

KUMBHAT AND CO LLP

Chartered Accountants

SQM 1 Policy (ICAI Framework)

BOARD: Partner in charge of Each office – Mr. KNN, Mr. TJ Khan, Mrs. Priya Bhansali, Mr. Sheilendra Bhansali, Mr. Sunil Kumar and Mr. Gaurang Unadkat.

1. Objective

To establish and maintain a System of Quality Management (SQM) in compliance with ICAI's SQM 1, ensuring that all assurance and related service engagements meet professional, ethical, and regulatory standards.

2. Governance & Leadership

- - Responsibility: The Board is accountable for the design, implementation, and operation of the SQM.
- - Culture of Quality: Leadership shall promote integrity, independence, and professional competence across all levels.
- - Documentation: Governance responsibilities and reporting lines must be formally documented.

3. Risk Assessment

- - Identify risks that may adversely affect engagement quality (e.g., resource constraints, regulatory changes, independence threats).
- - Assess likelihood and impact of risks.
- - Establish mitigating policies and procedures tailored to firm size and complexity.

4. Resources

- - Human Resources: Ensure staff competence through recruitment, training, and performance evaluation.
- - Technological Resources: Maintain secure IT systems for documentation, communication, and monitoring.
- - Intellectual Resources: Access to updated professional standards, ICAI guidance, and technical libraries.

5. Engagement Performance

- - Engagement teams must comply with ICAI standards, laws, and regulations.
- - Engagement Quality Reviews (EQR): Mandatory for high-risk audits, in line with SQM 2.
- - Standardized templates/checklists to ensure consistency.

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6. Information & Communication

- - Establish channels for timely communication of quality policies and updates.
- - Maintain confidentiality and data protection in all communications.
- - Encourage upward reporting of deficiencies without fear of reprisal.

7. Monitoring & Remediation

- - Continuous monitoring of SQM effectiveness through internal inspections and peer reviews.
- - Root Cause Analysis: Identify underlying causes of deficiencies.
- - Corrective Actions: Implement remediation plans and track progress.
- - Annual reporting to the Board/Audit Committee.

8. Documentation

- - Maintain written policies, procedures, and evidence of compliance.
- - Retain documentation for a minimum of seven years or as required by ICAI.
- - Ensure accessibility for internal and external inspections.

9. Effective Date & Transition

- - SQM 1 becomes effective from 1st April 2026.
- - Until then, SQC 1 remains applicable.
- - Transition plan must be documented and approved by leadership.

10. Accountability & Review

- - Policy reviewed annually by the Board.
- - Updates made in response to regulatory changes, firm growth, or identified deficiencies.
- - Non-compliance may result in disciplinary action under ICAI regulations.