

ANNUAL REPORT

FY 2081/82(2024/25)

Quality Assurance Board

Strengthening Audit Quality



नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL
(Established under the Nepal Chartered Accountants Act, 1997)

Fundamental Principles of Professional Accountants

INTEGRITY

OBJECTIVITY

PROFESSIONAL COMPETENCE
AND DUE CARE

CONFIDENTIALITY

PROFESSIONAL
BEHAVIOR



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Preface

The purpose of this report is to provide information about the activities carried out by the Quality Assurance Board (QAB) and Quality Assurance Division (QAD during FY 2081/82 (2024/25) in pursuit of strengthening and improving the quality of audit services of Practice Units (Audit Firms) in accordance with the established Audit Quality Assurance Framework.

This report provides an overview of the framework of audit quality assurance, the synopsis of Quality Assurance Activities carried out during the year, glimpses of audit quality across the firm's system and engagement performance, and common observations noted during the review.

This report is prepared pursuant to the requirement of Clause 12 of the Audit Quality Assurance Review Procedure 2073 (Second Amendments 2082) and for general information.

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LIST OF ABBREVIATIONS

CA	Chartered Accountant
CoP	Certificate of Practice
EQCR	Engagement Quality Control Review
ICAN	Institute of Chartered Accountants of Nepal
IRD	Inland Revenue Department
IFAC	International Federation of Accountants
KAM	Key Audit Matters
LFAR	Long Form Audit Report
MRL	Management Representation Letter
NAS	Nepal Accounting Standards
NFRS	Nepal Financial Reporting Standard
NRB	Nepal Rastra Bank
NSA	Nepal Standards on Auditing
NTA	Nepal Telecommunications Authority
NSQC	Nepal Standard on Quality Control
OAGN	Office of the Auditor General Nepal
PIEs	Public Interest Entities
PLEs	Public Listed Entities
QA	Quality Assurance
QAB	Quality Assurance Board
QAD	Quality Assurance Division
RA	Registered Auditor
SEBON	Securities Exchange Board of Nepal
SMO-1	Statement of Membership Obligation-1
SWOT	Strength, Weakness, Opportunity, Threat
UDIN	Unique Document Identification Number

MESSAGE FROM CHAIRPERSON



The Quality Assurance Board (QAB) carries the responsibility of safeguarding audit quality and strengthening public confidence in the auditing profession. In this context, it is my privilege to present this Annual Report prepared pursuant to clause 12 of the Audit Quality Assurance Review Procedure 2073 (Second Amendments 2082) which encapsulates the operation of the Board and highlights the key activities, observations and outcomes of the Quality Assurance Review Program undertaken during FY 2024/25 (2081/82).

During the year under review, the Board, continued to focus on enhancing the effectiveness, consistency and coverage of quality assurance activities, as empowered by Rule 105 of Nepal Chartered Accountants Rules, 2061 with the dedicated effort of the Quality Assurance Division (QAD). Over the past nine years, the QAB has remained

committed to promoting audit quality through systematic reviews of the audit firms. Notably, this year marked a significant increase in the review coverage, with 47 CA firms reviewed reflecting the Board's commitment to strengthen ICAN's regulatory function while also constructively supporting the firm's in improving the audit quality.

The Board has recently implemented a revised three-tier grading framework; Compliant, Moderately Compliant and Partially Compliant in accordance with the revised Audit Quality Assurance Review Procedure 2073 (Second Amendments 2082) as approved by the Council of the ICAN. This represents a transition from the earlier four-tier-grading system applied in previous years. The grading information presented in this report has been aligned with the revised framework to provide a more consistent and standardized basis for evaluating audit quality trends over time.

In general, the deficiencies noted during the 2024/25 review visits were broadly consistent with those observed in prior years. While a review of firms' responses to preliminary review reports indicates that most audit firms have expressed commitment to improving their audit operations to meet the requirements of NSQC-1, sustained efforts and accountability remain essential to translating these commitments into effective implementation. The Board continues to provide recommendations aimed at improving the quality of audit services rendered by audit firms, based on the outcomes

of the reviews. In line with this, the Board engaged in interaction programs with audit firms, regulators, and key office bearers of ICAN to obtain feedback on the Quality Assurance Review framework and its practical application. Insights from these engagements, together with observations arising from review findings, formed the basis for key policy decisions and regulatory measures adopted by the Board during the year.

During the year, the QAB formulated its maiden three-year's Strategic Plan, aligned with ICAN's Strategic Plan, to guide its activities and priorities, including the progressive implementation of Quality Management Standards. The implementation of NSQM 1 and NSQM 2, issued by the Auditing Standards Board and effective from 1 Shrawan, 2081 (16th July, 2024) for voluntary compliance and from 1 Shrawan, 2083 (17th July, 2026) for mandatory compliance, has implications for all practicing firms irrespective of size. Experience from Quality Assurance Reviews consistently indicates that firms with clearly defined firm-level quality-related policies, supported by effective implementation and ongoing monitoring, demonstrate stronger and more consistent audit quality outcomes. In recognition of this and to support firms in the transition, the program related to the standard was also conducted with encouraging participation from audit firms, reflecting their commitment to strengthening audit quality.

Quality Assurance Review is not intended to burden practicing members; however, to guide and support them in enhancing audit quality and compliance with statutory, regulatory, and professional requirements. Audit firms

are therefore encouraged to devote adequate attention to audit planning, execution, supervision, and documentation, regardless of the size or nature of the engagement.

I wish to conclude by expressing my sincere appreciation to the members of the QAB, Secretary, and the staff of the QAD for their professionalism and dedication in conducting quality assurance reviews and capacity-building activities. I also acknowledge the continued cooperation and constructive engagement of practicing audit firms and other stakeholders in fulfilling the QAB's public interest mandate.

Mr. Dev Bahadur Bohara

Chairperson, Quality Assurance Board

ABOUT US

Quality Assurance Board and Quality Assurance Division

Quality Assurance Board (QAB)

Rule 103 of Nepal Chartered Accountants Regulation, 2061(along with amendments) has provisioned for the structure, governance, and operation of quality assurance activities. The Audit Quality Assurance Review Procedures 2073 (Second Amendment 2082) provides operational guidance to the QAB function. QAB is the independent Board formed by the Council as per the Rule 103 of Nepal Chartered Accountants Regulation, 2061(along with amendments) that provides direction, oversight, and control of operations of audit quality assurance activities.

Composition of QAB and Qualification

The QAB consists of 7 members including the Chairperson. The Chairperson is one from among the past Presidents of the Institute of Chartered Accountants of Nepal (ICAN) or a retired special class employee of the Government of Nepal. The members comprise of two members from the ICAN Council, 2 members from other than the Council member having experience of at least 10 years and not holding Certificate of Practice (CoP), the Chairperson of the Securities Exchange Board of Nepal (SEBON) or the Director nominated by him, and the representative from the Office of the Auditor General Nepal (OAGN). The QAB is formed in the first tenure of every new Council and the tenure of the QAB members is generally for the period of three years.

As per Rule 103 of Nepal Chartered Accountants Regulations, following is the qualification and composition of QAB:

Criteria	Position	Qualification / Eligibility
Chairperson	Chairperson of QAB	Must be either: <ul style="list-style-type: none"> • A past President of the ICAN, or • A retired Special Class employee of the Government of Nepal • Must not be engaged in audit practice
ICAN Council Representation	Member (2 positions)	Members of the ICAN Council
Independent Professional ICAN Members (Non-Council)	Member (2 positions)	<ul style="list-style-type: none"> • Not a member of ICAN Council • Must have at least 10 years of relevant professional experience • Must not be holding a Certificate of Practice (CoP)
Regulatory Representation	Member	Chairperson of the Securities Board of Nepal (SEBON) or a Director nominated by the Chairperson
Supreme Audit Institution Representation	Member	Representative nominated by the Office of the Auditor General of Nepal (OAGN)

Functions, Duties and Roles of QAB

As per Rule 103 of Nepal Chartered Accountants Regulations, following is the functions, duties, roles of QAB:

- To prepare the policies and program of quality assurance review of the audit firms.
- To carry out or cause to carry out the quality assurance review of the firms as per such policies and program
- To make aware to the audit firms for corrective actions if deficiencies are observed and to inform the Council as the case may be
- To recommend to the Council to impose restrictions on audit firms for audit of a particular entity or of the whole sector based upon the gravity of non-compliance or issues observed within the audit firm.

Quality Assurance Division (QAD)

QAD is the unit within QAB consisting of staff reviewers and administrative staff for carrying out quality assurance reviews of the audit firms as per the quality assurance policies and program approved by the QAB. The review procedures performed by the reviewers are as per the guidance provided by Quality Assurance Review Division Procedures Manual 2020 (First Amendment 2026) and the QA decisions, supervision, and oversight of QAB from time to time.

QAD is equipped with 4 Chartered Accountants working in the position of Director to Senior Officer, and administrative staff in a team.

Ethical Safeguards and Confidentiality

Ethical values, professional norms, and confidentiality are embedded into the quality assurance review process. These are maintained through the established practice of obtaining independence and confidentiality declarations from all reviewers and personnel concerned prior to each review visit.

This process ensures reviewer objectivity, compliance with applicable ethical requirements, and the safeguarding of confidential client and firm information throughout the conduct of the review.

Prevailing Policies Governing QAB and QAD

The functioning of the QAB and the QAD is guided by prevailing Audit Quality Assurance Procedures approved by the Council of the ICAN, as applicable. These policies provide the overarching framework for planning, conducting, reporting, and follow-up of quality assurance reviews, including reviewer eligibility, independence requirements, review cycle, grading methodology, reporting protocols, and enforcement mechanisms. The policies are reviewed and updated from time to time to ensure continued alignment with applicable laws, professional standards, and international best practice. Collectively the policies are:

- Nepal Chartered Accountants Act,
- Rule 103 of Nepal Chartered Accountants Regulations
- Audit Quality Assurance Review Procedure 2073 (Second Amendments 2082)
- Quality Assurance Division Procedures Manual 2020 (First Amendment 2026)
- QAB Decisions from time to time

Audit Quality Assurance

About Audit Quality Assurance

Audit quality assurance comprises operations aimed at ensuring audit firms' adherence to the prevailing laws and regulations, professional standards and other guidelines issued by the ICAN. The operations normally constitute quality assurance reviews and all the processes in relation to these are connected with audit quality monitoring and assisting firms to improve their systems and audit processes.

The objective of audit quality assurance activities is to enhance the quality of audit engagements to contribute towards credible financial reporting by entities and build up impeccable public trust in the audit profession. For achieving the objective, Quality Assurance Reviews of the audit firms are carried out to make an objective assessment of:

1. Whether the practicing member and audit firms have complied with Nepal Standards on Quality Control and whether the provisions on quality control have been constantly applied.
2. Whether the practicing member and audit firms have complied with applicable Nepal Standards on Auditing and Code of Ethics in engagement performances.
3. Whether the practicing member and audit firms have complied with relevant laws and regulations applicable to the engagement performance.

Standards of Quality Assurance Review (IFAC- SMO 1)

The need for establishing and institutionalization of the QA mechanism is not just the regulatory tools applied by ICAN at its sole discretion. The Statement of Membership Obligation 1 (SMO1)– Quality Assurance requires every Professional Accountancy Organizations to have the QA mechanism within the purview of certain standards pronounced within it as a condition of continued membership of IFAC. The standard requires that the firms performing audit of financial statements should be mandatorily subject to Quality Assurance Review. The international best practice of audit regulation is now a mandatory requirement for all jurisdictions and that applies to ICAN as well. The regulations, policies and procedures related to QA are based on the standards set by SMO-1, and efforts are continuing to meet them.

Limitations of Quality Assurance Review

The Quality Assurance Review System is one of the regulatory apparatuses of the ICAN and should not be construed as an audit or investigation. It attempts to provide a limited assurance to the ICAN for taking regulatory decisions and as inputs for policy drives and the QA report is limited to the use of the concerned firm and the ICAN. The Quality Assurance Review should not be treated as a substitute for the firm's own engagement quality control or audit monitoring activities. Even after the review of the firm, the firm and the proprietor/partners bear the same level of responsibility, legal or otherwise, as to their opinion expressed in the audit engagements. ICAN, QAB and QAD do not guarantee or assure members and stakeholders that the files reviewed are immune against any material misstatements that are still not disclosed in the financial statements and acted upon by the auditors.

Information on Quality Assurance Review Visits

- The Quality Assurance Review visits comprise of Routine, Follow-up, and Risk visits.
- The routine review visits of audit firms performing the audit of Public Interest Entities (PIEs) is prioritized and takes place in a period of 3 years.
- All other firms performing the audit of financial statements are also subject to Quality Assurance as decided by QAB considering the urgency, risk factors and resource availability.
- The follow-up visits take place generally in the next year after the completion of the routine visit when weakness are observed in the performance of audit procedures and delivery of audit quality.

QUALITY ASSURANCE WORK PROCESSES

The 'Quality Assurance Division Procedure Manual 2020' (First Amendment 2026) guides the reviewers in conducting quality assurance reviews of practitioner firms. It provides standardized tools; forms and formats, while also allowing flexibility for reviewers to make necessary adjustments based on their judgment.

Planning, Execution and Completion

Audit Quality Assurance Review Process can be summarized as under:

Chapter I: Preparation and Planning

- Selection of audit firms for review
- Notice to firms regarding QA Visit along with information request or status request for follow-up review
- Agreeing on visit dates, reviewer allocation and independence checks
- UDIN data verification and selection of files to be reviewed
- Receiving and reviewing the response on information request or follow-up status request
- Study of annual report of audit file to be reviewed as available
- Formulation of strategy and action plan for review and identification of risk areas, if any along with the documentation in the planning record
- Discussion on planning matters with the Head of Division

Chapter II: Field Work

- Entry meeting with firm's proprietor or partners –briefing on scope, review approach and listening to what they have to say
- Inquiries with the firm's personnel about the system of quality control in the firm and review of documentation system
- Review of documentation of selected files
- Inquiries with firm personnel regarding any queries related to the files
- Exit meeting for briefing the findings and suggestions and listening to their preliminary verbal explanations

Chapter III: Reporting and Closure

- Preparation of draft QA report by the reviewer and then the draft report is reviewed by the head of the division
- Issue of the draft review report to obtain firm's response
- Assigning marks and providing grades after evaluating the response received
- Prepare the summary report and forward it to QAB for further discussion and approval
- Communicate QAB's decision by sending of closure letter to the firm
- Monitor the progress of the firm or plan for follow-up visits for next year, if necessary
- Referring the findings if required to the Council for further course of action

Understanding Grades, their Limitations and Resulting Action

Grading

Upon completion of the review, grades are assigned to the reviewed audit firms so that the QAD will be able to track the improvements made by the firms. Since it contains some limitations as detailed below, it is not for the purpose of disclosures to the firms on an individual basis. However, QAB discloses the number of firms falling into each grade in QAB’s Annual Report as a measure of adherence to quality standards observed at the reviewed firms.

Previously, audit firms were classified under four grading categories, namely Satisfactory, Generally Acceptable, Need Improvement, and Need Significant Improvement. However, pursuant to the *Audit Quality Assurance Review Procedure, 2073 (Second Amendment, 2082)*, the grading structure and its connotations have been revised. The revised grading framework has been applied consistently to the grading information presented in this report, including comparative data relating to previous fiscal years, and the updated grades are presented below:

Compliant	Moderately Compliant	Partially Compliant
The findings are minor, and the firm has either addressed them immediately or provided adequate commitment to taking corrective action.	There are notable findings of non-compliance, but the firm has provided a firm commitment to taking action which the QA reviewer believes to be adequate to rectify the issues.	This rating indicates persistence of either significant or serious instances of non-compliance and other critical matters related to audit quality.

The marking and grading tool is a 100 marks checklist to include 30 marks to firm’s system of quality control and 70 marks to engagement level performance quality (20, 25 and 25 marks respectively for planning, execution and completion of audit engagement) which are further sub marked in detail under each of these categories.

The firms are graded in the following manner based upon the scores assigned to them after their review visits.

- Firms obtaining Marks ≥ 70 = Compliant
- Firms obtaining Marks ≥ 50 and < 70 = Moderately Compliant
- Firms obtaining Marks < 50 = Partially Compliant

After the firms are allocated with marks as above, they are further checked in terms of any critical issues if any therein. The presence of critical issues may result in bringing down the firm’s grades even if the number scored represents the higher grade as above.

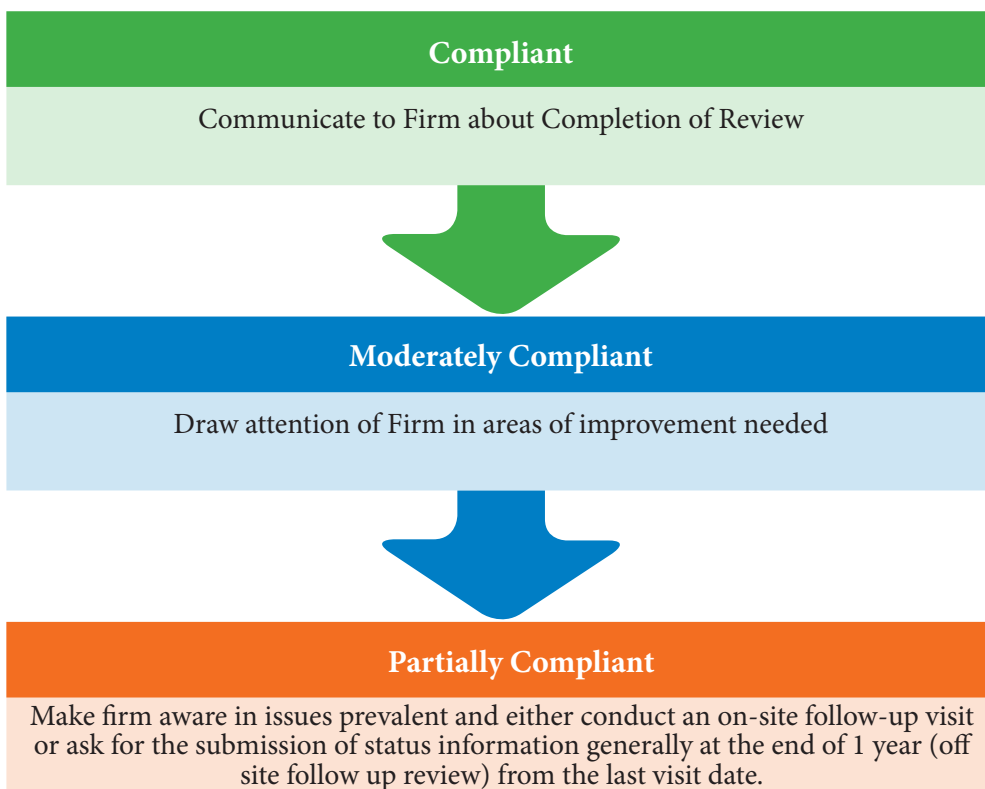
The score obtained by the firms is a measure to assess to what extent the requirement of all areas of the firm’s system and audit quality has been complied with and considers the responses of the firm in the issues identified during the review. Grades are assigned to the firms such that the QAD

will be able to track the improvements made by the firms. As it contains some limitations, it is not for the purpose of disclosures to the firm on an individual basis. The limitations with the grades are:

- Grades represent the status of audit firms as on the date of review.
- Grades are based on samples of completed audit files reviewed.
- Grades do not signify as Quality Approved Status and shouldn't be construed upon as such.
- Grades are a fair measure of quality but not an absolute measure.
- Prevalence of any critical issues in the audit firm can make the firm fall into lower grades despite their scores/marks obtained.

However, the Grading System carries much significance and is an indispensable measurement tool to the QAD to precisely indicate the quality status of firms and to determine any further course of remedial actions if necessary.

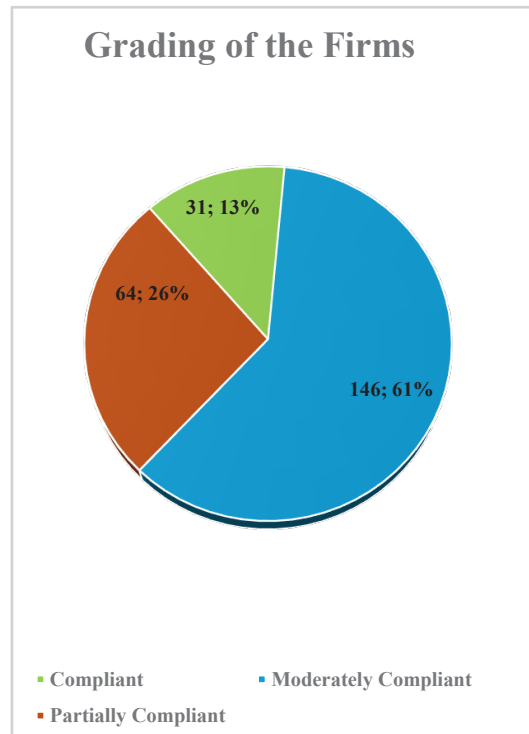
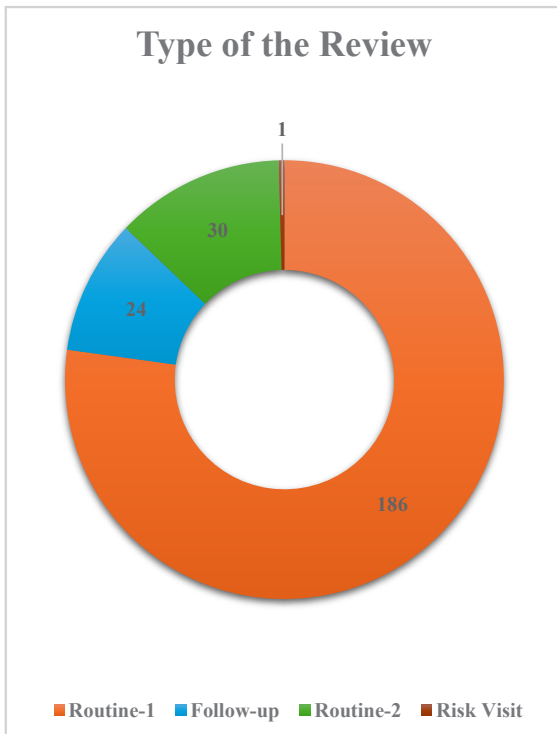
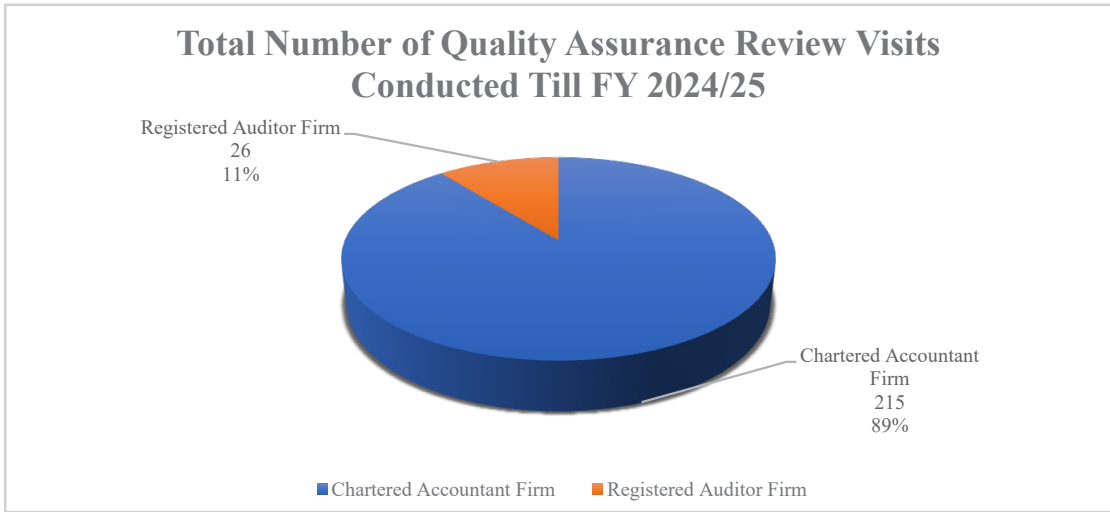
Resulting Actions on Closure of Reviews



If progress is not seen in follow-up review visits, QAB might consider notifying the compliance issues in the firm to Council and recommending other actions to the firm including audit restrictions. It's at the discretion of the Council whether to decide upon actions or to order that it be registered as a case for further disciplinary proceedings. Likewise, alternatively, the QAB may still find it necessary to carry out another follow-up visit and provide another opportunity by charging follow-up review fees, when the QAB believes that the firm is still committed to making improvements.

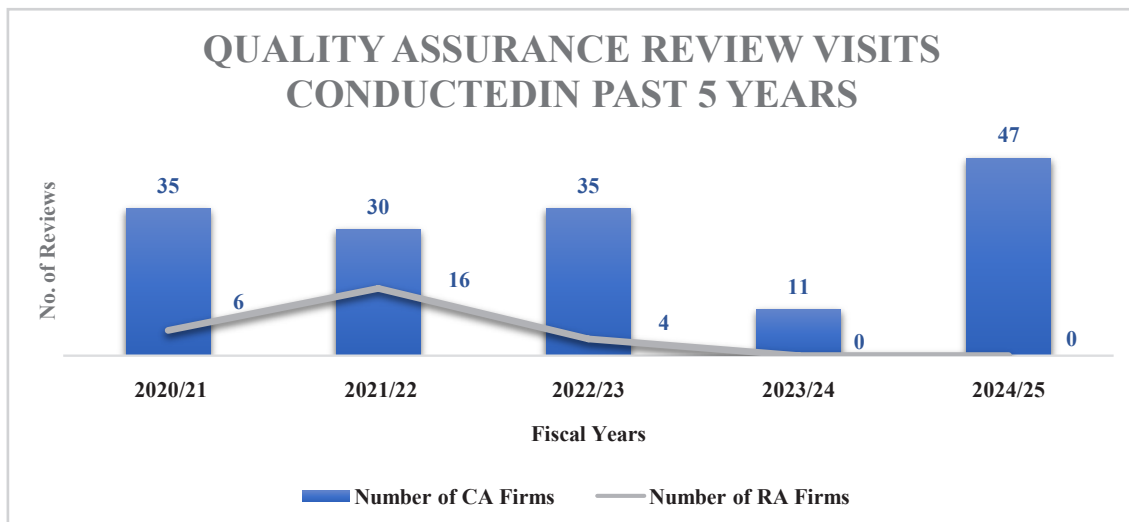
QUALITY ASSURANCE REVIEW VISITS & GRADES TILL FY 2024/25

Synopsis of review conducted over the last eight years beginning from FY 2017/18 till the end of FY 2024/25



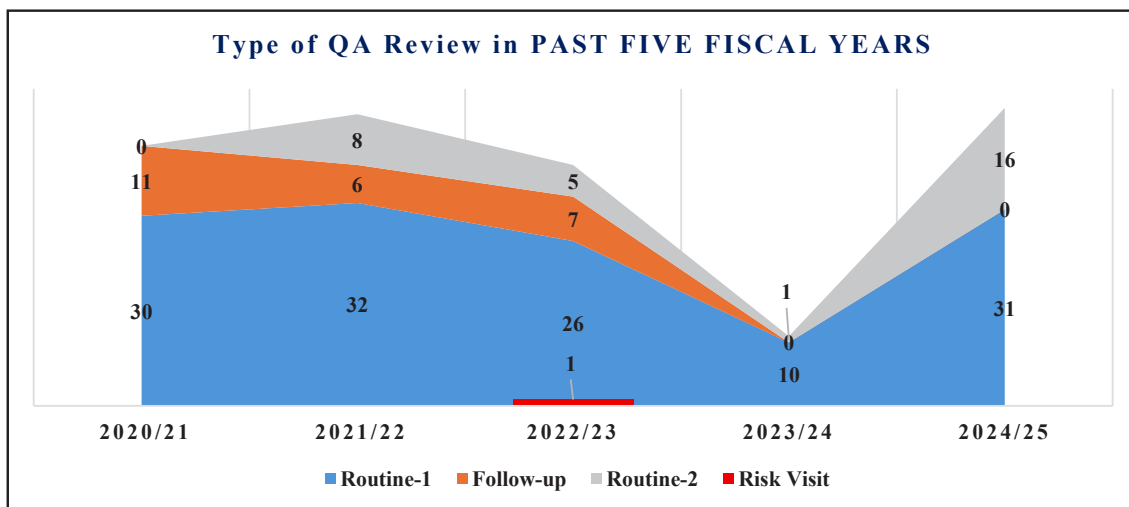
Reviews Carried Out in Past Five Fiscal Years

In past five fiscal years; from 2020/21 to 2024/25 a total of 184 reviews have been completed. The practicing firms reviewed consisted of 158 CA Firms and 26 ‘B’ Class RA firms.



Types of Reviews Carried Out in Past Five Fiscal Years

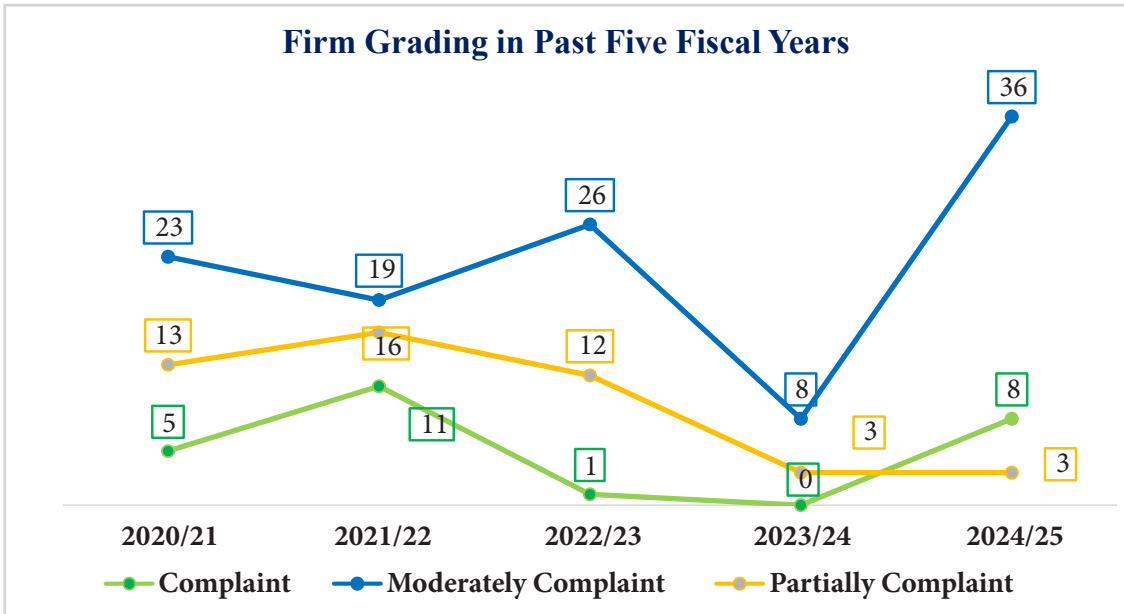
Out of a total of 184 reviews conducted in past five fiscal years, 129 were Routine-1 reviews, 24 were Follow-Up reviews conducted generally in one year’s time, 30 were Routine-2 reviews whose reviews had been completed three years ago, whereas 1 review was conducted as Risk Visit (Special Review Visit) based on the risk information obtained.



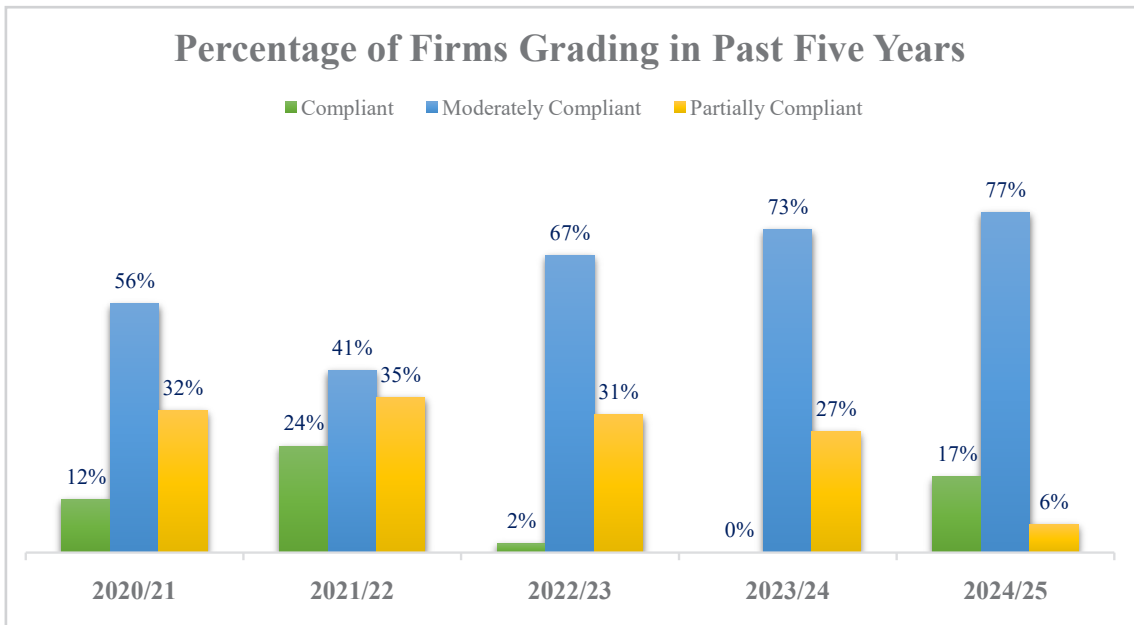
Grading Provided in past five fiscal years

The total of 184 firms reviewed in the past five fiscal years has been rated in different grade categories as per the decision of QAB. The grading information presented below has been aligned

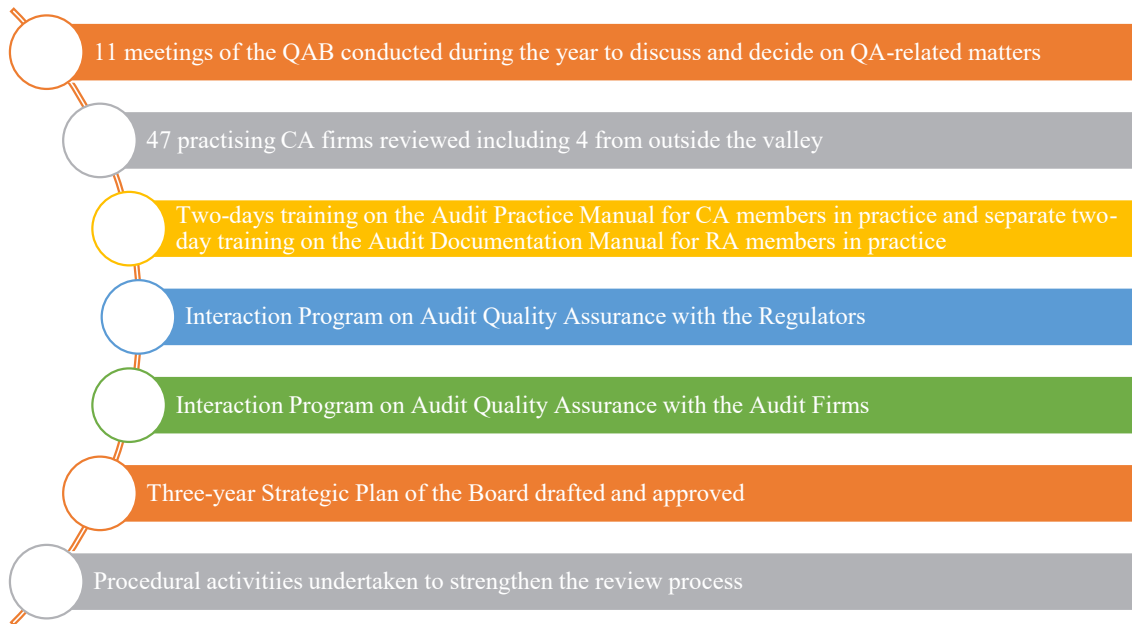
with the grading framework prescribed under the Audit Quality Assurance Review Procedure, 2073 (Second Amendment, 2082), to ensure consistency and comparability across the reporting periods.



The percentage of the grade category of firms reviewed over the last five years has been presented below:



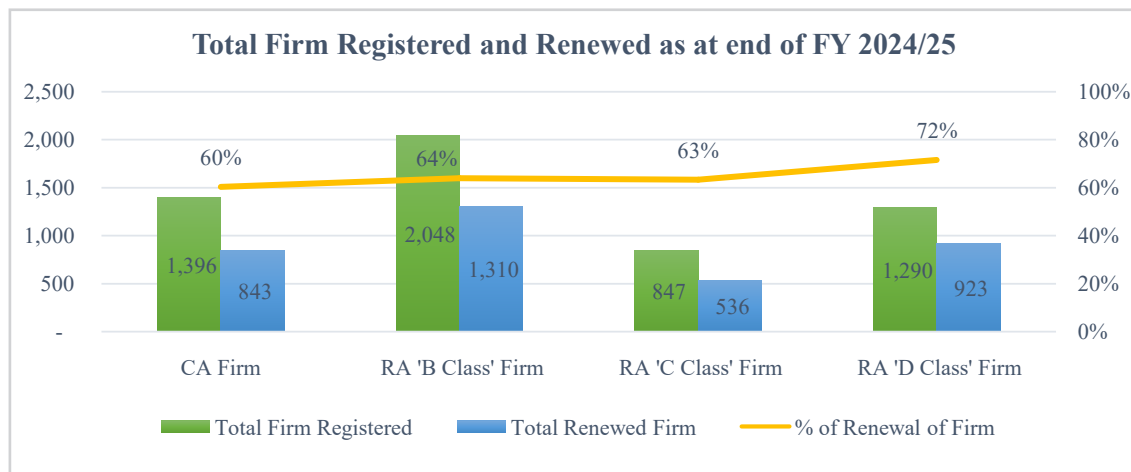
SYNOPSIS OF THE QUALITY ASSURANCE ACTIVITIES OF FY 2024/25



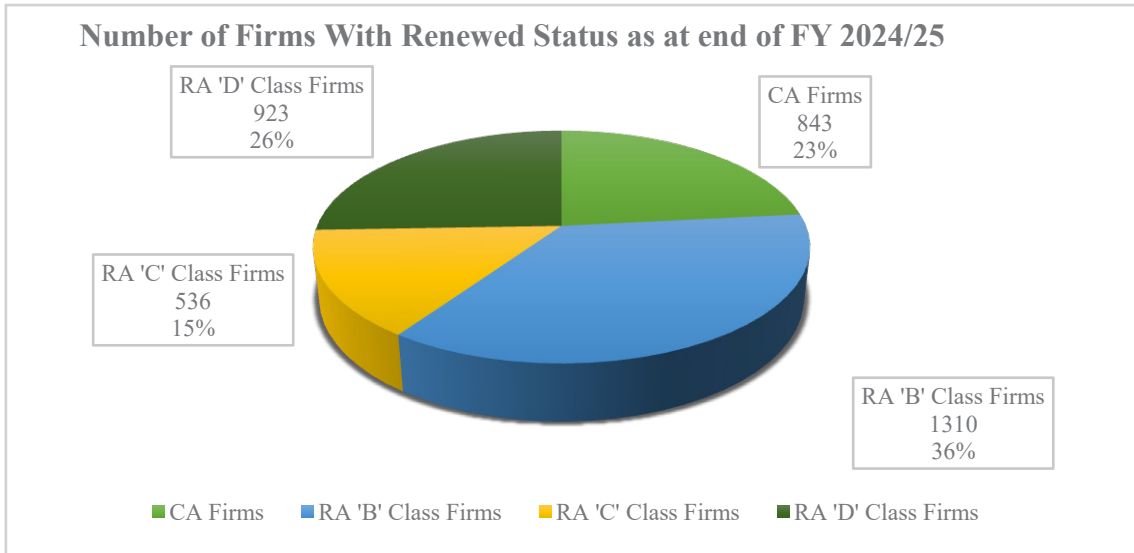
Overview of Review Results in FY 2024/25

Audit Firms Subject to Quality Assurance Review

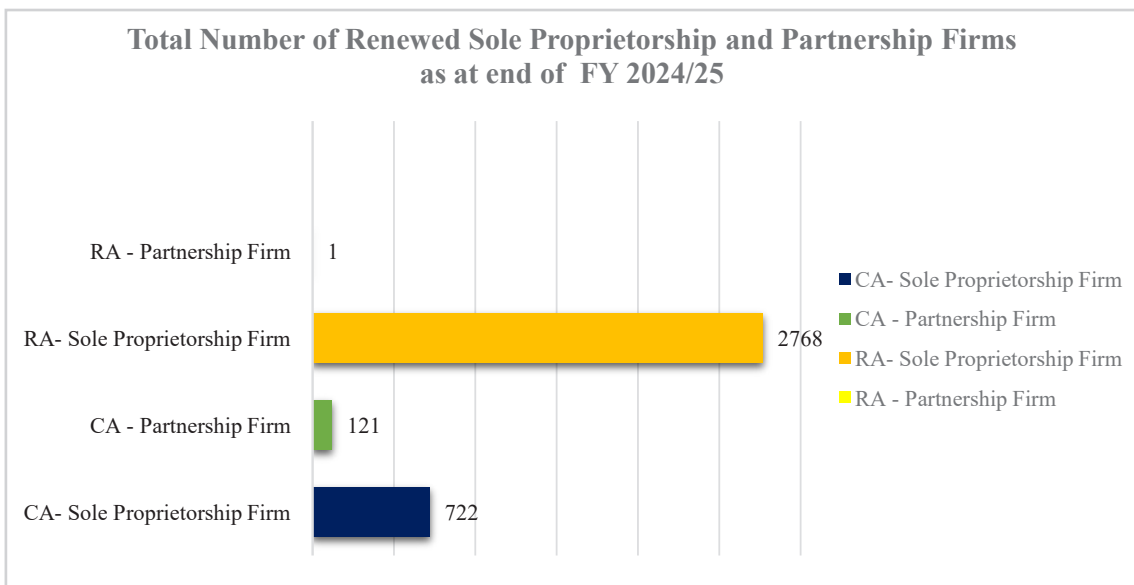
Till the end of FY 2024/25 altogether 5,581 audit firms were registered at the ICAN out of which 3,612 audit firms were renewed. The total number of audit firms along with the renewal status at end of FY 2024/25 has been presented below:



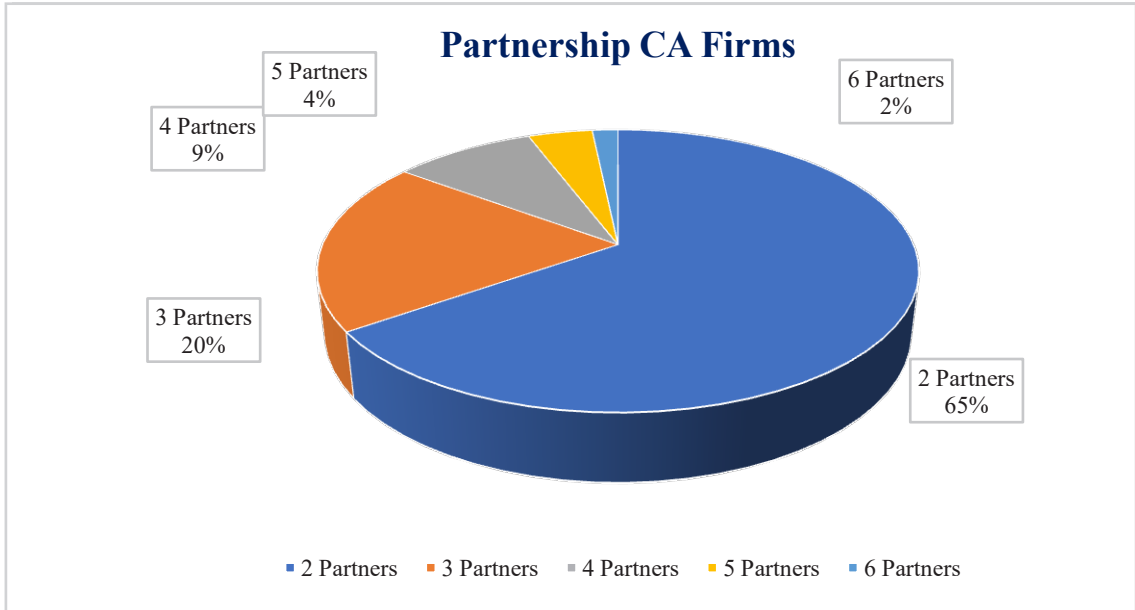
The number of audit firms under the purview of quality assurance reviews as of year ended 2024/25 was as follows:



There were 3,612 renewed audit firms as at the end of FY 2024/25 out of which only 23% were CA firms. Likewise, 86% of total CA firms in Nepal are operating on proprietorship basis whereas, only 14% of those firms are operating as partnership firms. Only 1 firm out of total Registered Auditor Firms is a Partnership Firm with the rest of them being proprietorship firms.



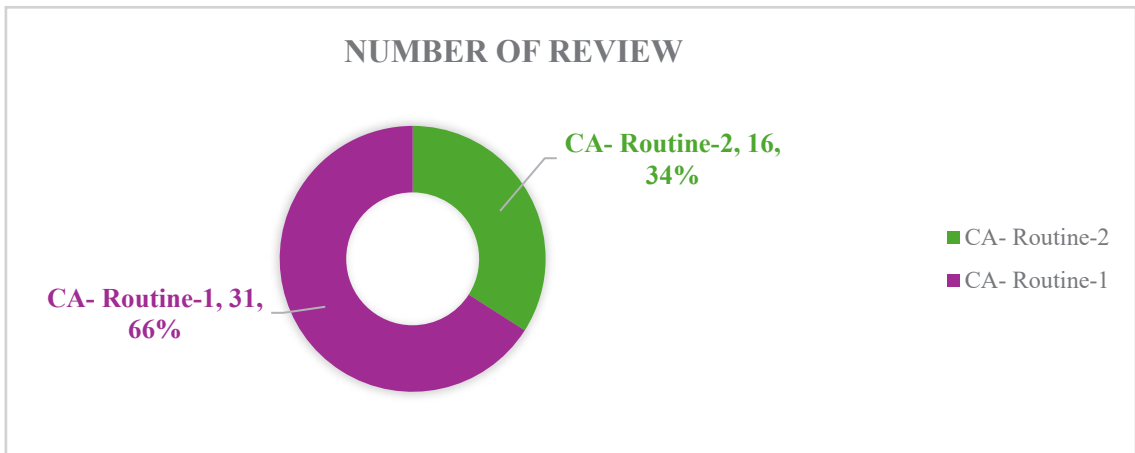
Most CA partnership firms have two partners (79 firms), followed by three (24 firms) and four partners (11 firms), while firms with five or six partners are few. This shows that smaller partnerships are far more common.



From the data presented above, it is clear that only 14% of CA firms operate on a partnership basis, and of these, 65% are with just two partners. Generally, larger firms with more partners are better positioned to establish, maintain, and promote a strong culture of audit quality through structured processes, oversight, review and resource arrangement. Strengthening the partnership model can therefore play a key role in enhancing the overall quality of audits in the profession.

QA Reviews in FY 2024/25

A total of 47 CA firms were reviewed in FY 2024/25. All of the reviews conducted were regular in nature; 31 being routine-1 review and 16 being routine-2 review. Reviews of RA firms could not be carried out during the year due to constraints in available manpower. Accordingly, available resources were strategically deployed to prioritize the review of CA firms engaged in the audit of PLEs during the period under review.



Grades Provided for QA Visits in FY 2024/25

Final grading has been provided to firms after completion of the reporting process and approval from the QAB. Details of final grading provided by QAB to the CA Firms during 2024/25 are as under:

Grade	Number of CA firms receiving the grade	Percentage of Firms falling in each grade
Compliant	8	17%
Moderately Compliant	36	77%
Partially Compliant	3	6%

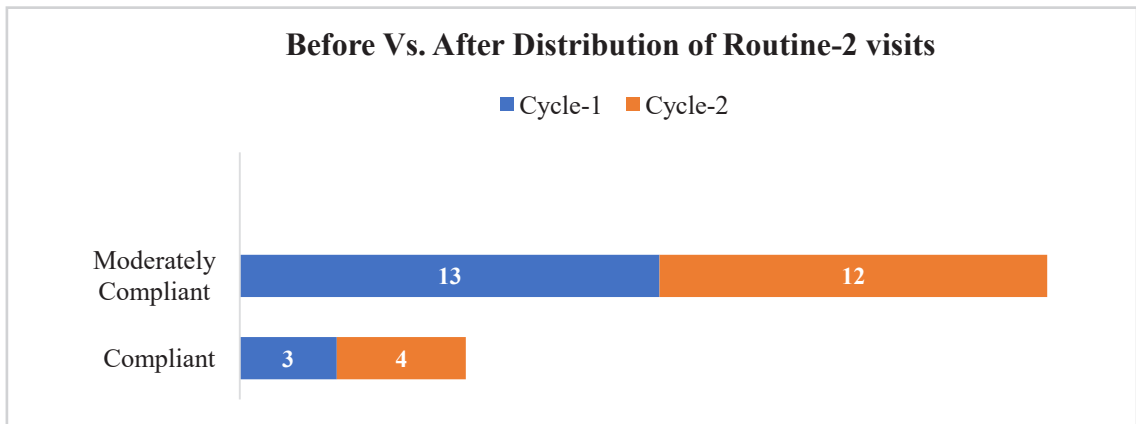
The grading results of QA reviews in FY 2024/25 reflect a notable improvement in the overall quality of audit practices. A higher proportion of firms achieved positive outcome, with 17% graded *Compliant* and 77% graded *Moderately Compliant*. At the same time, weaker grading; *Partially Compliant* declined, with only 6% of firms requiring major improvement. The QAD since the inception of the program, has contributed to this positive shift, indicating a gradual strengthening of audit quality and compliance among audit firms.

Grading of the Firms of Routine-2 Visits in FY 2024/25

The comparative analysis of grading outcomes between the earlier and subsequent QA review results demonstrates a gradual strengthening of firm-level compliance. The number of firms assessed as Compliant increased from 3 to 4, while those graded as Moderately Compliant correspondingly declined from 13 to 12.

This movement indicates that firms are responding to QA observations and remedial guidance, with several able to progress to a higher compliance category. Importantly, the absence of any downward movement suggests that the improvements achieved have been sustained, reinforcing baseline audit quality across the reviewed population.

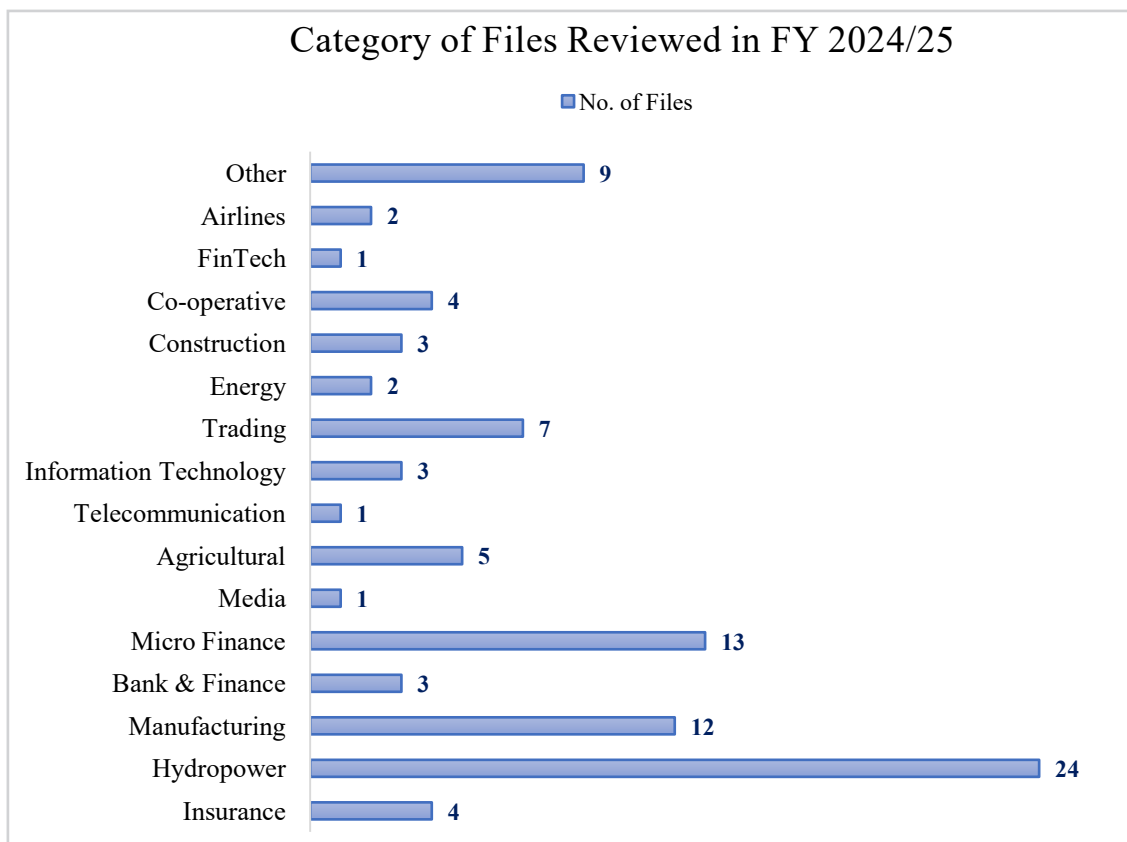
While the majority of firms continue to fall within the Moderately Compliant category, the observed upward shift reflects a positive trajectory and affirms the role of the QA review process in encouraging continuous improvement in audit practices. The following chart illustrates the comparative distribution of firm gradings across the two review outcomes.



Category of Files Reviewed in FY 2024/25

Starting from FY 2020/21, two completed audit engagement files were reviewed during each visit to the audit firm. Out of the two selected files, one file was selected from among the listed public entities.

The QAB has reviewed a total of 94 audit engagements relating to diverse economic and business sectors of 47 firms in the year 2024/25. Among the reviewed files, the highest number related to the Hydropower sector (24), followed by Microfinance (13) and Manufacturing (12). Other sectors such as Trading, Agriculture, Insurance, Bank & Finance, IT, Construction, Co-operatives, Energy, Airlines, Telecom, Media, and FinTech were also covered, while the “Others” category mainly represented private companies.



Recurrent Issues Observed During Quality Assurance Reviews

The table below highlights the most common issues identified across 47 firms during QA reviews. The number of instances indicates how frequently each issue was observed across the reviewed firms.

Findings from the Review	Instances
Firm Level	
Non-conduction of monitoring as per NSQC-1	43
Non-conduction of EQCR for Public Listed Entities	16
Non-compliance with Minimum Audit Fee Guideline	16
Non-analysis and documentation of client acceptance and continuance	15
Annual Independence declaration not received from the Audit Staff	7
Quality Control Policy not developed	7
Non-documentation of EQCR review report	7
Planning of an Engagement	
Improper documentation of audit sample	42
Inadequate procedures for risk assessment, understanding the entity and its internal control (NSA 315 and NSA 330)	41
Engagement letter not as per NSA 210 representative sample	28
Non-documentation of engagement team meeting	17
Non-determination of the level of materiality	10
Non-documentation of engagement time plan	8
Execution of an Engagement	
Non-performance of procedures required by NSA 501 for Litigation & Claims	39
Non-preparation of Lead Sheet for Financial Statements Line Item	35
Inadequate substantive audit procedures regarding some line item	31
Non-performance of procedures required by NSA 550- Related Party	28
No use of Legal & regulatory compliances checklist	26
Non-performance of procedures required by NSA 560-Subsequent Events	25
Non-performance of procedures required by NSA 520-Final Analytical Review	24
Absence of audit program/If prepared not tailored as per the nature of the client	17
Non-performance of procedures required by NSA 570-Going Concern	14
Non-application of calculated materiality in determining type & extent of audit procedures	12
Non-performance of procedures required by NSA 510- Opening Balance	9
Non-participation of Engagement Partner in entry and exit meeting	8
Completion & Reporting of an Engagement	
Non-preparation of Statements of Uncorrected Misstatement, thereby resulting into limitations to verify basis of audit opinion	33
MRL not as per NSA 580 Representative Sample	26
Audit report not revised in accordance with NSA requirements on expression of a disclaimer of opinion	11
Notes to Accounts not properly reviewed by the auditor	9

Detailed Findings from Review

QA Review is a general regulatory function which is undertaken to assess the firm's system of quality control and compliance with professional standards during the conduct of audit engagements.

QA Review is not a fault-finding activity on the part of the entity preparing the financial statements as well as auditors expressing an opinion on those financial statements, rather it is carried out to enhance the quality of audit. QA Review primarily considers non-compliance on the part of auditor rather than the client of the auditor.

The objective of summarizing the findings identified by the QA Division in this annual report is to give an idea to the practicing audit firms about the areas where special attention is required by the firms to create awareness on improving the quality of audit.

The most common findings and weakness as identified by the QA reviews is depicted here under:

I. Planning of Audit

1. Acceptance of Client:

(Relevant Criteria: NSQC-1, NSA 220 and Code of Ethics)

- The firms lacked a formal process of client screening while accepting the audit clients.
- Threat of long association was not considered in most of the firms while forming the audit team in case of continuing clients.

2. Auditor's Appointment:

(Relevant Criteria: Applicable Legal Provision and NSA 210)

- Acceptance and performing the audit without agreeing to the terms of engagement and outlining the scope as required by NSA 210
- Auditor remuneration not specified in the appointment and engagement letter.

3. Audit Strategy and Audit Plan:

(Relevant Criteria: NSA 300)

- Many firms still have not brought into the practice of formulating audit strategy as a basic part of audit planning.
- In a few cases, the audit time plan was also not prepared. Similarly, the same was not detailed enough to guide the audit team.

4. Understanding the Environment of the Entity and Risk Assessment:

(Relevant Criteria: NSA 315 and NSA 330)

- Only few of the firms were noted to have performed comprehensive risk assessment procedures as per NSA 315 and determined the risk response as per NSA 330.
- The risk assessment procedures were not carried out in many instances and where performed, they were found to be inadequate.
- In some cases, instead of determining audit risks at the financial statement level and assertion level, the business risks of clients were noted down without reference to how they gave rise to audit risks.

- In most cases, the risk related to revenue fraud, management override of controls and other fraud risks were not assessed and documented.

5. Engagement Letter:

(Relevant Criteria: NSA 210)

- In several firms, although engagement letters were issued, they were not acknowledged by the clients. Additionally, many instances were noted where the engagement letters were not in the standard format prescribed by NSA 210, with some even missing key elements.

6. Materiality and Sampling

- Audit materiality was not determined in many firms. Additionally, discrepancies were noted in the calculation of materiality; for example, performance materiality and clearly trivial levels were not established, and excessively high percentages were used for overall materiality.
- In few firms, the calculated materiality was not applied when determining the type and extent of audit procedures or when evaluating misstatements.
- Audit sampling techniques were not ascertained and documented. In cases where sampling sizes were determined, its adequacy to reduce sampling risk could not be verified.

7. Other Issues Regarding Planning Related Procedures:

(Relevant Criteria: NSA 300, NSA 320, NSA 530, NSA 600)

- Preliminary analytical reviews were not carried out.
- Documentation regarding the formation of the audit team was absent, and assessment of team members' competencies was performed in only few cases.
- Planning meetings were not conducted, and it remained unclear whether adequate guidance was provided to audit team members regarding the financial statements' susceptibility to material misstatements.

II. Execution of Audit

8. Use of Adequate Audit Procedure and Collection of Sufficient Appropriate Audit Evidence:

(Relevant Criteria: NSA 230 and NSA 500 series of Standards)

- In several instances, the audit team did not apply adequate procedures to verify financial statement line items of material amounts.
- Tests of controls were not performed, preventing the auditor from evaluating the effectiveness of the client's internal control system.
- Physical verification of fixed assets, cash balances, capital work-in-progress, and inventories was not conducted in most cases. The alternative procedures applied were insufficient to justify the adequacy and appropriateness of audit evidence in the absence of physical verification.
- In few cases of initial audit engagements, audit procedures to verify opening balances were not performed.
- Audit procedures for the verification of management estimates, assumptions, and conclusions were not carried out.

- Audit procedures and checklists to review compliance with laws and regulations were not used by the firms.
- Assessment of the client's going concern assumption was not performed, nor was its impact on the audit report considered. In some cases where documentation was maintained, potential indicators affecting going concern were overlooked, and conclusions on the appropriateness of management's assumption were not documented.
- Proper documentation of tests of details for material classes of transactions and account balances was not maintained. Although auditors attempted to provide verbal explanations, sufficient audit evidence to support such justifications was absent in most cases.

9. Audit Documentation:

(Relevant Criteria: NSA 230)

- Audit documentation of almost all firms requires strengthening to ensure compliance with NSA 230 and various other standards.
- The audit file wasn't ensured to have been maintained in the form that a suitably qualified external person not connected with the audit could understand all the audit activities and the judgements applied in forming the audit opinion.
- Nature, timing, and extent of audit procedures applied were not noted down either separately or in the form of audit program. Where audit programs were developed, in many cases, it was developed in a generic way and not customized to reflect the nature and size of client and related requirements.
- Identification of performer of audit procedures and reviewer along with the dates not disclosed.
- Audit files were not properly organized; there was no system to keep track of changes in audit documentation.
- Lead schedule and sub schedule were not prepared for line item of financial statements.

10. Communication with Management and Those Charged with Governance:

(Relevant Criteria: NSA 260, NSA 265)

- In most of the firms, documentation of communication with Management was not found other than preliminary audit report or Management Letter. The other communication could be required to discuss the planning related matters, and significant findings arising during the audit.
- In few cases, communication with management regarding prospective modification of audit reports was also not done.
- In many instances, involvement of the Engagement Partner was not seen while communicating with the Management and Those Charged with Governance, instead only team leader and team members were involved in the communication process. In few engagements, Engagement Partner's involvement was limited to only signing of the audit report.

11. Management Representation Letter:

(Relevant Criteria: NSA 580)

- The Management Representation Letters (MRLs) were obtained much earlier than the date of signing of the auditor report. Additionally, in a few instances, the representation

letters were obtained after the date of the auditor’s report. MRLs were not obtained at all in some cases.

- Most of the contents of the management representation letter were generic in nature and audit team wasn’t found to have considered obtaining representation on matters specific to the entity which involved accounting estimates and where evidence had to be complemented with such representation.
- Furthermore, in some cases, no audit procedures were performed to evaluate the representation and resolve the matter of inconsistency when inaccurate representation was provided by the Management.

12. Summary of Misstatement and Their Resolution Status:

(Relevant Criteria: NSA 450)

- Summaries of material misstatements identified, and the resolution status of those misstatements were minimally documented. Most firms did not record evaluations of the impact of uncorrected misstatements on the financial statements. While misstatements were often communicated in the Preliminary Audit Report or Management Letter, their effect on the auditor’s report, considering the determined materiality levels and instances of non-compliance, was generally not analyzed, casting doubt on the reliability of the audit opinion expressed.

13. Non-compliance with Relevant NSAs:

- Most firms did not document the audit procedures applied for related parties (NSA 550), subsequent events (NSA 560), going concern (NSA 570), audits of consolidated financial statements of group companies (NSA 600), use of the work of internal auditors (NSA 610), or use of the work of management experts (NSA 500).
- Litigation and claims, as required by NSA 501, were not analyzed. In many cases, documentation supporting conclusions regarding the non-disclosure of probable contingent liabilities was not maintained.
- Several audit reports lacked sufficient detail on the evaluation of management’s assessment of going concern, even when the financial statements indicated potential issues affecting the entity’s ability to continue as a going concern.

III. Reporting and Conclusion

14. Audit Opinion and Basis of Opinion:

(Relevant Criteria: NSA 700 series of standards, NSA 450, and NSA 230)

- Most audit firms did not maintain documentation to support the basis of their audit opinion or to demonstrate the judgment applied in determining the appropriateness of the opinion in the circumstances.
- Adequate documentation was generally lacking to substantiate the auditor's opinion where material non-compliances were identified, including instances such as:
 - ❖ Accounting for land purchased in the names of directors, in excess of limits allowed by the relevant Act, under Project Assets.
 - ❖ Loans disbursed to related parties exceeding the single obligor limit.
 - ❖ Capitalization of borrowing costs instead of recognizing interest expense in the Statement of Profit or Loss.

- ❖ Non-analysis of multiple material and long pending reconciliation items in Bank balances.
- ❖ Non-recording and non-presentation of litigation and claims that could have a material impact on the entity.
- ❖ Recording changes in the fair value of financial assets designated at Fair Value through Other Comprehensive Income in the Statement of Profit or Loss.
- ❖ Recording actuarial gains/losses without performing an actuarial valuation.
- Key Audit Matters (KAM) were reported without performing adequate procedures or documenting the basis for their inclusion. Conversely, some reports indicated no KAMs without proper consideration of significant issues in the financial statements.

15. Independent Auditor's Report:

(Relevant Criteria: NSA 700 series of standards)

Even though most of the auditors' reports reviewed seemed satisfactory, some issues mentioned below were noted:

- Auditor's Reports were not consistently prepared in the exact format prescribed by NSA 700.
- The "Basis of Opinion" paragraph was missing in some reports, and where included, it was inadequately described. In certain instances, matters that should have been included under "Basis of Opinion" were incorrectly placed under the "Auditor's Responsibility" section.
- KAMs were omitted in some audit reports of listed entities.
- Instead of highlighting matters considered significant during the audit as KAM, some auditors communicated only that the apportionment of amounts in reserves was appropriate and that neither management nor employees were involved in fraudulent activities, concluding that the financial statements fairly present the financial position.
- KAMs and the "Other Information" section were included even when a disclaimer of opinion was expressed. Additionally, the "Auditor's Responsibility" paragraph was not revised in accordance with NSA 705.
- The management responsibility to assess the company's ability to continue as a going concern was missing in the "Management Responsibility" section of some reports.
- The "Other Information" paragraph was omitted, and procedures required under NSA 720 were not performed.
- The "Report on Other Legal and Regulatory Requirements" section was incomplete, with some information required by the Companies Act missing.
- "Emphasis of Matter" and "Other Matter" paragraphs were used interchangeably in few reports.
- References to financial statements or notes where the emphasized matter is disclosed were either missing or incorrect. In some cases, the matter highlighted in the Emphasis of Matter paragraph was not present in the financial statements or notes, or incorrect references were given.
- Clerical errors in the auditor's report were frequent.
- Audit reports were issued without expressing a clear audit opinion.
- The applicable financial reporting framework was incorrectly stated in some audit reports.

16. Other Issues in Reporting and Conclusion

- There was no evidence of a critical review of the financial statements and auditor's report to verify details such as dates, names, titles, year, presentation issues, and signatories. In two cases, the financial statements were not signed by the Chairperson.
- Final analytical review procedures were not performed.
- Management Letters or Preliminary Audit Reports were not issued. Where such reports were issued for private companies, responses to identified misstatements were generally not received.
- Firms did not report to ICAN for quality review purposes when audit fees charged to the client were below the minimum thresholds specified in ICAN guidelines. Additionally, in one instance, fees charged were lower than those of the previous year's auditor, despite no significant decrease in the entity's transaction volume.

IV. Firm's System of Quality Control

(Relevant Criteria: NSQC-1)

- Many firms had not developed a Quality Control Policy to guide the firm on quality control matters.
- The Quality Control Policies formulated by some firms were deficient, and in certain cases, both the quality control and human resource policies were vague and not tailored to the firm's size or operational capacity.
- Procedures for client acceptance and continuance were not formally documented in many firms. In a few cases, communication with the predecessor auditor occurred only after engagement acceptance.
- Monitoring of the firm's system of quality control, as required by paragraph 48 of NSQC-1, was conducted by only few firms.
- Engagement Quality Control Reviews (EQCR) were not performed in many sole practitioner firms as required for audits of listed entities. In some firms where such reviews were conducted, documentation of the EQCR work was inadequate.
- In few firms, EQCR responsibilities were assigned to subordinates, potentially compromising the objectivity of the reviewer.
- Possible impairment of EQCR independence was observed in some firms due to the reviewer's active involvement in audit execution.
- Written confirmations of compliance with the firm's independence policies, required from staff expected to be independent, were not obtained in some firms.
- Engagement performance was not systematized through the development of an internal or referenced Audit Practice Manual in certain firms.
- Analysis of the adequacy of human resources, provision of training, performance appraisals, and opportunities for career development were generally lacking in most firms.

V. Issues Related to Other Regulations Applicable to Member and Firm

- Change of address of the firm was not communicated to ICAN.
- In an instance, the audit of the public limited companies in excess of the prescribed limit was noted.

Weaknesses Observed at Client's End

During our review, we came across some weaknesses in the audit clients as well, which ultimately have implications for the credibility of the financial statement and audit. Auditors have sometimes been unable to respond to such issues appropriately in the auditor's report. Such weaknesses identified are:

1. Major Non-compliance with Accounting Framework

- Non-adoption of NFRS Framework by few microfinance institutions and private companies.
- Effect of correction of prior period error given in the current period's financial statements through the Statement of Profit or Loss
- Disputed Receivables for long period not considered for impairment
- Impairment of the Financial Assets not considered

2. Specific Presentation and Disclosures Issues in the Financial Statement including Accounting Treatment

Various issues were observed about incomplete disclosures or irrelevant disclosures. Complication in compliance with disclosure requirement was seen such as:

- Notes to accounts and relevant accounting policies did not provide adequate disclosures for all material items in the Statement of Financial Position, Statement of Profit or Loss, and major events occurring during the financial year.
- Sufficient disclosure was not made for related party transactions, including compensation to Key Management Personnel, changes in ownership, and non-controlling interests.
- Contingent liabilities, including probable outflows related to litigations, claims, Bank guarantees, letters of credit, dispute with the Nepal Electricity Authority and tax assessments were not disclosed as required by NAS 37.
- Accounting policies for borrowings and finance costs (short-term and long-term), deferred tax assets and income, and provisions for contingent liabilities were either missing or inadequately disclosed.
- Material non-adjusting events, including mergers, commencement of joint operations, and a major event like helicopter crash, were not reported.
- The financial statements did not include the date of authorization or the names of directors authorizing the statements.
- Notes to accounts lacked statements confirming compliance with NFRS and the assumption that the entity is a going concern,
- Disclosure requirements for the first-time adoption of NFRS as per NFRS-1 were not met.
- Reasons for non-consolidation of subsidiaries and information on Corporate Social Responsibility were not included.
- Details of subsequent events were incomplete or omitted.

3. Non-Compliance with Laws, Rules, and Regulations

- Non-compliance with Cooperative Act and Rules regarding maintaining of proportion of loan and advances.

- Calculation and disclosure of impairment on loans and advances as per NAS 39 not done in case of Micro Finance Institutions
- Audit Committee as required by the Companies Act not formed.
- Financial Statement not signed by the Chairperson.

Potential Root Causes



RESOURCE
ISSUES



PERSONAL,
ETHICAL AND
ATTITUDE
ISSUES



PROCESS ISSUES



LEADERSHIP
ISSUES



CLIENT ISSUES

1. Resource Issues

- Quality and number of audit staff not recruited or hired commensurate with the nature, number, and size of the clients.
- Qualification and experience of engagement teams not ensured for specialized audit clients like Banks and Insurance Companies.
- Staff training is less structured, infrequent, and inadequate.

2. Personal, Ethical and Attitude Issues

- Over dependence and reliance over the engagement teams by the Partners,
- Minimal or no timely supervision of engagement performance/ process and outcomes not documented,
- Standardization of audit documentation not a priority,
- A mindset that auditing standards are overly complex, or they place too many requirements than required,
- Client's overall impression and experience from previous relationship given importance over engagement-wise audit evidence and issues,
- Inadequate communication with management and those charged with governance regarding the scope, limitations, and responsibilities of the audit, as required by the applicable auditing standards
- Focus is on identifying issues and reporting them rather than forming proper basis for opinion,
- Less orientation and refreshment training to staff on ethical issues and requirements,
- Fear of losing client or prospective client resulting into overriding the requirement of the standards
- Lack of application of high degree of professional judgment to determine the scalability of the compliance to standards across clients of different size and nature.

3. Process Issues

- Few firms only use standard audit system
- Some firms use conventional audit practices which comprise only to be a partial audit system

- Quality Control Policy as per NSQC-1 requirements is not developed by many firms
- Material legal compliances are not audited using checklists even for highly regulated clients
- Partner's instructions are themselves believed to be firm's processes and policies for small firms and they don't emphasize the need for formalized structure and firm processes
- Absence of policy and audit system resulting thereby to ad-hoc processes and limited scope for evaluating standard of actual work

4. Leadership Issues

- Effective leadership traits emphasizing standards of quality audit may have been poorly demonstrated
- Usually, incentives to promote quality of audit work based on formalized performance appraisal process are discretionary and not emphasized
- Some firms are not keen on making improvements over issues identified as repetition of the issues that have been noted in our Routine 2 visits.

5. Client Issues

- Sometimes clients place unusual deadlines to firms and auditors feel that they have no option other than to compromise to the extent they can
- Clients do not understand the value created out of audit and take it as a mere formality
- Clients who are private companies are more concerned with determination of tax liability and completion of tax return processes than compliance to accounting standards and fair presentation of the financial statements
- Level of Fees not commensurate with the level of Quality Standards to be complied with.

In the backdrop of matters as reflected in the two preceding sections (Key Finding from the Review and Potential Root Cause), it is advised that audit practicing firms relook on their audit procedure applied to confirm that NSA requirements are being considered during the course of their audit assignments.

Strategic Plan of the Board

With the motto of "Strengthening Audit Quality", the Board has formulated a Three-Year Strategic Plan (2081/82 – 2083/84). The plan is aligned with the Board's commitment to safeguarding public interest and promoting high-quality audits. It has been designed to ensure that QA review activities are carried out in an efficient and professional manner, thereby supporting audit practicing firms to deliver reliable and credible audit services. Based on a SWOT analysis, the plan is structured around four strategic domains:

S.N.	Domains	Objective	Strategy
1	Quality Assurance Reviews	To conduct the Quality Assurance Reviews in the number sufficient to meet the stipulated cycle of review visits and ensure that the Quality Assurance Reviews are effective and meet the SMO1 Requirements	<ul style="list-style-type: none"> ▪ Carry out quality assurance reviews ▪ Regularly review the category of audit firms subject to quality assurance reviews ▪ Assess the budget and manpower requirement for review process and engage with Council to secure the budget ▪ Review on deviations in meeting the cycle and develop the mitigating measures ▪ Assess the effectiveness of the QA review program in terms of international best practices and compliance to IFAC SMO-1
2	Guidance and Standardization measures for audit quality	To develop and disseminate standardized resources	<ul style="list-style-type: none"> ▪ Issuance of Guidelines and Guidance Notes on key areas of audit practice to Practitioners ▪ Issuance of Advisory Notes and Informative Publications to the Stakeholder and Auditees ▪ Revision of Audit Practice Manual and Audit Documentation Manual
3	Capacity Building, Training and knowledge management	To enhance the skills and knowledge of professionals	<ul style="list-style-type: none"> ▪ Capacity building of the Practitioners through various trainings ▪ Knowledge Enrichment Program for the Reviewers ▪ Carry out Interaction with reviewed audit firms to promote continued engagement and focus on audit quality
4	Research, Advocacy & Policy and Regulatory Enhancements	To refine policies to address identified weaknesses in audit quality, practice environment and quality assurance mechanism	<ul style="list-style-type: none"> ▪ Research on key areas of audit practice in the local context ▪ Recommend changes in policy based on weaknesses identified in QAR ▪ Liaison with national regulatory bodies to promote their understanding of robustness of audit practice and their regulation ▪ Liaison with regional PAOs in matters of Quality Assurance for knowledge exchange and benchmarking ▪ Enhancing Institutional Coordination

To achieve these strategic objectives, a total of 16 key activities has been identified and prioritized. The plan articulates the Board’s Vision as “Enhanced Credibility of Audit through Better Audit Quality” and its Mission as “To enhance audit quality in Nepal by ensuring audits are performed in compliance with Nepal Standards on Auditing, and that audit reports issued are appropriate in the circumstances, through a robust Quality Assurance Mechanism.” This strategic framework serves as a roadmap for strengthening institutional capacity, fostering professional excellence, and enhancing public confidence in the audit profession.

Training on Audit Practice/Audit Documentation Manual

Two-day training on Audit Practice Manual on 4th and 5th May 2025 at ICAN premises was organized for the CA Members in practice which was facilitated by CA. Nanda Kishor Sharma. The objective of the training was to assist audit firms to carry effective and efficient audit by introducing the Audit Practice Manual and system designed to be used on audit of all general audit clients, with few customizations required for specialized audits. Altogether 32 CA members participated in the training.

In addition to this, with the objective of introducing the audit documentation manual and improving quality assurance review amongst the RA members, another two days training on audit documentation manual was organized on 21st & 22nd May 2025 whereby 37 practicing RA members participated. The training facilitated by CA. Sanjeev Dhakal and CA. Bharat Nepal was specifically organized for Registered Auditors performing audit of entities with total assets or liabilities of more than 50 crores.

Interaction Program on Audit Quality with the Firms and the Regulators

QAD at ICAN premises conducted an interaction program on Audit Quality with Audit Firms on 4th March 2025. The objective of the program was to provide an overview of the Quality Assurance Review system, facilitate open discussion to share challenges for maintaining audit quality by the firms and solicit feedback from the firms on improving review process.



QAB interaction program with the firms



QAB interaction program with the regulators

On 18th February 2025, QAD held an Interaction Program on Audit Quality Assurance at ICAN premises with regulatory body representatives. The program focused on improving audit quality standards. The program provided a platform for discussions on strengthening audit practices and compliance. The event featured participation from representatives of key regulatory bodies, including the SEBON, IRD, NRB, OCR, NTA, and the Department of Cooperative. A total of 9 participants attended the program.

Challenges to the QA Review Program

The QA review program is not free from challenges for ensuring compliance to cycle of visits as prescribed by SMO-1, and for ensuring the effectiveness, efficiency and integration of international

best practice. Most importantly, the yardstick of the effectiveness of this program is the awareness amongst firms and their action to emphasize quality in the policies and procedures adopted by firms to ensure audit quality.

- Securing the funding arrangement for the sustainability of the QA Program
- Equipping the QAD with an adequate number of qualified reviewers and supervisors
- Accumulating Experience in the QAD for maturity of the QA Program
- Knowledge Enrichment of Reviewers in areas of NFRS and NSAs and their application in complex scenarios
- Ensuring clarity and consistency in the issues reported
- Sensibility in the evaluation of responses on the QA Report particularly whether the willingness and ability to improve have been demonstrated or not.
- Evaluation of the extent and quality of improvements during the follow-up visit based on review of audit files for different clients
- Successful implementation of the QAB's three-year Strategic Plan
- Scalability in the overseeing of compliance regarding difference in nature and size of firms
- Clarity on criteria based on which reference should be made to the Council for Disciplinary Investigation
- Willingness of the audit firms to conduct QA on scheduled dates

Key Message to the Audit Firms to improve audit quality

Based on the observations in the QA visit reports, it is recommended that the Audit Firms should be mindful of the fact that:

- Audit Documentation includes not only documentary evidence collected from clients but also the checklists, analysis, audit notes, prepared by the audit team
- Audit Evidence is required to be obtained not only for issues observed during audit but for the financial statement items where it is fairly recognized and presented, and the basis how it is fair
- Standards are principle based and what is appropriate in the circumstances is matter of professional judgement at many times, but that should be documented and justified
- Audit Documentation can be understood by suitably qualified and experienced person having no previous connection with the audit engagement
- Needs for formalization of communication, supervision and review process
- Adoption of ICAN recommended or any Audit Practice Manual and suitable customization based upon nature and size of clients
- Systematic organization of soft copy files and clear reference and linkage to documents in hard copy file
- Use of compliance checklists for ensuring compliance with Laws, NFRSs and NSAs

GOVERNANCE AND MANAGEMENT

Quality Assurance Board

Composition of QAB in FY 2024/25

The composition of members in the QAB formed by 10th Council from its decision dated 28th Shrawan, 2081 is depicted below:

S.N.	Name	Position	Affiliation
1	Mr. Dev Bahadur Bohara	Chairman	Former Deputy Auditor General at Office of Auditor General
2	CA. Hem Kumar Kafle	Member	Council Member and a Practicing Chartered Accountant
3	RA. Pradeep Kumar Yadav	Member	Council Member and a Practicing Registered Auditor
4	CA. Tej Prasad Subedi	Member	Chief Executive Officer at a reputed Corporate Group of Organization
5	RA. Shiva Prasad Acharya	Member	Director in Office of Auditor General Nepal
6	Mr. Bal Krishna Thapa	Member	Assistant Auditor General in Office of Auditor General Nepal
7	Mr. Ambika Prasad Giri	Member	Deputy Executive Director in the Securities Exchange Board of Nepal
8	CA. Prapanna Gautam	Secretary	Assistant Director, ICAN

Meeting and Decision of QAB

Altogether 11 meetings of the QAB were conducted during FY 2024/25 and the number of meetings attended by each member is as under:

S.No.	Members	Number of Meetings Attended
1	Mr. Dev Bahadur Bohara	11
2	CA. Hem Kumar Kafle	10
3	RA. Pradeep Kumar Yadav	11
4	CA. Tej Prasad Subedi	7
5	RA. Shiva Prasad Acharya*	4
6	RA. Kamal Kharel*	3
7	Mr. Bal Krishna Thapa	9
8	Mr. Ambika Prasad Giri**	6
9	CA. Prapanna Gautam	11

* RA. Shiva Prasad Acharya replaced RA. Kamal Kharel & joined the QAB meetings from 11th Chaitra 2081

** Mr. Ambika Prasad Giri joined the QAB meetings from 9th Poush 2081.

*** CA. Kiran Kumar Khatri-Director attended 7 and CA. Nilesh K.C-Joint Director attended 6 meetings of the board as an Invitee

QAB Decisions across Area of Decisions for last six years

Agenda of the Meeting of the QAB is generally focused on three spectra as depicted below:

S. No.	Area of Decisions	2024/25	2023/24	2022/23	2021/22	2020/21
1	Ratification of Quality Assurance Review Reports	7	5	5	9	7
2	Policy/Procedures Related Matters relating to QA and Audit Regulation	10	5	4	2	13
3	Oversight and decisions related to QA Operations	4	4	5	3	9

Composition of Staff

Technical Director of the ICAN lead the QAD comprising of following staff during FY 2024/25:

S.No.	Name	Position	Role
1	CA. Kiran Kumar Khatri	Director	Technical Director
2	CA. Nilesh K.C.	Joint Director	Directorate Head
3	CA. Prapanna Gautam	Assistant Director	Reviewer
4	CA. Purushottam Sapkota	Senior Officer	Reviewer
5	Ms. Sabina Maharjan	Assistant	Administrative Staff



First Row (QAB Members, from left to right): CA Tej Prasad Subedi, CA Hem Kumar Kafle, Mr. Dev Bahadur Bohara, Mr. Bal Krishna Thapa, Mr. Ambika Prasad Giri and RA. Shiva Prasad Acharya.

Not in the photograph: RA Pradeep Kumar Yadav

Second Row (QAD Staff, from left to right): CA Nilesh K.C., CA Prapanna Gautam, CA Kiran Kumar Khatri and CA Chanarjit Sah

DISCLAIMER

This report is intended for general information only. The information in this report doesn't constitute professional advice and should not be construed upon as such. Further, this report does not provide any guarantee regarding standard of audit quality by practicing firms. The QAB and the ICAN don't accept any responsibility for loss of any kind resulting to any person as consequence of decisions taken based on the information contained herein.

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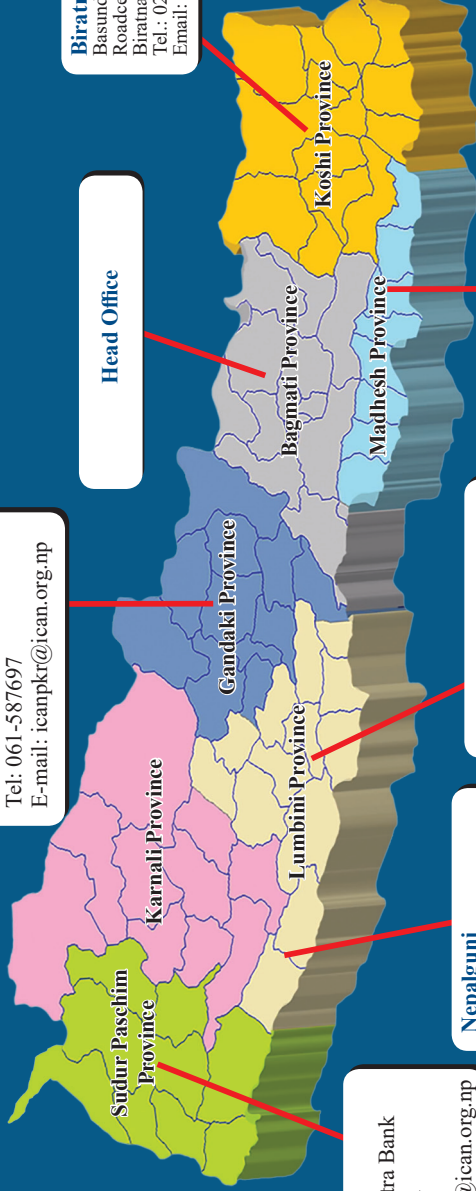
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