed, any successful business—is one which delivers a service its customers want, at a price customers consider to be "fair value." The services may differ and the "value" perceived by your clients will depend on the benefits that you deliver. This is based on accuracy, competence, the feeling of confidence and dependability that your people and of course the actual cost to your client, when they compare it with the value perceived.

Some marketing specialists argue that firms can choose from three possible positions in presenting their services. Sometimes a combination of two is possible. This is an important concept to understand early in the life of an accounting firm. It is also an approach you can bring to the attention of your clients during consulting assignments for them.

The three possible "market strategies" are:

- Overall cost leadership

- Differentiation

- Focus.

The key achievement is for the market to recognize that your firm is as unique as possible, offering something more valuable for clients than its competitors.

2.2 Acceptance of a Client

- ICAI has formulated Client KYC norms in the 356th Council meeting held on 29th, 30th June and 1st July ,2016 for compliance by Members in Practice for maintenance of requisite documentation / information about the clients. The said norms are applicable in cases of all assignments pertaining to attest function and have been made mandatory w.e.f. 1st Jan., 2017. These norms have been enumerated in "**Annexure 1**"

- Understanding the nature, structure and verticals of business of the client.

- Understanding locations of business of the client.

- Creation of Master Data/File which includes Engagement Letter, Acceptance Letter, NOC of previous auditor, Copies of Statutory Registrations, KYC documents, Login Credentials for reporting/Tax Portals, etc.

- Further if engagement involves use of the client's DSC(digital signature certificate), then specific approval needs to be obtained for the same from the client. When frequent utilisation of a client's DSC is required and DSC is to be kept in the Chartered Accountant's office, then care has to be taken to keep the same in safe custody of some responsible executive in the firm. Authorization from the client to keep the DSC with the firm should be obtained separately. Specimen format for such authorisations are given in **Appendix 1 and 2**

- Before uploading any documents, returns, reports, letters, etc. on any of the Government portals, specific written approval for the same from the client should be obtained. As far as possible the letters, submissions, etc. should be submitted under the signatures of the client or his authorised signatory. Specimen format for such authorisation is given in **Appendix 3**

- Allocating Team/Resources for the Client with Maker and Checker mechanism i.e. based on scope and terms, estimated time involvement (different levels of resources) is to be done before the assignment is actually initiated.

- Briefing the designated Team about the scope of the assignment, roles and responsibilities of each member of the team, etc. Share Engagement Letter & Authority Letter with the team.

- Understanding organisational hierarchy of the client and at the same time to explain firm's organisational hierarchy to the client team.

- Contact details of personnel in the client team for interacting & obtaining necessary information and data for the audit team should be obtained. Escalation matrix for matters which need the attention of higher authorities in the client organisation should be noted.

- Introductory detailed meeting of both the teams should be arranged.

- It is advisable to keep copies of master data in your permanent file. For this you can devise a template and get it filled by the client's authorised person. This will lead to in-depth knowledge of the client's organisational set up.

- Client expectations from the engagement need to be compiled so as to have a clear understanding of the task ahead. If expectations compiled by the client are inadequate or unclear, additional information can be sought to achieve a reasonable level of understanding. Then it should be discussed with the client & finalized to come to a common ground. The letter of Engagement is a binding contract and should be adhered to.

- Also a 360 degree information about the engagement needs to be obtained to plan & schedule the execution of the assignment. Understanding the manpower & time requirements helps in preparing a reasonable estimate of costs involved in execution which helps in deciding the fees to be proposed.

- In case of empanelment- based assignments, fees are predetermined on some or other criteria & there is little scope for negotiation. In all other cases, fee is the critical part of getting an engagement letter. The firm normally deals with seasoned businessmen who have a lifetime of experience in negotiating the price of anything. If so required, Chartered Accountants can cite the "recommended scale of fees" published by ICAI to the client. A CA should be mentally prepared to decline the engagement if the fees offered are not commensurate with the efforts & skills involved. If the firm doesn't value the services it offers, nobody else will. One should ensure that the schedule of payment of fees, reimbursement of expenses, taxes, etc. are clearly mentioned in the engagement letter.

- The Chartered Accountant should be punctual in rendering services to the client and should adhere to the schedule and commitments given. In case of delay in getting the desired information / documents from the client team causing delay in the effective rendering of services, then the higher management of the client should be informed immediately.

Negotiations

Negotiating the fees for professional services to be rendered to the client,

whether existing or prospective, is an important aspect of Client-Relationship Management. A few issues in this regard are as follows:

- Details of scale of professional fees for various services to be rendered to the client during the year and also the schedule of payment of fees, reimbursement of out of pocket expenses, taxes, etc. should be clearly mentioned in the Offer Letter. If lodging and/or boarding expenses are to be paid/reimbursed by the clients, range of expenses per person/per day, depending on the status of the person in the firm's hierarchy, should be clearly defined along with the scale of professional fees so as to avoid any misunderstanding with the client team on such small matters, in future. Please refer for Revised recommended minimum scale of fees w.e.f 1.7.2020 - https://cmpbenefits.icai.org/wp-content/uploads/2020/02/Details-download.pdf

- After finalising all the terms of services to be provided, the firm should enter into an engagement letter/agreement or obtain an appointment letter as per SA-210. Confidentiality Clause is necessarily provided in the engagement agreement.

- Documentation of engagement is covered by SA-210 & due care should be taken to make the document compliant with the standards.

- In case there is additional assignment or alteration to the scope of engagement, the same should be documented along with the revised scale of fees and timelines for completion of the same.

- If the firm is providing assurance services, then before taking up any new engagement for the client, due consideration to guidelines as regards maintaining independence should be given. In case there is a possibility of compromising on the auditor independence, such an engagement should not be accepted. In respect of any assignments undertaken one must ensure that the same is within the regulatory guidelines.

Communication Management:

Communication is the bedrock on relationship management. It is the culmination of professional knowledge, efforts, training & practice. This aspect is one of the neglected facets during our learning period.

ICAI has recognized the importance of this skill set & hence introduced

GMCS course to upgrade communication skills of students. In professional life, the said skills are required to be widened and sharpened based on the experience gained. In other words, GMCS can be a continuing activity for a Chartered Accountant's office. It should always be kept in mind that a chartered accountant who is a good communicator with convincing skills becomes more successful in his professional life.

- Modes of communication are an important factor to be decided. It should be chosen keeping in mind the acceptability of the same as evidence in courts of law. As per Information & Technology Act, 2000, email is a valid means of communication. Hence communication relating to assignments based on professional engagements should be through email. General communication like updates & reminders can be disseminated through SMS or WhatsApp. Communication through authentic modes will protect one in legal issues, if any.

- Authority to communicate with clients or their staff should be assigned to firm staff based on engagement assignment. As far as possible, articles or junior staff members in the firm should not be allowed to communicate directly with the client or senior executives in client's organisations. They may communicate with similar level staff in the client's organisation. In other words, hierarchy of communication should also be maintained. Same discipline should also be expected from the client.

- When Junior staff in the office communicate with accountants or other junior staff in the client's office, the senior managers should be marked in cc. Communication with senior management of the client should generally be handled by a partner of the firm. Guidelines & hierarchy of communication should be clearly defined & communicated to firm's staff as well as client team. Any change in the organisational hierarchy should be informed to the client.

- Firm staff should be apprised of the importance of using correct diction in communication with clients. Training sessions for new staff should be conducted to educate them about communication etiquettes.

- If a common email id is being used by firm staff for communication, then the name of the intended user and the name of the sender should be clearly mentioned at the beginning and at the end of communication respectively.

- Further use of titles prefixing a person's name like Mr/Shree/Mrs/Sou/Smt. /Miss/ etc. should be carefully chosen as it indicates respect for the person to whom the communication is addressed. However, choice of prefix should be uniform for all the communications originating from the firm.

- Care should be taken that spelling of the name of the intended person and his designation as mentioned in the communication is correct.

- Communication should be concise & precise. Unnecessary use of technical jargons & abbreviations should be avoided. At the same time, it should unambiguously convey the message and also indicate the expected action/compliance from the client.

- As far as possible, there should be uniformity in the choice of font and its size in all the communications originating from the firm.

   "FAILING TO PLAN IS PLANNING TO FAIL"

- Communication with the client, through mail or through letter or other modes should be carefully monitored. Only authorised persons from the firm's office should communicate with the client. Further, the communication should be precise and to the point only, as also polite but firm.

- One must be punctual in the services being provided and stick to the time schedule and commitments given to the client. In case of some unforeseen reasons or delay in providing the desired information / documents by the client staff due to which there are delays and scheduled time cannot be observed, one must inform the client immediately.

Assignment/Engagement Handling:

- Deciding the scope of the services as per the requirements of the client and fixing up responsibilities / obligations of both the parties so as to avoid confusion and to ensure that there is no communication gap.

- Ensuring that all legal requirements of your appointment have been complied with.

   In respect of Letter of Engagement, Management Representations and Audit Program, please refer the relevant website of ICAI – resource

section where such specimen formats have been provided by ICAI. Please refer AASB - Illustrative Audit Engagement Letter under Companies Act, 2013. - (17-12-2014) - https://www.icai.org/post.html?post_id=11197 and General Clarification (GC)/AASB/2/2004 Auditing and Assurance Standard (AAS) 26, Terms of Audit Engagement - https://www.icai.org/new_post.html?post_id=924&c_id=374

- Every engagement is unique & needs to be planned accordingly. Some engagements deserve more resources & attention; hence allocations should be made after considering all these factors.

- Before commencement of the engagement, a schedule of visits to the client locations by the firm's team needs to be prepared. The same should be shared with the client's team to bring a clear understanding of the timelines for completion of the engagement. Scheduling of in-house resources & timelines of the firm should be prepared, discussed & shared with the firm's team.

- A day before the scheduled visit to the client's location/s, a gentle reminder should be sent to the client team. Targets & requirements of the visit are reiterated to ensure that they keep the requirements ready before the team reaches there.

- During the visit, one of the team members as also the staff of the client should be asked to note down the points of discussions and to prepare draft minutes of the meeting. Within certain days from the date of the meeting, minutes of the meeting should be finalised and signed by all the concerned. Course of action, if so required, may be incorporated in the minutes.

- At least one meeting per quarter should be held with the client or with top bosses in the client's organisation. It maintains the direct communication with the owners of the client organisations.

- Firm must ensure to obtain a Management Representation Letter (on yearly basis) at the end of the assignment, explaining Management Point of View as regards various observations during the assignment.

- System of maintenance of records and documents as well as accounting system should be suggested to the client as per their nature of business and the same should be reviewed periodically.

System of destroying rough papers, unnecessary documents, etc. should also be suggested to the clients. System of taking backup of accounts related data, system of review of the same, off site storage, etc. should be reviewed and suggestions, if required, be given to the client.

- Firm's team members should update their work logs / time sheet immediately after returning from the client visit. In case a meeting is held, minutes of the same must be prepared at the earliest & circulated to all those present in the meeting. These are important parts of engagement documentation & shall be beneficial, not only in preparing cost estimates but also be the shield of defence in case of litigation or regulatory oversight. Apt to repeat here the guiding principle of "Not documented is not done".

- In case engagement involves submission of any document on behalf of the client, to any regulatory authority or other organisations, etc., then prior confirmation for the contents of the communication should be obtained from the client. As far as possible the letters, submissions, etc. should be submitted under the signature of the client or his authorised signatory.

Sign Off and Billing on completion of Assignment/ Post-Engagement Management:

- Getting a formal sign off preferably on email for completion of an assignment.

- Sharing formal signoff with the billing team for timely raising the Bills and recovery of the same with due follow up.

- Bills for professional services should be sent to the client upon completion of the engagement or as per the schedule of payment agreed upon in the engagement documentation.

For this purpose, a proper system of control over billing, receivables and recovery should be maintained in the firm's office. Care should be taken to see that receivables from clients are not overdue beyond a point. The value of the firm's services is maintained only when there is timely payments of bills raised for fees. If the client also understands the value of firm's services, then only can healthy and cordial relations between the firm and the client be maintained.

- Timesheet of services rendered to the client should be maintained and if required, the same can be shared with the client at the time of billing. You can also share with the client the recommended scale of fees by the ICAI. So "Time Management' is important here.

- After the engagement is completed, all relevant documents are to be collated in a file with markers to identify various aspects. In case of softcopies also; a separate folder should be created to store all relevant information. Sub-folders can be created to classify information. In both the cases, an index of contents will be of great help in future for retrieval of data.

- Any original document or other files (not required after the assignment is over) belonging to the client should be returned to the client with a covering note and proper acknowledgement should be obtained for the same and kept on record. CA's office is not a warehouse for storing documents of its clients. Ownership of documents required during the course of the professional engagement with the client as also documents resulting from the engagement should be clearly defined in the engagement letter.

- A Chartered Accountant should, wherever possible, make value-added propositions to clients, may it be through dissemination of domain knowledge, system improvements, manpower training, etc. If value addition is achieved, then the client will always appreciate the gesture which will lead to strengthening of the relationship. It will lead to growth of the firm's practice.

Feedback:

It is advisable to seek Client Feedback on successful completion of the Assignment. Feedback Form/Mail may include

- Name of the Client (Can be prefilled)

- Reference through which the Client got in touch with the Firm

- Nature of Assignment (Can be prefilled)

- Quality of Service (What worked well for them?)

- Area of improvement

- Rating the Quality of Service (Optional)

- Would they like to recommend the Firm to others?

- Any suggestions

Exception Handling/Dispute/Complaint Resolution:

- Quick Resolution – Reaching out to the Client within decided TAT (Turnaround Time) so as to give him an opportunity to share his concerns. Listen to the concerns of the Client with a promise to get back in a defined timeline.

- Permanent Resolution –

  o Reaching to the root cause of the escalation and understanding the facts.

  o Getting back to the Client with the findings and corrective action in case the error is at the firm's end. In case it is a misunderstanding at Clients' end, then conveying the feedback appropriately and at appropriate level.

  o Ensuring formal Closure of the issue.

Client Knowledge Updation/Awareness:

- Proactively sharing the amendments/New Guidelines/changes in business environment with the Client, more particularly those which are going to affect the particular client, with apt analysis, preferably on Email/WhatsApp.

- Arranging Knowledge Sharing Sessions/Webinars for Clients.

- Timely intimation of compliances to be done by the client should be sent to the client. Circulation of email, SMS or WhatsApp messages at the beginning of each month would be preferable. In addition, updates on legal notifications, circulars, judgements, etc. can be shared with clients.

- Arrange seminars for the clients and their accounting staff to update them with changes in applicable acts, rules etc .

- Clients are inundated by cacophony of information received through social media, hence information from CAs office should be as concise as possible.

2.3 Termination of Relationship

End of a professional client relationship is an unfortunate but harsh reality we have to face many times. The loss weighs heavily not just for financial reasons but also for loss of a business that has been nurtured for many years. The client may decide to move out due to various reasons & one has to be prepared accordingly.

- If there is change in management of the client entity due to sales of a business entity or merger, the new owners/management prefer to bring in a professional of their choice. In such a situation there may be handing over of certain documents & information. Hence your records should clearly bifurcate into those belonging to clients & those to the firm as part of audit documentation. In addition to initial handing over, there might be a few requests subsequently also for information or records. As a professional courtesy, one is obliged to entertain such requests & do the needful. This will add to the firm's reputation and goodwill. A positive approach in such a situation may bring back the client in future.

- In case the change is due to dissatisfaction of the client with the firm's services, the separation process tends to be tedious & sometimes unpleasant. Mismatch between client expectations & firm's performance happens over a period of time. Hence, the partner involved needs to be proactive in sensing the fault lines & initiate corrective measures in time.

- To check if the firm has received due notice from the Client as mentioned in Service Level Agreement,

- Checking the status of outstanding fees receivable from the Client and getting a confirmation from the client on payment of the outstanding fees as per agreed schedule,

- On receipt of the outstanding amount, sharing the client data with the Client or incoming Firm /New Member as the case may be, and obtaining written confirmation of receipt of records/data, issuing NOC, if necessary.

- Obtaining confirmation that any pending work for earlier period will not be the responsibility of the Firm,

- Closing Client record from our System,

- The off- boarding may be necessitated due to regulatory requirements such as compulsory rotation. In that case, the Master Data may be maintained active while the work data may be closed in the system.

2.4 General Client- Relationship Management

- Unless constrained by independence requirements, CA should assist clients in implementing best practices in office management relating to record keeping, bookkeeping, etc. Best practices in document retention & disposal should be shared. Digital data/information security, access control, storage, backup & restoration protocols should be shared with clients.

- Financial management advice is one more domain expertise which is normally expected from Chartered Accountants by their clients. Especially in case of start-ups and SMEs, such advice is much cherished.

- Art of saying "No" is another essential skill that needs to be developed at the earliest. Fear of losing a client weighs heavily while declining any engagement which would compromise one's professional integrity. Also one should avoid accepting engagements when one is not in a position to execute it in time & with fullest professionalism. One should keep in mind the dictum, "Don't say YES when you want to say NO".

- Avoid giving off-the-cuff advice on queries raised over telephone or casual conversations. Always obtain full information about the query & advise the client only after due consideration of all relevant facts. Incorrect advice given in haste will lead to loss of reputation and loss of clients.

- Normally, "outcome commitments (guaranteed results)" to the client should be avoided with respect to matters such as tax planning/ tax consultancy, appeal matters, representation matters relying just on judicial precedents or aggressive propositions on tax provisions, etc.

- One should not hide the facts and should put before the client both the sides i.e. positive and negative of the situation and allow the client to take decision based on it.

- There should always be a clear demarcation of professional &

personal relationships. Mixing both could affect independence & professional judgements. Avoid accepting undue favours from the clients which may create obligations.

- Chartered Accountants must also shoulder the responsibility of nurturing new generations of CAs & must fulfil this obligation with utmost sincerity, more particularly training and development of article assistants.

- In the client relationship, you should not play Russian roulette with your career and should not take undue professional risk. If something goes wrong, clients will at most end up paying taxes, interest, fine, penalties, etc. But one should never forget that the Damocles' sword of disciplinary action is always hanging over our head which may ruin one's entire professional career.

- You should try to provide "value- added services" in various ways to your client.

- "Manpower Management" is also one of the essential services one can offer to the client. During the course of audit, one comes across various employees of the client organisation. One should judge their efficiency, knowledge, grasping power, etc. Based on such observations, advice may be offered to the client for efficient utilisation of the manpower, at least in accounts, costing, stores, taxation, H.R. departments, etc.

- A CA should keep himself technologically updated. Use of dynamic website will help sort out last moment needs of clients in respect of obtaining certain documents, circulars, notifications, etc.

- A clear understanding & documentation of client's business, its peculiarities & organizational profile needs to be prepared. Various systems implemented by the client should be thoroughly studied so that one will be able to understand the business process / flow and lacunae, if any, that can be brought to the notice of the client. It may lead to avoidance of income leakages as well as more proficient management of the business by the client.

- One should be able to balance the professional and the personal relations with the client. One should not get emotionally involved with the client so far as professional relations are concerned, but at the

same time, one should have a grip over the client which should be one of respect for the CA in the mind of the client. The respect will be an outcome of your knowledge, level of understanding, skill of presentation and convincing power as a chartered accountant. Attention is invited to ICAI Publications - Auditing & Assurance Standards Board - https://www.icai.org/post.html?post_id=6612Ready Referencer on Engagement and Quality Control Standards - https://resource.cdn.icai.org/5831357733aasb46997new.pdf.

- Keep client's files maintained in the firm's office neat and well organised. It will certainly impress the client about the firm's organisational management.

- One should treat their own staff respectfully before the client and should not expose mistakes of the subordinates before the client. One should also avoid pointing fingers at client's staff for mistakes committed by them. A mature and understanding approach builds confidence and respect and a healthy long term relationship.

- Proper inward and outward file/documents records must be maintained for any future disputes or verification (Specimen format given in **Annexure 2**)

- As far as possible, one should not accept money from a client for making payments on his behalf and deposit the same in one's own bank account. If any such amount is received, it should be deposited in a separate Escrow Account maintained for the purpose and reconciliation of the same be shared with the concerned client periodically.

- Code of Ethics : Please refer for Code of Ethics https://www.icai.org/post.html?post_id=958 Code of Ethics - Vol I - https://resource.cdn.icai.org/55133CodeofEthics-2019.pdf Code of Ethics - Vol III - Case Laws Referencer - https://resource.cdn.icai.org/59111esb48239.pdf

- The ICAI has initiated Self- Service Portal for various processes to be carried out by members/students with ICAI. https://eservices.icai.org/per/g21/pub/1666/SelfServices/templates/Login%20Folder21052019122446/Login%20Folder/ICAI%20Phase%20II%20Login%20Page521052019122546.html

- A member is required to generate a UDIN for all certification and attest functions carried out by him. For details, please refer https://udin.icai.org/

- Professional Indemnity Insurance is encouraged to avoid any claims from any persons. One can visit ICAI website to find out about Professional Indemnity Insurance availability and premium charges.

Chapter 3

Human Resource Management

3.1 Introduction and Purpose

Human Resource is the backbone of any office including that of a Chartered Accountant. It is the key resource for rendering professional services to the Client. Human Resources Management plays an important role in providing professional services to the Clients.

"The basic idea of this manual is to provide guidance to practising chartered accountant firms as to how best to manage their human resources. It aims to describe the best practices at the workplace, procedure for recruitment, retention as also termination of staff.

The HR Manual, when it is handed over to the new staff acts as a welcome kit which makes them aware of the firm's vision, mission, values and the work culture. In addition, it also imparts key information to the staff, new and existing both, to enable them to perform their duties in a manner consistent with the firm's value base.

Further, this manual also enumerates the requirements of articleship in the firm to the article assistants and the responsibilities of the parties involved. The article-ship is a three-way partnership between the article assistant, i.e. the intern, the principal under whom the intern is registered as an article assistant and the Institute, ICAI.

The articleship formally integrates an article assistant's formal academic study with practical, on-the-assignment work experience under the guidance of an experienced Chartered Accountant. It gives an opportunity to the article assistant to understand the practical nuances of the practice of Chartered Accountancy while he is still studying.

It is advisable that a firm of Chartered Accountants would have a Human Resource Policy Manual which lays down the policy framework of the firm in relation to the conduct of the staff in the office as also beyond the office. The scope of the HR manual for the staff (which includes article assistants, non-article staff, backoffice staff, etc. whether male or female) should at least cover the following objectives:

- To support the staff to adapt to and get involved in the workplace quickly.

- To enable them to understand their assignment responsibilities.

- To make available motivated and trained staff to the firm within the shortest period possible.

- To work as the Code of Conduct for the staff as a whole.

3.2 Overview about the Firm

It is extremely important to provide a brief overview of the firm which should include background and history of the firm, various services being provided by the firm, organisational hierarchy, working partners and other key members of the firm, prestigious clients of the firm, etc.

Further, the values of the firm and ethical practices followed by the firm also need to be mentioned briefly. It should also define various market/ industry segments and geographical locations covered by the firm in the fields of accounting, auditing, payroll management, direct and indirect taxes, company law, FEMA, project finance, etc. A word about the recognitions/awards received and achievements of partners/staff of the firm may also be given.

Many large firms have separate HR Department to handle the HR function. However, in smaller or mid- sized firms, HR is managed by some of the partners or senior administrative staff and no specific team is assigned. In such a situation, the term HR Team referred to hereinafter should be construed as such partners/senior staff overseeing the HR Functions.

3.3 Recruitment

HR team should develop and implement recruiting plans and strategies designed to fulfil the firm's staffing needs. Once the needs are identified, both traditional and non-traditional resources in the process of recruitment and a network of established contacts should be used to identify and attract talent. For the purpose, you may make use of resources such as community networking events, job fairs, online sources, career fairs and advertising/marketing programs.

In case of recruitment of person on contract or assignment basis, proper contractual terms need to be drawn up and documented.

After a candidate applies for a job/articleship in the firm, following steps may be taken :

- **Candidate Screening:** Resumes should be screened to determine which candidates meet the minimum requirements for the position applied and an invitation be sent to the candidate to appear for an interview.

- **Interviewing:** To conduct the initial interview and select the potential candidates for being interviewed by a higher authority/partner. A test to understand the technical knowledge of the candidate, whether oral or written, be taken to ascertain the level of understanding of the candidate for the responsibilities he is applying for. A second round of interviews may then be arranged.

- **Reference and Background Checks:** After the candidates are selected for joining, their references and background checks should be ensured by the HR team.

This process should include conducting reference checks by verifying past employment information and contacting the professional/ personal contacts provided by the candidate. The reference check with the previous employer should be done only after consent of the prospective candidate.

It is suggested that the current and permanent address and contact details of the candidate be obtained for office records.

It is also suggested that a letter be sent by Speed Post with Acknowledgement Due at the given address as a matter of confirmation of the person's address. The same can be done post joining also.

3.4 Induction and Confirmation

After the recruitment process, HR should guide the selected candidate through the joining formalities and ask him/her to submit following documents for completing the joining formalities:

- Resume copy

- Copy of Aadhar Card

- Copy of PAN Card, if any

- Previous work documents - Offer, Experience, relieving letter, previous salary slip, previous Form 16, etc.

- Educational credentials

- Permanent Address Proof

- Current Address Proof

- Photo Id Proof

- Medical issues, if any

- Bank Formalities

The newly- appointed staff should be guided on the firm's boarding and induction procedures and should be introduced to the necessary people in the firm itself.

An employee master should be created – **Annexure 3**

Necessary user accounts, e-mail address, security entry/ exit passes, identity card etc., sitting location, desktop/laptop for new employee should be created/arranged. A standard new staff kit should be made so as to save time on repeated tasks. This will depend on the policy of the firm in respect of providing items in the joining kit. The joining kit can include this Office Manual preferably saved in a particular location and employee to access and also can provide soft copy, Calculators, Identity Cards, Login passwords, green pen, note book, laptop (if provided) etc as per the policies of the firm. The employee should refer the latest manual.

Articleship Registration at Various Times as per ICAI Guidelines:

HR should ensure that the Article Assistant who is joining should complete following formalities from time to time:

- **For Registration at the time of Joining**: Since all relevant processes of ICAI are carried out through the Self Service Portal (SSP), the process of registration of articleship should be completed through this portal. Article should upload **Form 102** (on Non-Judicial Stamp Paper) signed by both, the Article assistant as well as Chartered Accountant under whom he/she is intending to pursue training. The same will require approval of the member concerned and subsequently by ICAI.

  Further **Form 103** is also required to be uploaded on SSP and approved by the member and subsequently by ICAI.

- **For Transfer:** As article assistant is allowed to take transfer during the first year, therefore he/she should upload Form 109 along with consent

of the Principal under whom he/she is currently undergoing training, with the Institute. Further transfer in 2ⁿᵈ & 3ʳᵈ year shall be possible only if he/she meets the criteria specified by the Institute.

- **On completion of training:** Article Assistant should upload Form 108 after completion of 3 years of his training. Further such a form should be uploaded and approved by the member concerned.

- The article assistant should be made aware of the Code of Conduct issued by the Institute for article assistants.

Probation and Confirmation

In respect of persons other than Article Assistants, joining as employees, probation period should be defined in the HR manual and should also mention as which benefits employees will not be eligible for during the probation period.

Article assistants should not be subject to the probation period.

New employees should be confirmed on payroll based on following criteria.

The performance of the new employee is satisfactory in terms of the Performance Management System (PMS).

On successful completion of the probation period, the employee should be considered as "confirmed" or permanent employee.

If the performance is not satisfactory, the probation may be extended and should be reviewed on case to case basis.

Once the probation period ends, HR should provide a confirmation letter to every employee.

Dress Code

It is clearly understood that all employees are firm's goodwill ambassadors and it is therefore extremely important that they conform to the laid down norms including that of the dress code during office hours, both in the office of the firm and beyond the office, at client place, etc.

Hence the dress code during office hours should be clearly mentioned, e.g. FORMAL from Monday to Friday. Formal dress code for men could be shirt, trouser and tie (optional), leather shoes with socks and for women it may be sari, formal shirt and trouser or formal salwar kameez with formal footwear. Dress Code for Saturday could be smart casual wear.

Employees are expected to observe a standard of dress, personal appearance and grooming befitting the employees of a professional organization, subject to the necessary requirements of the duties of each employee's position.

The Practice may, on occasion, provide alcoholic beverages for consumption in the workplace or elsewhere during work-related social functions, for example, at a Christmas party or client lunch. Employees remain at all times responsible for their decision to drink alcoholic beverages on such occasions, and undertake to act responsibly at all times during these occasions.

Employees represent the Practice, both during and outside working hours. Employees should not at any time engage in conduct that could damage or discredit the Practice's reputation, including during work related social functions. The conduct of an employee during a work-related social function or after hours may result in the Practice taking disciplinary action against an employee where the conduct of the employee reflects badly on the business or reputation of the Practice.

Each office can define its own dress code. However, the same should be specified befitting the profile of a professional CA firm.

Machines and Laptops

HR should allocate the system, assist with internet login formalities and other related formalities depending on the role, designation and nature of work of a particular staff.

The staff should be responsible for the utmost care of the machine / system allotted. The staff should not be allowed to use the internet or browse any sites other than related to their work areas.

Medical Examination

If the Practice reasonably suspects that you are unable to perform your duties because of illness or injury, whether or not you are absent from work or on paid leave:

"*We may direct you, and you consent to us, to instruct a medical practitioner to examine you and report to us on your condition and capacity for work; and ·· you will attend the examination. We will not disclose the information provided to us by the medical practitioner to any person, other than to you, for the purpose of managing your employment, or to our legal and other professional advisors.*

If you fail to comply with a direction to attend a medical examination without reasonable excuse, this may result in disciplinary action, including termination of employment. "

3.5 Performance Management

The Performance Management System (PMS) serves three broad purposes:

(a)   It is a process through which the firm aligns their mission, goals and objectives with available resources, systems and set of priorities.

(b)   It acts as a system for performance assessment through mid-term appraisal for course correction and for assessment of what was achieved.

(c)   It acts as a feedback system to review how the goals were achieved thereby focusing on development of individuals.

The main aim of PMS is to identify the strength of the person and the performance gaps (if any). The strengths are the tasks that a person consistently performs well. The gaps are the reasons for a shortfall when performance does not meet the standards set by the firm.

Therefore, HR should focus on timely reviewing the performance of each employee in the firm. Further as a process, PMS comprises of following broad steps:

- Setting and managing goals
- Links to competency framework
- Scheduling of appraisal meetings
- 360 degree performance feedback
- Big Data gathering for a broader picture of individua'sl performance
- Links to talent management and succession planning functions

3.6 Benefits Administration

It, indeed, is necessary that the employees get deserving returns, perquisites and other benefits from the firm to maintain a healthy, competitive and positive environment within the firm.

In this regard, HR should manage and monitor employee benefits, healthcare

and pension/welfare packages, tracking enrolment options and any financial implications.

Stipend to Articles:

HR should ensure that articles are paid stipend at rates not less than the rates recommended by the ICAI and in the manner prescribed by the Institute of Chartered Accountants of India from time to time.

Reimbursement of out-of-pocket expenses made by employees:

The Practice will reimburse employees for pre-approved expenses properly incurred by employees in the proper performance of their duties. Reimbursement will be subject to employees providing the Practice with receipts or other evidence of payment and of the purpose of each expense, in a form reasonably required by the Practice. Employees will also be required to complete the Expense Reimbursement Form which is included in the Office Forms section of this Manual.

Conveyance:

- Staff using their own vehicles on duty should be reimbursed the conveyance expenses at the rate per kilometer fixed by the firm from time to time. For the purpose of reimbursement of conveyance, distance in kilometer should be the distance to reach the place of work from office or place of residence whichever is less. If two or more employees share the vehicle, only one of them should be reimbursed the conveyance/travel expenses. The rates for conveyance allowance per kilometre will depend on the region and area where the firm is located as the petrol prices and cost of transportation varies from town to town.

- No conveyance expenses should be reimbursed if the client provides any kind of transport facility.

- Parking and Toll charges should also be reimbursed upon submission of receipts. Expenses incurred on an audit assignment out of town should be reimbursed at actuals upon submission of original invoices via Travel Expense sheet.

- Car conveyance should be based on the role and the designation of the person in the firm and with prior approval.

- Employees should take sanction from a reporting authority after the end of the month.

Travel rules:

Reasonable travelling expenses, where incurred in the performance of an employee's duties, will be reimbursed, provided that all claims are made on the appropriate form, signed by the appropriate supervisor and supported with the necessary documentation. The payment of expenses is at all times subject to the prior authorization of, and at the discretion of, the Practice.

Employees should arrange travel and accommodation through the Practice's preferred travel supplier prior to departure.

Generally, air travel will be by economy class, with a carrier chosen by the Practice.

Travel rules should be applicable to all the staff for travel in India provided prior approval is obtained from the reporting authority. Further expenses for travel, food, conveyance and stay should be reimbursed based on the original bills submitted.

HR should prepare a detailed Travel Policy Document if the employees are required to travel too often. The Policy should clearly define as to what expenses will be reimbursed, maximum amount that can be spent based on organisational hierarchy, prior approval for travel, specific form to be filled and submitted to HR along with original bills for reimbursement and such other clauses which are considered necessary for the employees of the firm.

A firm can take guidance from a travel policy of Government authorities where travel plans are provided based on the ranks of the person concerned. The travel policy may be reviewed annually.

3.7 Workforce Management – Time and Attendance

This manual should include the working hours in a day and working days in a week.

It is advisable to install a Bio Metric system for capturing the daily attendance of the employees. HR should ensure that every staff is properly registered and their attendance is captured correctly. A specimen format of Attendance Sheet is given in **Annexure 4**.

HR should ensure following is complied with on daily as well as monthly basis:

- Employment attendance tracking

- Time clock management

- Functionality for remote and mobile workers

- Legislative compliance (e.g. minimum mandated rest breaks)

ICAI is also contemplating issuing e-dairy concept for article assistant.

3.8 Absence and Leave Management

Staff of the firm normally require leave for vacations, compassionate reasons, illness, parental leave etc. Therefore, it is to be defined as to yearly paid leave available, casual leave and sick leave available, utilisation of the accumulated leave, encashment and carry forward, leave eligibility during probation period, etc. Process of obtaining leave, authority for granting leave, etc. is defined and it should be ensured that all the staff adheres to the rules.

National and festival related holidays as may be declared by the Govt. should be clearly mentioned in the Manual.

Leave Rules For Article Assistant :

HR should ensure that Article Assistants comply with the following leave rules provided in the regulation (59) of The Chartered Accountants Regulations, 1988.

The salient points of this regulation are:

- An Article Assistant shall earn leave as prescribed by The Chartered Accountants Regulations.

- As per these rules they are entitled to earn leave at the rate of one-sixth of the period for which they have actually served, excluding from such period the period for which they have been on casual leave or other than CA exam leave.

- Leave due shall ordinarily be granted if reasonable notice has been given in writing.

- Appropriate leave application should be submitted in advance to their reporting partner and his approval obtained before he/she actually goes on leave.

- A firm can also resort to networking for human resource management. The ICAI has published Revised Networking Guidelines amongst Members of the Institute - https://resource.cdn.icai.org/ 24427announ14280.pdf

3.9 Learning and Development

With prior approval from partner, etc. the staff should be eligible to attend various seminars, meetings, curricular activities, webinars, etc. related to their area of work and at the cost of the firm. Rules for reimbursement of expenses incurred in this regard may be separately framed.

There may be weekly meetings in the office for discussion of latest developments in various topics relevant to the Firm's area of work or for training purposes may be held from time to time.

Please keep in mind the provisions of Article Assistants Training Guide - https://resource.cdn.icai.org/32541bos22393.pdf and Code of Conduct for Students of Chartered Accountancy - https://resource.cdn.icai.org/45773bos22394.PDF.

A specimen format for Training and Development is given in **Annexure 5.**

3.10 Talent Management

HR should focus on identifying individual staff with potential and should focus on their professional development, with prior approval of the partners.

Proper and adequate benefits and rewards should be given to such employees whose performance has been reviewed and appraised by the HR and management and is found to be appreciable.

HR may also maintain a database of the candidates with potential that can be used in future staffing purposes.

3.11 Compliance with various laws

HR should ensure that the firm follows provisions of various Central and State Acts which are applicable to the firm. Some such acts are:

- Profession Tax Act

- Prevention of Sexual Harassment Act, 2013

- Immigration laws, if any

- Workplace safety regulations

- Child labour regulations

It should also be noted that certain laws do not apply to a firm of Chartered Accountants such as Shop and Establishment Act based on judicial pronouncements.

Further, in order to protect women from sexual harassment at the firm, HR should formulate the desired policy and form concerned committee as required under Sexual Harassment of Women at Workplace (Prevention Prohibition and Redressal) Act, 2013.

A proper environment should be created for the safety of women at workplaces.

3.12 Exit formalities

Exit policy should include following points:

(a) **Resignation:** The process of submitting a resignation intimation (notice period), whom to refer and other terms attached to the resignation letter should be defined. The notice period that will be applicable should be defined.

In case the employee is not able to serve the notice period due to any reason, HR should define the consequences of the same. **For example,** in case of any medical emergency where the employee is not able to dischage his/her duties, the management reserves the right to waive off his/her notice period.

If possible, a firm should conduct an exit interview with the outgoing employee to understand the reasons for leaving and issues that he may like to share for the benefit of future improvements/suggestions or some valuable inputs.

(b) **Termination:** HR should also define the situation under which the management reserves the right to terminate any employee's services, **for example,** based on non-performance, based on the nature of the error made or the severity of misconduct.

Full and Final (F&F): HR should notify the employee about the full and final payment and also about the relevant documents like – experience letter, salary slips etc.

The article assistants who join as staff after completion of articleship are not entitled to consider the period of articleship as period of service for the purpose of various retirement dues.

Transfer and Termination Policy for Article Assistant

HR should ensure that article assistant follows the Articleship Termination rules as defined by ICAI which allows transfer or termination in following cases:

(a)   In case the working parent of the article assistant gets a transfer within a minimum distance of 50 KM, the article can apply for the transfer but the copy of the parent's transfer order needs to be submitted to his/her Principal.

(b)   The Principal is required to make the payment of the requisite stipend. In case of any irregularity or the non-payment of stipend with reference to regulation 67, the article assistant can apply for transfer or termination.

(c)   In case, the article assistant wants to serve the balance period of his/her training outside India.

(d)   The article assistant can also apply for the transfer or termination in case of death of the Principal under which he/she is registered.

(e)   In the case of the extreme health issue, the articleship can be discontinued for a minimum limit of three months but in this case, the candidate is required to submit the medical certificate from a Government Hospital.

In a case where the article assistant has been absconding or not attending office without any intimation or has left the organisation without completing exit formalities, the firm should refer to the termination procedure specified by ICAI to be followed unilaterally by the firm.

3.13 Data Confidentiality – Non Disclosure Agreement

We expect our team to behave in an honest, ethical and professional manner. Where an employee has concerns about a particular situation, it is to be discussed immediately with one of the partners of the firm. All personnel are required to commit to maintaining confidentiality over information and to respecting our firm's right to continue serving our clients. All personnel shall be asked to guarantee those performance standards, using a legally enforceable and reasonable contract

HR should strictly ensure that all the staff follow the data confidentiality rules of the firm and also define the same in the manual.

HR policy should specify that no data/email from the client should be received on or sent from the personal email id of the employee or article assistant. This may create legal issues in case there is any data breach.

Every firm is advised to get a proper non-disclosure agreement signed by all the staff including new employees.

3.14 General Rules of the Firm

The Manual should include the following general rules for employees / articles:

- They should behave in a proper manner with colleagues and clients. They should not to be rude with clients or their staff under any circumstances.

- They should not use office supplies for personal use.

- Other activities that are, at the least, frowned upon include using work time to conduct personal businesses, such as emailing friends, contributing to a Facebook® page, or making long distance calls to family.

- They should not be allowed to visit objectionable sites. Stringent action should be taken if any violation of this prescription takes place.

- The Firm can consider providing benefits of Group Medical and Accident Insurance coverage to employees for enabling them to secure against any medical emergencies.

Chapter 4

Technology Management

This chapter deals with the following aspect of Technology Management:

- Hardware configurations

- Software Licenses

- Data Security

- Data Storage and Retrieval

In a climate of ongoing change, technological disruption, increased regulation and the emergence of various global reporting systems, it is even more critical for firms to adopt best practice in respect of emerging technologies such as social media, smartphones and Cloud Computing.

This Chapter examines the increasing role technology plays in the success of an accounting firm. Effective selection, implementation and management of technologies, as well as training employees to use these tools, are fundamental to the success of any firm.

Several professionals, particularly women CAs, think of working from home. Recent calamity has underlined need for and utility of this concept. Information about virtual office is included for the benefit of all.

One must also consider the latest technological trend available at relevant times.

4.1 Hardware Configurations

Server and Technology Configuration Types

The Hardware configuration is the backbone of any office of a Chartered Accountant as it will directly impact the efficiency of the organisation to provide service to the Client.

The hardware configuration will have to be carefully chosen keeping in mind not only the present requirements but also future requirements. The hardware configuration also impacts running of various software and systems and one has to keep in mind minimum requirements of various software and portals/websites necessary to operate day to day functioning. Some websites

and software require certain minimum memory and speed (RAM) – whereas certain software like pdf, etc. work efficiently with minimum hardware configuration specifications.

It is always advisable and cost effective to install higher level of hardware configuration than required at the time of purchase/installation as the cost of upgrade at a later point of time is much more expensive than the initial installation. Further, in some cases, the higher version cannot just be upgraded without discarding the earlier Server. T5.The time span for updating the software and new platforms is so small now-a-days that the life of an existing hardware configuration is less than one or two years.

The hardware configuration should not only take care of the RAM (memory aspect-speed of access), expandability in terms of more nodes but also storage space as the data keeps on increasing year after year.

The number of nodes that will be supported by a Server is also a key factor in determining the hardware configuration.

The basic criteria for determining an ideal Server hardware configuration are as under:

Number of nodes required presently and additional nodes that may be required over a period of two to three years.

Minimum requirement of configuration for all the software is likely to reside on the Server.

Space required – consider making larger space available – the cost of hard disk with higher capacity /space is not much different than the hard disk with smaller space and hence the choice should be for hard disk with higher capacity keeping in view future requirements.

Choice between branded or locally assembled Server:

Both have their advantages and disadvantages.

In case of locally assembled servers, the cost is comparatively much lower than the branded one. However, reliability of the performance cannot be guaranteed. Stoppages due to restart and recurring down time is more expensive as the time of the entire staff is wasted and that can translate into a huge loss to the organisation as compared to the one time cost differential one may have to bear due to choice of branded machine.

While choosing the branded machine, it is advisable to opt for the one which has inbuilt Operating System as it will be more cost effective in the long run, considering the cost of annual renewal of OS License.

Networking

A CA Firm's office generally works with the concept of Server and network nodes. Gone are the days when such an office would have several standalone machines which were not linked to the server.

Networking has several advantages over standalone machines –

- Data resides on one machine and all networks/machines have to log in to the server database for getting that data.

- Multiple files stored on standalone machines will raise questions of data integrity.

- Data protection and security is compromised in standalone computers.

- Even if laptops are used as network nodes, it should be linked to the server where the data primarily resides and not on the laptop. Enhanced security measures are required for ensuring data safety.

- Cost of software licenses on each individual machine, be it for OS or for antivirus, would be much higher in case of standalone machines than in case of Networking.

The Network can be of several types. However, two most prominent types are Windows Workgroup based Network and the other one is Domain- based Thin Client Network). The main difference between workgroups and domains is how resources on the network are managed. Computers on small networks are usually part of a workgroup, and computers on large workplace networks are usually part of a domain.

In a workgroup:

- All computers are peers; no computer has control over another computer.

- Each computer has a set of user accounts. To log on to any computer in the workgroup, you must have an account on that computer.

- There are typically no more than twenty computers.

- A workgroup is not protected by a password.

- All computers must be on the same local network or subnet.

In a domain- based thin client network:

- One or more computers are servers. Network administrators use servers to control the security and permissions for all computers on the domain. This makes it easy to make changes because the changes are automatically available on all the computers. Domain users must provide a password or other credentials each time they access the domain.

- If one has a user account on the domain, he/she can log on to any computer on the domain without needing an account on that computer.

- One probably can make only limited changes to a computer's settings because network administrators often want to ensure consistency among computers.

- There can be thousands of computers in a domain.

- The computers can be on different local networks.

The Windows workgroup- based networking has advantages and disadvantages – The disadvantage is that it also acts as a standalone machine and hence data security and protection is compromised to a great extent. Further, separate licenses are required for each machine.

Advantage is that system continues to function even if the server is down or is malfunctioning.

However, for a CA Firm's office, data security and data protection are of utmost importance and hence a domain- based thin client network would be a better option.

While installing networking nodes, care needs to be taken for cabling/wiring from the server to the nodes. The same should be properly numbered for ease of any subsequent maintenance. The server capacity needs to be suitably selected based on the present requirement of nodes and expected growth in terms of additional nodes that may be required in the future.

The login and password protocols need to be properly documented. Any changes in the staff/system users, should promptly trigger changes in the login protocols.

Printers/Scanners – Capacity and Speed

Printers and scanners are integral part of any hardware configuration of a CA

Firm's Office. The printers are extensively used in a CA's office as massive amount of printouts are required to be generated. Hence its speed and functions are of utmost importance in selecting a suitable printer. A multipurpose printer cum scanner cum Xerox would be an ideal selection. Scanner also needs to be selected based on various features like auto loading and book scanning as the same are frequently required. If the Printer has capacity to automatically print on both sides of the paper, it will be advantageous with a view to saving precious time.

The same should be compatible with network requirements and should be capable of being used over the network.

A standby spare printer is advisable for sudden breakdowns as the repair time is sometimes quite lengthy.

The printer should be selected keeping in mind the cost of operating the same. In some cases, although the initial cost may appear to be low, the consumables like toners, cartridge for Ink refilling etc. are quite expensive. This will make it unviable in the long run. Such factors must be kept in mind. The cost of maintenance also is required to be factored in.

The speed of the printer and scanner is highly relevant for a CA Firm's office as time is crucial at the peak period rush hours like tax filing season or tax audit season.

Video Cameras

In order to ensure security and also to keep track of the activities in the office and maintaining discipline, it is advisable to install video cameras in the office at appropriate places so that all the activities of the staff members are monitored/saved and can be retrieved for any future use. However, care should be taken to display a mandatory notice that the place is under CC TV surveillance as per the provisions of the The Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules 2011 under Information Technology Act. Policy should be devised to keep backup of the recordings. The CCTV Cameras and DVD should normally be beyond human reach.

Regular Preventive Maintenance

Downtime at any CA Firm's office is very expensive since deadlines are to be met almost throughout the year and hence regular preventive maintenance is helpful in avoiding downtime at crucial junctures.

It is imperative to go for preventive maintenance packages with Computer Service Firms for regular routine checkup :

(a) Disk clean up

(b) Removing unwanted temporary files/macros

(c) Dust cleaning

(d) Running scans over the data

(e) Software checks & updates

(f) Anti virus updates

(g) Printer/Scanner clean-ups

(h) Removing damaged parts,

(i) To confirm whether the software licenses are not overdue, etc.

Just before the peak period begins, exhaustive check/review should be carried out to ensure that the system is functioning efficiently.

Insurance/Warranty

Each of the hardware components purchased would be with appropriate warranty provisions. It is important to ensure that the warranty registration formalities are done immediately on purchase else the manufacturer may not honour the warranty terms when required.

The equipment should be used as per warranty terms else the warranty would be void.

An asset register with proper details of all the purchases should be maintained for future use and reference wherein details of warranty period are recorded.

Appropriate insurance covering all equipments has to be taken for theft, damage due to fire, etc. in order to prevent any loss to the organisation due to any untoward incident.

4.2 Software Licenses

Windows Server/Linux Operating System

Considering the provisions of Intellectual Property Rights Act, all software companies are protected against software piracy and illegal usage.

It is to be ensured that all software installed on the computer hardware is either licensed copies or free software available for download.

Use of pirated software can lead to confiscation of servers loaded with valuable data as also penalties and prosecutions. Microsoft had launched massive drive to track down users using pirated microsoft software and had taken legal action against many of them. The Government of India is also committed to implementing the IPRs and supporting software companies.

Pirated software are not entitled to regular upgrades and also are weaker from security point of view.

The popular server operating system is Microsoft Windows. One has to separately buy Microsoft Office Suit which contains MS Word, MS Excel, MS Powerpoint, MS Access, etc. Microsoft sells the home version as well as business version with added features.

However, many firms also use the free Linux Open Office Operating System. Although it is freely available as developed by a consortium of software developers, it has certain inherent limitations in formatting and operating flexibility as compared to MS Office.

Antivirus and Firewall

In the era when data hacking and virus attacks are the order of the day, it is imperative for a CA organisation to install reliable antivirus and firewall systems to protect its data from hacking or from data loss due to virus attack.

Regular virus updates are also very necessary (generally it is automatic when the system is connected to the internet & virus updates are configured).

All USB drives before being used should be scanned for viruses.

Regular annual/bi-annual renewal of the anti virus software should be done before expiry of the existing version.

Many anti- virus software now offer Admin Console facility by configuring which helps one to keep track of all the activities done on the Server and the users and the data they have used, the period for which it was used and other activities done on the system, etc.

Software Management

All softwares should be purchased from authorised sources. Free downloads would generally come with a payload which may be harmful in the long run.

All documentation relating to purchase of licenses acquired should be maintained and key received from the software suppliers should be saved at an appropriate password- protected area for future reference.

A date- wise schedule should be maintained for renewal and the same should be handy for renewal before expiry or else the software will not perform when it will be required the most.

Regular updates are to be obtained in respect of the software wherever available.

Keep track of any new updates/versions of the software available which may provide better output and efficiency.

Website Hosting and Domain Name – Renewal

There are two aspects to Website Management:

(a) One has to obtain a domain name registration, for example, www.icai.org as a domain name which has to be obtained from a domain name provider at a particular fee and the same is available for a period with renewable options.

(b) Once domain name is obtained, one can prepare a website and look for hosting options on servers available for hosting. The website is accordingly hosted for a fee based on period of time and the same is renewable.

(c) Generally one should opt for the longest period available for domain name and web-, hosting as it is cumbersome to renew the same frequently.

(d) The email addresses and mail configuration is generally with domain name and if the domain name is not renewed, the entity will not be able to receive and send messages from their respective mail boxes. This would hamper the operations of the Firm.

(e) The renewal dates should be clearly marked and renewal should normally be done a few days before the due date. Generally, renewals require login id and password without which the renewal is not possible and hence the same should be preserved for future reference in the appropriate file.

4.3 Data Security

It is important to note that a CA Firm's office handles data of many clients apart from its own data, either created for a client or for itself.

In respect of data received from the client or created for its clients, the CA Firm's office assumes the role of a trustee and has to ensure that the data is protected from hacking, theft, and erroneous delivery to wrong locations/person.

Any breach of the above could lead to considerable damages and claims including, in some cases, allegations of insider trading particularly when the clients are listed entities.

It is one of the most important tasks of a CA's office to ensure that the data is protected and adequate care is taken.

Data server and internet server

A *"WHAT ALL CAN GO WRONG"* approach can be applied to list out possible areas where the data security can be breached and the same needs to be plugged.

Data theft or erroneous exchange can take place in the following different ways:

(a)   Data transmitted through email – erroneously or by design,

(b)   Data copied on USB drive – possibility of USB drive containing data getting misplaced and not available when required the most or is lost.

(c)   Unauthorised copying of data and transmitting – such as data theft,

(d)   Hacking of computer systems by external sources for monetary gain or otherwise.

Protecting The Data :

How does one protect the systems from the above possibilities? "WHAT ALL CAN GO WRONG?'

(a)   Separate server for main data and internet – no data resides on internet server. Only when an email is required to be sent with some data after proper authorisation, is the relevant data only transferred to the internet server and email sent under supervision.

(b)   Password protection for email sending so that data cannot be sent without proper authorisation from senior authority.

(c)   USB drive used for copying data should be kept empty at all times and control over the number of USB drives available and their ownership so that data cannot be sent outside without proper authorisation.

(d)   Install Antivirus and firewall systems to protect from hacking, blocking of vulnerable sites to avoid any instances of hacking.

(e)   Proper documentation for all data being transmitted outwards and copies on USB drives with the name of the person concerned and authorisation to ensure tracking data transmission in case of any possibility of misuse.

(f)   If possible, all USB Drives on Server and annexed machines should be deactivated.

Data Backups

Regular backups

It is a good practice to take regular backups to prevent any loss of data due to system failure or any contingencies like fire, etc.

Backup destinations

(a)   Internal hard disk

(b)   External disk

Daily back-ups can be taken on internal hard disk with programmed and scheduled backup, maybe during lunch time or post office time or pre office time. Servers also have Mirror Hard Disks so that every data saved on the Server is mirrored on the Mirror Hard-disk.

Back up on external media may be taken once a week and can be stored at a place away from main office may be in a locker or residence of a Partner to avoid any data loss in case of a fire or such other contingencies.

Scheduling a Backup

Software is available for scheduling auto backup at regular intervals. It can be programmed so that archived files (old files) can be backed up once a month and active files can be backed up on daily basis (may be twice daily – depending upon peak or off peak season).

Further it can also be programmed to take incremental backup which means that only additional data created will be backed up to the old backup and hence the old backup will get updated.

Grandfather – Father – Son technique

The Backup should not overwrite earlier backup. There should be a system to create two new backups and there after the earlier one can be overwritten so that at any point of time, the entity has two previous backups intact. Just in case the error files get backed up, the old backups can be used.

Data Storage and Retrieval

Specific Area - Archive and Current Data

It is pertinent to note that the purpose of storage of data is to easily retrieve the same when needed.

The Data storage should be so structured that it follows standard nomenclature as well as design and structure of the hierarchy.

No individual person can determine the name of the file, folder, sub folder and so on.

The files should first be distinguished between those for archival and current.

All Archive files for past period or closed jobs to be saved in separate area marked for the same. The said files should be write- protected and no person should be allowed to modify any files in archive area.

To access any files from archived area, first it has to be brought to the current working area with authorisation and then allowed to be edited. The same should be saved with different name and not overwrite any archived data.

File Nomenclature

The file nomenclature should be properly defined and standardised so that every person in the organisation follows the same protocol, for instance a file for Income tax Assessment having job no P1901034 will be saved as under:

DTXYZ LTD P1901034 (The first two letters indicate type of job – DT, The next six characters indicate name of the customer and the last eight characters indicate job number. The said file will be saved in DT folder in the job number folder and hence retrieval becomes easy.

Drop Box and Online Storage of Data

Drop Box facility is the online storage facility available which can be accessed by a group of persons authorised to access files uploaded in the said area. A simple procedure of copying the file to drop box and retrieval can be followed. Any member of that group can retrieve and upload files in the said box.

Online data storage such as Cloud Data Storage is also available for a price. This facility can be availed for backing up data and can be retrieved anywhere in the World from cloud environment.

One has to ensure reliability and integrity of such online data storage service providers for data security and data availability. The service provider should be a long term well established name in the category and reliable for data security by providing firewall and other security measures to prevent data hacking and data theft.

Password Management : Password Management is very important from the point of data access and data security. Passwords are required for accessing data from the Server or from the Cloud such as Drop Box, etc. Passwords are also required for online Banking, for accessing mails, for using digital signatures, etc. Everywhere, same password cannot be used but it becomes difficult to remember passwords set for different functions such as for Server, for internet, for e mail, for Netbanking, for Cloud, for Operating System, etc. In such a scenario, it is a must to have proper Password Policy and everyone in the organisation follows that Policy. A few points in this regard may be :-

(a) All passwords must be securely maintained in Password Vault.

(b) Server Access Register may be maintained and details of staff to whom access is allowed should be maintained in the register.

(c) Passwords of all staff are maintained in sealed envelope with a senior Partner.

(d) Passwords are routinely reviewed and changed frequently.

4.4 The Virtual Office (Work from Home)

Possibly the greatest transformation brought about by the Internet is the elimination of barriers caused by geographic separation. In particular, technologies like VoIP enables remote accountants working at clients' offices to stay connected to the firm, accessing resources and exchanging

information with other staff from remote locations. The technology also enables more opportunities for staff to work from home ("remote working").

Many firms have created "thin client" environments which enable all staff to access the firm's systems and work as though they are located in the office, regardless of actual location. Document management systems are critical to enable access for all client files.

A form of remote working is the mobile team member. Equipped with a laptop or netbook, these remote workers can work from any location—home or clients' offices. Working from clients' offices has the potential to increase efficiency as it can facilitate faster resolution of queries.

The past years have seen significant changes with many staff seeking opportunities to work flexible hours or work from home.

Some firms remain reluctant to permit significant remote working. There are concerns about supervising a team member to ensure productivity is maintained.

Working from home requires personal discipline, a quiet work area free of disruption, and all the enabling technology. Some firms have found this works for some staff but not for others. Suggested guidance/rules for Work from Home are given in Appendix 4

Some of the useful tools for operating virtual office are:

- Online backup through Cloud

- Virtual Call answering service

- Facility for web conferencing

- Cloud Hosted application programs

- Tools for collaboration

- Online Practice management

- Cloud Communication apps

Assignment Management

5.1 Engagement Initiation

Based on the understanding of the client's business and the services to be performed, i.e. nature of services to be performed and the scope of the engagement, based on the Letter of Appointment received and preliminary discussions with the Client Team, audit program/plan of action to be prepared. The firm should ensure that any assignments undertaken should be within regulatory framework.

5.2 Engagement Planning

Based on the understanding of the engagement, Team of people best suited to handle the assignment will be finalised. Team Leader must also be finalised from the team of people assigned for the assignment. Team leader will be a single point contact for the client team and CA firm's office in respect of anything related to the particular assignment.

- Assignment Number is assigned to the engagement and the same is updated in the Assignment Register with details of the assignment and the Team leader and team finalised to undertake the same.

- Discussions with the Team as to the time required at various levels (including articles, senior executives, partners, etc) to be determined. A budget is required to be planned based on the time inputs and expenses should be budgeted.

- Logistics of the assignment to be determined based on whether the assignment is to be performed locally or outstation. All Team members should be aware of the travel policy of firm. Wherever possible and decided between the firm and the client, reimbursement of expenses incurred like lodging, Boarding, conveyance, etc. should be invariably claimed from the client so as to minimise the cost incurred on the assignment.

- Estimated cost to be worked out, based on Tentative Time Sheet prepared for the purpose.

- Periodicity of the work schedules to be finalised.

- Consent of the Client Team obtained for the work schedules planned. If necessary, the schedule is modified to suit the Client Team.

- A List of Requirements (of data, records, documents, etc.) is prepared and flashed to the Client Team in advance with request to furnish the same before the commencement of the assignment so that the data/records are studied in advance and changes in the work schedules, if necessary, are made.

- Letter of Authority is issued to the assigned Team, to be presented to the Client Team, before the engagement is started.

- E-mail confirming the details of the assignment (our understanding of the assignment as agreed with the client), assignment number and Team assigned for the purpose is communicated to the Client Team with request for cooperation. Details as to the team finalised for the assignment, team leader, etc. are appropriately communicated to the Client Team. Communication Matrix with Name, Phone number and Email id should also be communicated to the Client Team.

5.3 Assignment Monitoring

- The Manager/Partner at Head Office should be in touch with the Team regularly, with a view to taking feedback on the work on hand, work completed, observations, any serious observations, any doubts about the work on hand, extent of checking, any modification needed in the selection of samples for test checking, etc.

- The on-site Team should update the Manager/Partner/Team Leader (in charge) on a daily basis as to the work completed during the day, over email or other modes of communication as may have been decided.

- If any serious observations are reported by the on-site Team, they should be taken up on priority & decision should be taken as to whether the matter needs to be reported/updated to the top management of the Client immediately, e.g. reporting of a fraud by the on-site Team.

- The On-site Team discusses the observations with the Client Team from time to time with a view to soliciting their explanation and giving them time for compliance of observations.

- The Accounts department should perform accounting functions and compliances. Specimen Checklist given in **Annexure 6**

- Time Monitoring System: Time is a major input in an office of Chartered Accountant which is a measure for cost as well as revenue. If time used by each of the resources of the Office is not monitored regularly, it can lead to wastages and under or excess billing leading to loss of revenue or loss of clients.

5.4 Time Sheet

- Each person working in the entity including partners and others at all levels, will be required to log in every day, number of hours logged in on each assignment they have handled during the day such that they will give an account of the entire time spent in the organisation during the day. For example if a person has worked for 9 hrs during the day, his typical log will be as under:

- Example: Log of Person xyz:

Assignment Number	Client	Client Group ID	Nature of work done	Time Hours
P19012345	ABC	A10120	Prepared submission for Assessment AY 17-18	3
P19023649	RST	R10213	Company Law petition to NCLT	2
Lunch				0.5
Research	Self	S100	Read new amendment on GST input credit and analysed	1
P1920987	xyz	XYZ101	Conference for tax related opinion	2.5

A specimen format of Time Sheet and Assignment Card is given in **Annexure 7 and Annexure 8 respectively**.

- The above timings will be entered assignment-wise and person- wise to compute a Time Balance Sheet of the Organisation for the month

and for the period. (Suggested format given **Annexure 9**) This will give an idea to the management as to how much time was logged in by various persons in the organisation (Resources Availed) and on the other hand how the said resources were deployed for various assignments. The time logged in for each assignment can then be computed to determine the value of resources used by allocating weightages to each class of person based on their status in the organisation – Sr Partner, Jr Partner, Sr CA, Jr CA, CA Finalist, Articles and so on. Based on weights of each person an Equated Man Hour (EMH) is to be computed and analysed.

- One can also create several pivot tables to analyse the data of the time spent on each assignment by respective persons.

- The above will enable the entity to evaluate the cost incurred on each assignment and accordingly billing can be done to the client. Further, profitability of each assignment can be measured. The Firm can also work out the contribution client wise.

- If the fees are decided in advance, the firm will be able to know as to whether it is making any surplus on the assignment or incurring a loss.

- The cost analysis of every assignment will be helpful in deciding the quotes in future assignments. It may also help the management of the firm in deciding whether to approach the client for upward fee revision due to escalation of cost due to time overruns on account of the client, or due to the prevailing circumstances.

Finalisation:

- Depending on whether the assignment is one time, monthly, quarterly, half yearly or yearly, a draft report is prepared by the on-site Team Leader by compiling all the un-compiled observations and the same is discussed with the Manager/Partner-in-Charge.

- Draft Report, duly modified after taking into consideration the suggestions of the Manager/Partner-in Charge is then sent to the Client Management for their consideration and further compliance, if any.

- The client is advised to submit their Management Representation Letter based on the draft report already submitted.

- In case of an audit engagement, the finalised accounts (Balance Sheet, Profit & Loss Statement, Cash Flow, etc) are obtained, duly signed by the authorised people. In case of corporates and other legal entities such as Trust, Co-op. Society, etc., copy of the Board/Managing Committee/Trusty Board Resolution authorising certain people to sign the financial statements is also obtained.

- Final Report is prepared & UDIN is generated by the Partner-in Charge.

- The Partner-in-Charge signs off the Report.

Annexures

Annexure 1 : Know Your Client

KYC Norms requirements as approved by ICAI

(as mentioned in Pre-Engagement Management – Client Relations Management)

Nature of Assignment :

(Statutory Audit/Tax Audit/GST Audit/Other Attest/Tax Compliances/Tax Representation/Mergers/Others - Specify)

1.   WHERE CLIENT IS AN INDIVIDUAL/ PROPRIETOR

A.   GENERAL INFORMATION :-

     i)   Name and Address of the Individual

     ii)   PAN or Aadhar Card No.

     iii)   Business Description

     iv)   Copy of last Audited Financial Statement

B.   ENGAGEMENT INFORMATION

     i)   Type of Engagement

2.   WHERE CLIENT IS A CORPORATE ENTITY:-

A.   GENERAL INFORMATION

     i)   Name and Address of the Entity

     ii)   Business Description

     iii)   Name of the Parent Company in case of Subsidiary

     iv)   Copy of last Audited Financial Statement

B.   ENGAGEMENT INFORMATION

     i)   Type of Engagement

C.   REGULATORY INFORMATION

     i)   Company PAN .

     ii)   Company Identification No.

iii)   Directors' Names & Addresses

iv)   Directors' Identification No.

3   WHERE CLIENT IS A NON-CORPORATE ENTITY

A.   GENERAL INFORMATION

i)   Name and Address of the Entity

ii)   PAN

iii)   Business Description

iv)   Partner's/ Member's Names & Addresses (with their PAN/Aadhar No./DIN)

v)   Copy of last Audited Financial Statement

B.   ENGAGEMENT INFORMATION

i)   Type of Engagement

Format: (wherever the client is non corporate – the reference to the director would be construed to partner, proprietor or in case of Co-operative Society to the Management as the case may be)

Know Your Client			
Sr. No.	**About the company**	**Description**	**Remarks**
1	Full name of the company		
2	Constitution of business entity		
3	Summary of the company		
4	Erstwhile name, if any		
5	Nature of business		
6	Certificate of incorporation		
7	Company headquarters		
8	Number of factories/plant, if any		
9	Company operating under any specific scheme		
10	Directors or Promotors of any company		
11	Details of shareholders		

12	Source of revenue		
13	Turnover for the Previous Year		
14	Number of employees		
15	Major expense of the company		
16	Subsidiaries of the company, if any		
17	Any other Critical Information		
	Statutory requirements	**Description**	**Remarks**
18	Paid-up capital of the company		
19	Statutory Auditors		
20	Internal Auditor of Company		
21	CARO applicability		
22	Any Other applicability		
	Taxation	**Description**	**Remarks**
23	Details of last income tax return filed		
24	Tax audit applicability		
25	Tax auditors of the company		
26	Transfer pricing provisions - Applicability		
27	Indirect tax applicability		
28	Registered under GST		
29	**RBI**	**Description**	**Remarks**
30	FDI acceptance		
31	ODI, if any		
32	Annual performance report		
33	Shares allotted to foreign investors		
34	Foreign currency - Gross provisional return (FC-GPR) to RBI		
35	**Others**	**Description**	**Remarks**
36	Others		

Annexure 2 : Specimen of Inward/Outward Register

Sr. No.	Date	Client	Doc Description	Date	In/ Out	Sent by Name	Sent for name	Purpose Of sending	Returnable	Returned on	Informed sender	Informed recipient	Confirmed – Sender	Confirmed – Receiver	Current location

Annexure 3 Employee Master:

Sr. No.	Remarks	Particulars	Details
1		SR.NO	
2		NAME OF EMPLOYEE	
3		QUALIFICATION	
4		DOB	
5		MARITIAL STATUS	
6		DOA	
7		KIDS IF ANY	
8		AGE OF KIDS	
9		DEPARTMENT	
10		DESIGNATION	
11		E.ID	
12		OVERALL YRS. OF EXPERIENCE	
13		CELL NO	
14		EMAIL ID	
15		DATE OF JOINING	
16		PERMANENT ADDRESS	
17		PRESENT ADDRESS	
18	Reference Details	2 REFERENCES	
19		NAME	
20		RELATION	
21		DESIGNATION	
22		COMPANY	
23		KNOWN SINCE	
24		MOBILE NO.	
25		EMAIL ID	
26		DOCUMENTS SUBMITTED	
27		ADHAR CARD	
28		PAN CARD	
29		PHOTOGRAPH	

Annexure 4 Daily attendance and In out time record:

02/03/2020						03/03/2020					
Name of employee	Log-in time/(A)	Out time	In time	Log out time	Remarks	Name of employee	Log-in time/(A)	Out time	In time	Log out time	Remarks

Annexure 5 Training planner and Calender:

Month		Topic	Trainer	Timings	Brief
Feb-20					
Mar-20					
Apr-20					
May-20					

Annexure 6 Accounting checklist:

Accounting Checklist		
Sr. no	**Particulars**	**Checks**
1	Opening Balance Verification	
2	Last Year Provisions to be cleared	
3	Purchase & Sales, Expenses, Bank Statements in Hard Copies (Arrange from client)	
4	GST Number on Purchase Invoices to be Verified	
5	Monthly Expenses like Electricity Bill, Salary, Rent has been paid or booked on monthly basis	
6	Purchase of Asset to be recorded with Hard Copies of Invoices and if for Business Purpose or not	
7	Sheet for Reimbursement of Expenses to be maintained	
8	Proper TDS has been deducted and Paid	
9	Debtors and Creditors Balance Confirmation from Client	
10	Debtors and Creditors with negative balances	
11	Cash Expenses not to be more than 10,000, Copies of Cash Vouchers to be maintained	
12	Suspense account to be cleared in the same month	
13	Loan from Directors and amount for DPT-3 filing	
14	GST Reconciliation and GST Credit to be matched monthly	
15	Other taxes reconciliation (PT, PF, ESIC) and Challans, returns to be maintained	
16	Depreciation working and entry	
17	Provision for Professional and Audit Fees	
18	Credentials of all Portals to be maintained	

Annexure 7 Daily time sheet format:

Time Sheet

Research								Use Assignment No as Research
Name of the Employee							CPE	Use Assignment No as CPE
Date						Travel	Use respective assignment no	

Assignment No		Nature of Work	Client Group	Client Name		Hrs		Tot Hrs		Work Details

Entered by

Reviewed by

Annexure 8 Assignment Card Sheet:

Assignment Card Sheet

Assignment No	Expected Completion Date
Client Group	Partner In charge
Client Name	Assignment Assigned to
Assignment Description	Soft copy folder saved at
Initiation date	

Date	Person	Work done	Reviewed		Action Points	Hrs spent	Soft files
			Incharge	Partner			

Assignment Closure:

Remarks by Assignment incharge

Remarks by Partner Incharge

Billing Details

Bill No   Date   Amount

Annexure 9 Time Balance sheet:

Time Balance Sheet

Month/Year

Equated Hours would be Hours multiplied by factor of each employee

Each Employee is given a factor based on his level in the organisation

For Work Code - Admin/CPE/Research/System Breakdown/Idle - please use Client Gr and Name as CA Firm name

Time Logged in					Time Utilised					
Person	Level	Factor	Hours	Equated	Client Gr	Client Name	Work Code	Work Type	Hrs	EMH

Total				

Total					

Both total should tally

Appendix 1

Suggested format of consent letter for obtaining and using DSC of the client

On the Client's Letterhead

Date:

To,

M/s. ABC & Co.,
Chartered Accountants,
Pune – 411001.

Kind Attn. – CA. ABC

Dear Sir,

Subject: Authorization to obtain and use Digital Signature Certificate

With reference to the above subject, I, Mr. _____, s/o Mr. _____, having PAN as _____ and UIDAI Aadhar No. as _____, having my sole-proprietary business at the above-mentioned address in the name and style of "_____"am residing at _____ Pune – 411001.

As required under various laws of India, including, but not limited to, the Income Tax Act, 1961, the Integrated Goods and Services Tax Act, 2017, the Central Goods and Services Tax Act, 2017, the Maharashtra State Goods and Services Tax Act, 2017, etc., a Proprietor's Digital Signature Certificate may be required to verify and authenticate various documents, returns, forms, etc.

For the same purposes, I hereby irrevocably authorize Mr. ABC, Chartered Accountant, Pune, to obtain and use, wherever required, my Digital Signature Certificate, in my capacity as Proprietor of M/s. _____, Pune, under all the laws in India, and the same will be binding on me at all times.

Thanking you.

Yours faithfully,

_____

Proprietor

Appendix 2

Suggested format of consent letter for uploading ITR by using DSC of the client.

(On the letterhead of the assessee)

Date: / /....

Outward No.:-

To,

XYZ & Associates
Chartered Accountants

......

Kind Attention :- CA ....

Dear Sir/ Madam,

Sub.: Consent for uploading ITR of our firm/ company for A.Y.......... by affixing DSC of our partner / director.

1. We have received draft copies of Statement of Computation of Total Income and Income Tax Return of our firm / company for A.Y........from you.

2. We have verified the same and found the same to be correct and in order .We hereby convey our absolute acceptance for the said ITR and computation of total income in all respects including additions / deductions as mentioned therein, the total income declared and the final tax liability.

3. We hereby authorise you to upload our income tax return as approved by us by affixing DSC of our partner / director Shri .... DSC has already been sent to your office and password of the same has also been conveyed to you on your cell phone.

4. After uploading the ITR, please send us a copy of the e-generated acknowledgment of ITR and complete ITR along with the statement of computation of total income on our email id.

5.   We accept all the above mentioned acts as done by us and shall not hold you responsible for the same at any time.

Thanking you.

Yours Faithfully,

For …………………………..

(………………….)
Proprietor/Partner /Director

Encl: Statement of computation of total income of ....for A.Y........as approved by you.

Appendix 3

Suggested format of consent letter for adding CA

(in income tax portal , accepting the report by using the DSC of the client and for uploading the tax audit report)

(On the letterhead of the assessee)

Date: / /....

Outward No.:-

To,

XYZ & Associates

Chartered Accountants

 ......

Kind Attention :- CA ....

Dear Sir/ Madam,

Sub.: Consent letter for adding CA and uploading the Tax Audit Report including financial statements on Income Tax portal for A.Y. ....

1. We have appointed your firm as Tax Auditor to conduct tax audit of our firm / company under sections 44AB of the Income Tax Act, 1961 for the F.Y.........in terms of letter of engagement dated...............

2. In this connection, we hereby authorise you to add your firm's name and name of the partner signing our tax audit report in "Add CA Section "as our CA for the A.Y........ in the income tax portal through our log in ,

as it may not be possible for our accounts staff to do the same . Our log in details for the income tax portal are being sent to you via SMS on your cell phone .

3. We are enclosing herewith "Statement of Particulars" in Form 3CD for A.Y. .... You are requested to verify and upload the same along with all enclosures on income tax portal on or before the due date for the same. You are further requested to carry out the 'acceptance' formalities of the e-filing procedures on our behalf. For these purposes you are hereby authorised to use DSC of our partner / director Shri ...., which has been sent along with this letter. Password of the DSC is being informed to you on your cell phone through SMS.

4. We accept all the above mentioned acts as done by us and shall not hold you responsible for the same at any time .

5. Kindly acknowledge both the SMS . After uploading the tax audit report kindly send us acknowledgement of uploading the report along with downloaded copy of the tax audit report .

Thanking you.

Yours Faithfully,

For …………………………..

(…………………..)

Proprietor/Partner /Director

Encl:- Statement of particulars in Form 3CD for A.Y........

Suggested Guidance/Rules for Work from Home

Work- from- Home Policy for Employees/Article Assistants in CA Firm

Traditionally, professional firms have been at the forefront of adapting to change in laws and regulations but when it comes to adopting new technologies, it has not been on our priority list. But Work- from- Home (WFH) Policy is need of the hour due to following reasons:

- The growing digitization of core functions like accounting and compliance

- Government is gradually shifting to faceless assessment

- Courts experimenting with and moving towards virtual courts

- Evolution in technology is making the collaboration of data easy

- Increased and affordable internet across India

Each CA Firm must develop Work- from- Home Policy. Some of the important Points under consideration for developing Work- from- Home policy.

- <u>IT Infrastructure</u>: Robust IT infrastructure is required to implement Work- from- Home Policy. IT Infrastructure includes both hardware and software. The Firm must appoint IT consultant to implement robust IT Infrastructure based on the need of work from home policy. Developing IT infrastructure is not one-day job. It should be planned meticulously based on the firm's vision. The discussion with the consultant must include, Use of Laptops, Internet Connectivity at office and at employee places (homes), Firewall, antivirus softwares, Data Security, Data confidentiality, Data Storage, Servers at Office, Cloud Computing, Application Soft wares like accounting soft wares, ability of those softwares, compliances softwares for direct tax, GST, other laws, like state tax laws and corporate laws.

- <u>Employee / Staff</u> : Check out the list of self-motivated people, do detailed review of set of people who are interested in work from home. The employees or set of people must be with different skill sets to complete the particular job.

- Work / Assignment: Prepare a list of tasks which can be done from home only. While preparing the list, consider the type of work,

confidentiality of the work to be allocated, and client's permission to the work under WFH policy.

- Negative list of Work / Assignment: Firm's management must do some brainstorming to develop negative list of work / assignment. The work which is covered under negative list should not be allocated under work- from- home policy. The negative list of work / assignment must be circulated to teams so that they should be aware of the kind of work that will not be covered under work from home policy.

- Planning Work / Assignment: Once the work list is final, prepare proper chart of work to be done under WFH policy. While preparing the chart take into consideration time line / dead line to finish the work, scope of work, review mechanism, skill sets required by the staff to complete the work.

- Delegation of Work / Assignment: Once the scope of work, time line skill sets required are identified, the next step is to allocate the work to employees based on different skill sets.

- Controlling of Work / Assignment: One team leader must be appointed. He is responsible for proper planning of the work, communication between different teams working from home. He will be responsible for ensuring that all the teams on the job allocated are working on time lines already finalised. He will be collecting all the pieces of work for consolidation for final delivery to the client.

- Review of Work / Assignment /Review Mechanism: Team leader will decide the review mechanism based on the job time lines. Review of work may be daily, weekly, fortnightly, monthly, quarterly.

- Team leader's position will preferably be in the office premises.

- Team leader may be single point contact between Client and different teams.

- Have a proper work pipeline, and start experimenting with them on WFH.

- Training of Team: Additional training modules shall be developed for work- from home- teams. Team training calendar must be set up and followed up meticulously. The employee/article assistant must be trained to demonstrate the ability to work independently and without supervision or with remote supervision to achieve required outcomes.

- Incentives to Team: Based on cost benefit analysis, Incentives structure shall be developed to be offered for successful completion of a given assignment under the Work- from- Home policy.

- Infrastructure (IT) Audit of office and emoyeple premises : Independent, self-regulatory, infrastructure (IT) audit must be done on periodic basis depending on the infrastructure available with office and Employee/Article Assistant.

- Upgradation of IT Infrastructure: Based on audit and recommendation of IT Auditor / consultant, IT infrastructure must be upgraded to face new challenges and provide quality services to client.

- Infrastructure with Employee: Firm should develop policy for capital investment in IT Infrastructure at employee premises. Bring- your-own- Device (BYOD policy) must be developed and incentives must be given to those employees who are helpful in reducing capital cost of firm. To obtain details of infrastructure available with a particular employee, proper form must be developed taking into consideration the suggestion from IT consultant for WFH.

- Upgradation of IT infrastructure will boost morale of the staff as it will reduce the efforts and increase the productivity.

- Standardization in Hardware configuration / Application Software : With the help of IT consultant and latest trends , requirement of the firm , cost involved long term policy must be developed, implemented and continuously monitored for standardization of various softwares, hardwares and service providers in respect of WFH by employees from different locations.

- Employee/Article Assistant is capable of handling the nature of work and also meet the requirements of preventing hacking, virus attacks and other threats to data security. The same must be developed under the guidance of IT Consultant to avoid further damage to confidentiality, misuse of data etc.

- Whether the nature of work is such that it may result in breach of Non-Disclosure Agreement with Client and a special permission may be required from the Client for carrying out the work from home in case of such clients. Mechanism must be developed to take special permission, before allocating such work.

- The employee or article assistant must be properly communicated under which circumstances he or she can adopt WFH policy. A few examples:

  o Exceptional situation where one is prevented from attending office, like lockdown due to pandemic or any such similar reasons.

  o the arrangement would enhance or maintain productivity;

  o there is a benefit to Firm, Employee, client without causing loss to either party.

  o there would be no significant additional expenses incurred;

  o working from home is an approved condition of employment; and/or

  o there are valid personal or family reasons

  o client has accepted his work can be done under work- from-home policy.

Time Sheet: Process of Approval for work from Home: Document must be prepared for each assignment as discussed in the chapter Work Assignment Management. Time sheet explained in point 2.4 there can be considered here to monitor the work.

To maintain quality and effective outcome of the given tasks, a firm can develop the task sheet for their employees who are working from home. An employee has to maintain the daily task sheet and the Team leader /Principal has to supervise it. A weekly review meeting can be held for improvement/suggestions.

A firm also can install a suitable reporting software to keep track of work from home, expected output and actual output of work from home. It should be monitored continuously in order to keep track of the progress of work /assignment.

Work from Home Agreement : **This particular document must be executed between Principal / Employer and Employee /Articled Assistant**

Security of Assets and Information

Provision for security of Firm assets (including furniture and equipment, computers, mobile phones and other technology) shall be the same as for firm's office- based employment.

The employee agrees to ensure that Firm-owned assets and data/information will be managed and secured. The employee agrees that suitable precautions will be taken to prevent theft or misuse of equipment and data/information, the unauthorised disclosure of information or unauthorised access to Firm's systems.

If the assets are under insurance cover, then Insurance companies should be informed / permission be obtained for movement of the assets or for shifting its location from office premises to the residence of the staff.

Written acknowledgement should be obtained from the staff for assets / equipments taken home by them under work from home policy.

Suitable reporting software should be installed to keep track of work from home. Expected output and actual output of work from home should be monitored continuously to keep track of the progress of work

- Access to the Employee

  The Principal & other office staff have the right of access to the Employee/Article assistant to discuss work related issues, during the agreed normal working hours.

- Hours of Work

  The Employee/Article Assistant agrees to the hours of work as if he/she works at office place.

- Information Technology

  Subject to availability, the Principal will ensure that the Employee/Article assistant has appropriate access to information technology and information systems for carrying out the agreed duties.

- <u>Termination and/or Review of the Agreement</u>

  Grounds for Agreement termination may include:

- a breach of this Agreement

- non-compliance with the criteria for working from home policy.

- changed operational requirements which affect the criteria for working from home

- not meeting deadlines and/or objectives

This Agreement is to be regularly reviewed by the Principal and revised periodically.

Time and Place of Work

Days at home based office	
Commencement date & Completion date	
Hours of Work	
Address of proposed workplace	

Scope of Work

The following work will be performed at the home based work site

Duties / Work	Output

Furniture and Equipment, IT Equipment and Services

To be provided by Principal	To be provided by Employee/Article Assistant

<u>Benefits and Challenges of work from home</u>. There are several other benefits from the point of view of professional firms as well as team members

Benefits:

- Easier to scale operations as there is a large availability of work from home staff e.g. qualified stay- a-t home mothers who are not able to go to work.

- Staff can be hired from any part of the country/world.

- Less attrition as most work from home team members tend to stay longer

- More productivity as working from home environmentmeans savings in commuting time (and consequent exposure to pollution and stress) and wil, therefore,l result in fewer sick days

- Better work-life balance as WFH allows spending more time with family

- Possibility of flexible timings

Challenges:

- Review of work, reporting, and tracking

- Data confidentiality

- Boredom and lack of social interaction with office colleagues

- Lack of proper work environment at home in terms of space, air conditioning, quiet place etc.

- Disturbance from family members

Appendix 5

Useful Links referred in the Document for Easy Reference

Subject	Link
Advertisement by Members in Practice	https://www.icai.org/new_post.html?post_id=1960&c_id=90
Website Guidelines	https://resource.cdn.icai.org/39896esb191115.pdf
revised norms for categorization of audit firms for their empanelment as branch auditors for public sector banks	https://www.icai.org/new_post.html?post_id=3022&c_id=251
Illustrative Audit Engagement Letter under Companies Act, 2013. - (17-12-2014)	https://www.icai.org/post.html?post_id=11197
General Clarification (GC)/AASB/2/2004 Auditing and Assurance Standard (AAS) 26, Terms of Audit Engagement	https://www.icai.org/new_post.html?post_id=924&c_id=374
Revised recommended minimum scale of fees w.e.f 1.7.2020	https://cmpbenefits.icai.org/wp-content/uploads/2020/02/Details-download.pdf.
Auditing & Assurance Standards Board	https://www.icai.org/post.html?post_id=6612
Ready Referencer on Engagement and Quality Control Standards	https://resource.cdn.icai.org/5831357733aasb46997new.pdf.
Code of Ethics	https://www.icai.org/post.html?post_id=958
Code of Ethics - Vol I	https://resource.cdn.icai.org/55133CodeofEthics-2019.pdf

Code of Ethics - Vol III - Case Laws Referencer	https://resource.cdn.icai.org/59111esb48239.pdf
Self Service Portal for various processes to be carried out by members/students with ICAI.	https://eservices.icai.org/per/g21/pub/1666/SelfServices/templates/Login%20Folder21052019122446/Login%20Folder/ICAI%20Phase%20II%20Login%20Page521052019122546.html
To generate a UDIN for all certification and attest functions carried out by him.	https://udin.icai.org/
provisions of Article Assistants Training Guide	https://resource.cdn.icai.org/32541bos22393.pdf
Code of Conduct for Students of Chartered Accountancy	https://resource.cdn.icai.org/45773bos22394.PDF