



# REVIEW PROCEDURE AND REPORTING BY PEER REVIEWERS

**Presentation For: J. B. NAGAR CPE STUDY CIRCLE**

**Presented By : CA Ashok Kumar Pradhan**

**3<sup>rd</sup> December, 2017**

# OVERVIEW of Review Procedure & Reporting

## IMPORTANCE OF DOCUMENTATION

- ICAI Guidelines on Standards on Quality Control (SQC)
- Companies Act, 2013
- Standards on Auditing
- Review of Work of Auditor

**AUDIT NOT DOCUMENTED IS  
AUDIT NOT DONE**

# NEED FOR PEER REVIEW

- There is a statutory requirement whereby a listed Company's Statutory Audit and Limited Review can be done only by Peer Reviewed Audit firm.

- SEBI has also mandated that any report or prospectus issued by any Corporate has to be given only by a Peer Reviewed Audit firm.

- Multiple Empanelment Form (MEF) cannot be completed without giving Peer Review Certificate Date.

# ENGAGEMENT DOCUMENTATION REQUIREMENTS

- Engagement Letter
- Write up on Knowledge of Client's business
- Audit Program
- Risk assessment Check List
- External confirmation letters – Banks, Debtors, Creditors etc.
- Cash Balance Certificate
- Inventory verification certificate
- Fixed Asset verification certificate

# ENGAGEMENT DOCUMENTATION REQUIREMENTS

- Authorization Matrix / Manual
- Query sheets
- AS Compliance sheet
- CARO checklist
- Other certificates- Assets put to use.
- Management Representation Letter

# WORKING PAPERS DOCUMENTATION REQUIREMENTS

- They should disclose that no significant points or issues remaining unresolved; They must record the clients name, file number, accounting period, audit area of working paper, cross reference of working paper with current or permanent file, Initials of the member of the audit team who prepared it and the date on which it was prepared.
- Soft copies of documents preferred.

# WORKING PAPERS DOCUMENTATION REQUIREMENTS

■ In case of a working paper prepared by the client, the date of receipt and the initial of the audit team member who carried out the audit work thereon.

■ Initials of the member of the audit team who reviewed the client prepared working paper.

■ Client's soft copy working paper should be kept with embedded files.

# STAFF DOCUMENTATION REQUIREMENTS

- Recruitment Policy
- Appointment Letter
- Supervision Policy, guidelines for maintenance of professional skills and standards
- Register of in-house CPE; Detail of CPE – personnel wise ; Policy regarding considering of skills and competence before assignment of attestation engagement



# STAFF DOCUMENTATION REQUIREMENTS

- Independence policy
  - Disclosure of interest of partners and staff
  - Guidelines for monitoring and supervision of engagement
- Signed Declaration of Independence Policy for external and internal consultation : Expert consultant list ;**
- Policy under Women Sexual Harassment of Women at Workplace (Prevention Prohibition and Redressal) Act, 2013**

# DOCUMENTS – OFFICE SYSTEMS

- Code of Ethics of Practising Unit
- Policy for acceptance of an engagement
- Policies and procedures for recording and monitoring of incoming and outgoing documents
- Policies for attendance of staff including staff going on audit
- Policy of retention of client
- Policy for DRP & BCP
- Record of Company audit assignments
- Record of tax audit assignments

# PEER REVIEW PROCEDURES

## OFF-SITE PROCEDURES :

- Send Acceptance Letter to ICAI's Appointment Letter.
- Request the PU to send duly filled questionnaire
- Reviewer starts the review procedure upon receiving the practice unit's data given through questionnaire
- Analyse the Data & determine Sample Selection criterion.
- Inform the PU about at least 10 samples selected for review. Note the basis of Sample selection.

## ON-SITE PROCEDURES :

- Initial meeting with the PU is desirable to determine the accuracy of the responses given in the questionnaire and seek additional information
- Obtain the Manual of policies and procedures followed by the PU.
- Examine the sample selected with the audit records maintained.
- Note the deficiencies in the documentation.

# COMPLIANCE PROCEDURES

- To ascertain whether the PU has been observing the systems as given by it in the questionnaire
- Reviewer to consider the 'general controls' which comprise of five controls, viz.,
  - Independence
  - Maintenance of professional skills and standards
  - Outside consultation
  - Staff supervision and developments
  - Office administration

## OTHER PROCEDURES

- Compliance with Technical, Professional and Ethical Standards

- Compliance with Standards on Quality Control (SQC)

- Quality of Reporting

- Office Systems , Training and Office Administration

# BASIC ELEMENTS OF THE PEER REVIEW REPORT

- An indication about the quality control procedures.
- A statement indicating the responsibility for the system of quality control.
- Description of the scope and limitation(s), if any of the peer review.
- A reference to the preliminary report, if any.

# REPORTING

- The Reviewer may submit the initial findings i.e. Preliminary Report to the PU.
- Based upon his satisfaction from the comments/representation by the PU, he shall issue the Final Report to the Board.
- The Reviewer may issue a qualified report in case of non-compliance with the requirements.



# REVIEW MATTERS

**A reviewer should consider the following :**

- **Whether the policies and procedures provide the firm with reasonable assurance of complying with required standards.**
- **Whether personnel of the reviewed firm complied with such policies and procedures.**
- **Whether the practice unit has instituted adequate mechanism for training of staff.**
- **Whether the practice unit ensures the availability of expertise and/or experienced individuals for consultation.**

## REVIEW MATTERS (cont'd)

- Whether the skill and competence of assistants are considered.
- Whether the progress of assurance service is monitored and work performed by each assistant is reviewed.
- Whether the practice unit has established procedure to maintain adequate records and audit files as per the standards.
- Whether the practice unit verifies compliance with laws and regulations.
- Whether the internal controls within the practice unit contribute towards maintenance of quality of reporting.

# CASE STUDY

## PART A – PROFILE OF THE PRACTICE UNIT

### IMPORTANT QUESTIONS :

**Q8 ) Period under Review : 01-04-2013 to 31-03-2016**

**Q14) Gross receipts of the PU from the assurance functions**

**Q15) Concentration: Fees from any Entity/Group where they exceed 10% of the PU's gross total receipts**

**Q17) Assurance Client's details : Either name or unique code no. instead of client name maybe given.**

**Q18) Tendering by the PU : Fees charged are commensurate with the amount, time and efforts spent by the PU. Further details of employee remuneration per month are to be submitted.**

# CASE STUDY

## PART B - GENERAL CONTROLS (Based on SQC 1)

**Suggested answers to questions asked by the Peer Review Board :**

**Where responses to the questions below are readily available from a firm manual, it will be adequate to provide a cross reference to the relative paragraph/chapter in the related firm manual. Otherwise, any additional information may be provided in narrative form in the space provided below the questions.**

### 1 LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN A FIRM

**1a What are the policies and procedures established by the PU to promote a culture of Quality in performing assurance engagements and, how does the PU's CEO or managing partner (MP) assume ultimate responsibility for the PU's system of quality control (QC)?**

■ The PU has processes in place to promote a culture of Quality in performing assurance services.

■ The PU has designed Audit Program, various check List, Internal Control questionnaire & other controls to promote culture of quality in performing assurance engagements.

■ The PU follows three tier approach while performing assurance engagements wherein routine work is assigned to the articled clerks & juniors, while the junior partner carries out scrutiny of Accounts . Partner incharge reviews the Audit programs, check list, queries raised at every level , its reply and internal control questionnaire. On his satisfaction he then starts with finalisation process. The Partner ensures engagement file in structured manner is put up for review. On the Accounts being finalised the same are subject to review by the Senior partner. In case any issues arises during the process, guidance of the Managing Partner and / or opinion of the expert as & when required is sought.

■ The PU follows a process of 'Internal Control' whereby the work of each of the junior is independently reviewed by the Senior concerned.

1b How does the PU ensure that commercial considerations do not override the quality of work performed?

■ Before commencement of assurance engagement, PU ensures Memorandum of Independency test of Auditor , is signed by the Partner and professional deputed. It also ensures that its policy on integrity , objectivity and independence is communicated and adhered to by them. Draft of such memorandum and policy on integrity , objectivity and independence is given in Annexure I Further PU follows process stated in para 1a above to maintain its quality.

**1c To whom has responsibility for developing, implementing and operating the PU's QC system been assigned? Describe how this authorised person has sufficient appropriate experience, ability and authority within the PU to assume that responsibility?**

■ **The Managing Partner has been assigned the responsibility for developing, implementing and operating the PU's QC system. For operating the QC the respective partner incharge are responsible. The authorised Partner have minimum experience of nearly 25 years in the field of assurance engagements , possesses sound knowledge.**

**1d How has the PU designed its partner and professionals performance evaluation, compensation and advancement policies to demonstrate the PU's overriding commitment to Quality?**

■ **As discussed above in para 1a above, Partner ensures assurance file in structured manner is put up for review.**

■ He reviews the Audit programs, check list, queries raised at every level and its reply, internal control questionnaire then starts with finalisation process. Once Accounts are finalised the same are subject to review by the senior partner and in case any issues arises during the process guidance of Managing Partner or expert on the subject is sought wherever required. PU follows a concept of 'Internal Control' whereby one person work is independently checked by the other and there by ensure that all material aspects are covered.

■ All material developments / amendments are shared and discussed by all the partners in the regular meeting.

1e What resources or investments has the PU made for the development, communication and support of its QC system?



■ The designated QC partner devotes sufficient time and resources to develop, implement and maintain the QC policies and procedures. Further Audit Programs, various Check lists, Internal Control procedures are generally made out and updated regularly.

■ Further PU organises weekly group discussions or lectures on various topics in its office imparting knowledge in order to ensure its commitment to the quality work. The QC policies and procedures are reviewed at the training session conducted and PU also enrolls its staffs and partners to programs , seminars, lectures organised by various professional organisation such as ICAI , BCA , Chamber Of Tax Consultants etc. for Continuous Professional Developments.

■ PU has also developed well equipped library including e library whereby various latest books, ICAI's publications are accessible to everyone. It has subscribed to the BCA as well as other websites like Taxman etc

■ It has also subscribed to various 'E Programs' so that all this publications or materials and can be viewed by staff members from anywhere. PU encourages its staff to do research under guidance of Senior Partners and thereby assuring its quality control.

## 2 ETHICAL REQUIREMENTS (INCLUDING INDEPENDENCE)

2a What internal processes has the PU established to ensure that its partners and professionals adhere to the ethical requirements contained in the Code of Ethics issued by the ICAI?

■ The PU follows the below given process for complying with the Code of Ethics:

■ Before accepting the assignment of Level I enterprises the partner in charge is following a process of reviewing the policy of integrity, objectivity and independence adopted by PU.

■ The partner in charge verifies whether he / PU are not disqualified from accepting the assignment.

■ Before commencement of assurance engagement, PU also ensures that its policy on integrity, objectivity and Independence is communicated and Memorandum of Independency test is adhered to by Partner and Professionals deputed for assignment.

■ Further the PU adheres to all the principles with regards to integrity, objectivity, independence, professional competence, confidentiality & due care etc as prescribed by the Institute of Chartered Accountants of India.

2b ■ If the PU has any website, whether the same is in conformity with institute's guidelines/ directions issued on posting of particulars on website by Practice Unit(s). If yes, provide the web address.

■ No. The PU doesn't have its own website.

**2c What steps has the PU taken to ensure that its partners and professionals comply with:**

**Integrity**

■ Refer Point Nos 1, 2 & 3 policy on Integrity , Objectivity and Independence and also Memorandum of Independence Test.

**Objectivity**

■ Refer Point Nos. 1 and 2 of the policy.

**Professional competence and due care**

■ The updates in law and accounting standards are regularly shared among the partners and seniors. PU also organises weekly group discussion wherein Accounting Standards, Auditing Assurance standards are discussed. Further the partners / professional staff are made aware of the CPE seminars on recent developments and they are encouraged to attend the seminars.

**In case of assignments which are not regular like bank branch audit, insurance companies etc the partner incharge ensures that juniors enrolls for the seminars if any conducted on the subject by any professional organisation and also refers the laws applicable, and any publication issued by the ICAI on the subject before commencing the assignment.**

### **Confidentiality**

**Refer Point Nos. 4 of the policy.**

**Professional behaviour in the client service work that they do?**

**Partners regularly brief the team in charge of the professional assignments about the client's nature of business, how to main the records, to deal with queries and important issues that need to be looked into. The team is required to prepare Audit Program, formally issue queries and needs to maintain audit file in a structured form.**

■ The team's approach needs to be work related, at the same time they need to be humble and polite. Team is always encouraged to make formal documentation or correspondence. Please refer to point No 1, 2, 5, and 6 of the Policy.

2d Has the PU set up policies and procedures to ensure that the PU and its partners and professionals are and remain independent at all times? How did the PU communicate its independence requirements to those who may be subject to them.

■ Yes, the managing partner, before accepting the assignment of an entity, reviews the policy of integrity, objectivity and independence adopted by the PU while discharging the duties of assurance service. As mentioned above before commencement of assurance engagement, PU also ensures that its policy on integrity, objectivity and Independence is communicated and Memorandum of Independency test is adhered to by Partner and Professionals deputed for assignment.

**2e What policies, processes and safeguards has the PU established to mitigate the following threats to its independence?**

**Self-interest threat**

■ The PU implements the policy of not accepting an engagement where there is vested interest of any of the partners or professional employees.

■ It also ensures that the audit team does not comprise of any staff having vested interest with the client. It ensures that partner and staff deputed for the assignment signs the Memorandum of Independence.

**Self-review threat**

■ The PU ensures that it does not accept any engagement wherein the partner or any professional staff was a director or officer of the client.

3rd Quarter 2001 3rd Quarter 2000 3rd Quarter 2001 Nine Months 2001 Nine Months 2000  
Revenues 543,541 559,138 550,789 1,152,499 1,183,705\*  
Expenses 43,018 45,256 45,914 117,111 116,275\*  
After-Tax Profit/ Loss 405,256 516,882 497,111 1,035,388 1,067,430\*  
After-Tax Annualized Return on Capital 1.1% 7.3% 5.0% 4.5% 11.4%  
Assets\*\* 2,680,452 2,342,225 2,562,618 2,680,452\* 2,342,225  
Capital & Subordinated Debt 150,319\* 139,721 146,179 150,319\* 139,721  
Commission Revenues 8,042 7,415 4,668 20,215 25,868\*  
Number of Profitable Firms 154 210 171 178 242  
Number of Unprofitable Firms 152 210 171 178 242  
Aggregate Pre-Tax Earnings of Profitable Firms 2,807 4,300 3,462 10,970 18,470  
Number of Unprofitable Firms 152 210 171 178 242  
Aggregate Pre-Tax Earnings of Unprofitable Firms 62 34 42 62 34 42  
3rd Quarter 2001 3rd Quarter 2000 3rd Quarter 2001 3rd Quarter 2000 3rd Quarter 2001 3rd Quarter 2000  
Revenues 543,541 559,138 550,789 1,152,499 1,183,705\*  
Expenses 43,018 45,256 45,914 117,111 116,275\*  
After-Tax Profit/ Loss 405,256 516,882 497,111 1,035,388 1,067,430\*  
After-Tax Annualized Return on Capital 1.1% 7.3% 5.0% 4.5% 11.4%  
Assets\*\* 2,680,452 2,342,225 2,562,618 2,680,452\* 2,342,225  
Capital & Subordinated Debt 150,319\* 139,721 146,179 150,319\* 139,721  
Commission Revenues 8,042 7,415 4,668 20,215 25,868\*  
Number of Profitable Firms 154 210 171 178 242  
Number of Unprofitable Firms 152 210 171 178 242  
Aggregate Pre-Tax Earnings of Profitable Firms 2,807 4,300 3,462 10,970 18,470  
Number of Unprofitable Firms 152 210 171 178 242  
Aggregate Pre-Tax Earnings of Unprofitable Firms 62 34 42 62 34 42

■ Before commencement of the engagement it is ensured that none of the partners or professional staff is / was connected as a director or officer of the client. PU ensures that in case of assurance engagements the work of the Audit team and Partner In charge is subject to review of senior partner. The PU follows a process of 'Internal Control' whereby the work of each of the junior is independently reviewed by the Senior concerned. During the process guidance of the Managing Partner and / or opinion of the expert as & when required is sought.

#### Advocacy threat

■ No engagement is accepted where any partner or professional staff has vested interest in the client. PU ensures that Partners and Professional staff remains Independent, Indifferent and Impartial.

#### Familiarity threat

■ As stated above that no engagement work is under taken where the partner or professional staff is / was connected as a director or officer of the client .



■ Even in case of familiarity with the client, independence is not compromised. PU also ensures that none of the close relative of the audit team is Director of the client. Also refer to point No. 5 & 6 of the policy.

### Intimidation threat

■ Before finalisation, junior partner carries out scrutiny of Accounts. Partner incharge reviews the Audit programs, check list, queries raised at every level, its reply and internal control questionnaire. There is no bias as regards the quality of services to be delivered irrespective of the fees to be received, threat of replacement over disagreements over applicability of accounting principles etc.

■ Further the PU has not faced such situations.

2f What policies, processes and safeguards has the PU established with regard to threats to its independence that could arise because of the following?

■ Financial interests of its partners and professionals in audit clients, their owners and officials

■ There is a policy not to accept engagement, where there is financial interest of any partners or professionals in the said entity.

■ Employment relationships in audit clients, their owners and officials

■ There is a policy that an audit should not be allotted to the professional staff or the audit team will not comprise of any member whose relative is a member, director or officer of the client.

■ Business relationships with audit clients, their owners and officials

■ Refer Point 3 of the Policy

■ Long association with the clients, their owners and officials.

■ No policy is established regarding long association with clients. However due care is taken that there is no threat to independence.

**Acceptance of gifts and hospitality from clients, their owners and officials**

■ There is a policy that the partners and other staffs are not allowed to take the gifts form the clients other than the occasion of any festival.

**Where fees from a client/ group of related entities from all services provided by the PU are a significant proportion of the total earnings of the PU**

■ The PU does not have any client / group of related entities wherein the fees of the entity / group contribute significant part of the total earning of the PU

**Scope of services that may involve perceived conflicts of interest provided to a client/ group of related entities by the PU**

■ No perceived conflicts of interest is involved.

**2g Has the PU, in the past, withdrawn from an engagement if effective safeguards to reduce threats to independence to an acceptable level could not be applied?**

- There has been no instances where there were threats to independence, thus it has not withdrawn from an engagement for that reason.

**2h Has the PU obtained written confirmations from its partners and professionals of compliance with its policies and procedures on independence?**

- Yes the PU obtained written confirmations from its partners and professionals of compliance with its policies and procedures on independence. The same is attached herewith.

**2i How does the PU confirm independence of another Firm that performs part of its engagement?**

- There were no such engagements where any other firm has performed part of the engagement.

**2j Are the number of Tax Audit assignments performed by the PU in a financial year, more than the specified number, as per ICAI Notification? (If yes, specify reasons)**

■ **No, it is ensured that the number of Tax Audit assignments performed by the PU in a financial year, are not more than the specified number, as per ICAI Notification.**

**2k Has the PU accepted appointment as auditor of an entity where the audit fee of another auditor for carrying out audit under Companies Act, or various other Statutes has not been paid (except in the case of a sick unit)? (If yes, specify reasons)**

■ **No, the PU has not accepted appointment as auditor of an entity where the audit fee of another auditor for carrying out audit under Companies Act, or various other Statutes has not been paid (except in the case of a sick unit).**

**2l "Are the number of audit assignments held by the PU, at any time, more than the specified number of audit assignments under the prevailing Companies Act and/or the limit prescribed by the ICAI? (If yes, specify reasons)"**

**■ No, the number of audit assignments held by the PU, at any time, are not more than the specified number of audit assignments of Companies u/s 141(3)(g) of the Companies Act, 2013 and/or the limit prescribed by the ICAI.**

**2m Has the PU accepted appointment as Statutory Auditor of PSU(s)/Government Company(ies)/Listed company(ies) and other Public Company(ies) having turnover of more than Rs. 50 crores or more in a year and accepted other work or assignment or service in regard to the same entity(ies) on a remuneration which in total exceeds the fee payable for carrying out statutory audit of the same entity? (If yes, specify reasons)**

■ No, the PU has not accepted appointment as Statutory Auditor of PSU(s)/Government Company(ies)/Listed company(ies) and other Public Company(ies) having turnover of more than Rs. 50 crores or more in a year and accepted other work or assignment or service in regard to the same entity(ies) on a remuneration which in total exceeds the fee payable for carrying out statutory audit of the same entity.

2n Report Has the PU accepted appointment as an auditor of a concern while he is indebted to the concern or has given any guarantee or provide any security in connection with the indebtedness of any third person to the concern, for the limits fixed in the statute and in other cases for amount not exceeding Rs 10000? (If yes, specify reasons)

■ No, the PU has not accepted appointment as an auditor of a concern while he is indebted to the concern or has given any guarantee or provide any security in connection with the indebtedness of any third person to the concern, for the limits fixed in the statute and in other cases for amount not exceeding Rs 10000.

**2o Has the PU at any point of time received fees from a client below the minimum scale of fees recommended for audit assignments by the ICAI? (If yes, specify reasons)**

**■ We follow the guidelines issued by the ICAI for scale of fees prescribed by the institute for the assurance services rendered by the PU.**

**2p Has the PU, being Statutory auditor of a client rendered any services to the same client, as mentioned in section 144 of Companies Act 2013 (if yes, specify reason)**

**■ No, the PU has not done internal audit/ prepared books of accounts/ created original vouchers or other evidence of transactions for a client for which it also does statutory audit.**

**2q Has the PU, as incoming auditor for an entity, followed the direction given by the ICAI not to accept an appointment as auditor in the case of unjustified removal of earlier auditor? (If no, specify reasons)**



■ No such audit is accepted by the PU.

2r Does the PU or a Network, as a good and healthy practice, make a disclosure of the payment received by it for other services through the medium of a different firm or firms in which the said PU or Network or its partners may have an ownership interest? (If no, specify reasons)

■ No such payments are received, therefore question of disclosure does not arise.

2s Does the PU take care to ensure that the aggregate professional fees received from one or more clients by it, its partners, or other firms in which they are partners does not exceed 40% of the gross annual fees of the PU, its partners, or other firms in which they are partners? (refer guidance note for independence)

■ There are no client / group of client where the professional fees exceeds 40% of the gross annual fees of the PU.

### **3 ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS**

**3a When accepting or deciding to continue a client relationship, what processes does the PU have to:**

**Evaluate the integrity of the entity and its people**

■ **Refer Point 1 & 2 of the Policy**

**Determine whether it has the competencies and resources to undertake the engagements**

■ **Engagement are accepted based on the eligibility criteria and the competencies of the partners and professional staff to complete the same.**

**Comply with the ethical requirements (including independence)**

■ **Refer point no 1 to 6 of the policy**

**3b How does the PU obtain an understanding with its clients regarding the services to be performed?**

- PU ensures that letter of engagement stating all terms and conditions is signed by the client to better understanding of services to be performed.

**3c What processes does the PU have for withdrawal from an engagement and/or from a client relationship if required?**

- There has been no instance of withdrawal from an engagement of a client.
- However as & when it arises then the client would be intimated along with the reason for withdrawal.

**3d How does the PU document details of issues and decisions taken relating to acceptance and continuance of client relationships and specific engagements?**

- This is documented in form of appointment letter resolution of appointment (if any) and engagement letter.

- Further the PU issues the Acceptance Letter to client for accepting any assignment.

## 4 HUMAN RESOURCES

4a What steps has the PU taken to ensure that personnel it hires have the desired capability, competence and commitment to ethical principles?

- At the time of appointment the PU conducts personal interview to ensure that they are capable of performing engagement in accordance with Professional standards and regulatory and legal requirements.

■ Candidates are evaluated based on the following competencies:

- Technical skills and knowledge

- Intellectual competencies

- Leadership skills

- Team/personal skills

- Motivation

- Communication skills

■ At the time of appointment it is communicated to the personnel that they should be committed to the ethical principles, and keep the integrity of the firm above all.

4b What process does the PU follow for determining the appropriateness of an engagement team?

■ Engagement team is decided based on the suitability of the personnel to perform the engagement to get the desired quality work within the time frame.

4c What are the considerations for assigning responsibility for an engagement to a particular partner?

■ The professional competence of the partner / professional staff sincerity, motivation, leadership skills and dedication of the concerned personnel / partner towards the work.

4d What steps has the PU taken to ensure that its personnel participate in general and industry specific CPE and Development activities that enable them to accomplish assigned responsibilities?

■ The PU conducts inhouse training programme for its personnel where any development in the field of accounting / auditing / taxation are discussed and share by the partner and other staff members. Also see that its personnel attended seminar organised by the ICAI or other recognised bodies.

4e How does the PU ensure that personnel selected for advancement have the qualifications to fulfil the responsibilities they will be called upon to assume?

■ Prior to the hiring activity a personal interview is conducted of each aspirant. Their progress is monitored, tracked and reviewed periodically. Based on these reviews, Professional competency , sincerity and dedication of the personnel are noted and are used as the key factors for their selection for advancement and assumption of further responsibilities.

## 5 ENGAGEMENT PERFORMANCE

**5a How does the PU ensure that the planning process it undertakes for engagements meets professional, regulatory and the PU's own requirements?**

■ **At planning process of any assurance engagement it ensures that audit program is made out, job responsibilities and extent of checking to be carried out are defined, various check list, internal control questionnaire needs to be followed and understanding the business of the client by the Team. As & when required visit to the plants /sites are organised for the staff to understand the processes to enable them to do an effective audit.**

**5b How is it ensured that the PU's engagements are performed, supervised, documented, reported and communicated in accordance with the requirements of professional standards, applicable regulators and those of the PU itself?**

■ Partner incharge reviews the Audit programs, check list, queries raised, before he /she starts with finalisation process. Partner ensures engagement file in structured manner is put up for review. Once Accounts are finalised the same are subject to review by the senior partner.

5c How is it ensured that qualified team members review work performed by other team members on a timely basis?

■ In order to ensure timely completion of the engagement as per the audit plan the junior partner gives the deadlines to the staff and article assistants then reviews it periodically and the Senior partner takes the feedback and review the work of the junior partner .

5d What process exists to ensure that engagement teams complete the assembly of final engagement files on a timely basis?



■ **Partner incharge reviews the Audit programs, check list, queries raised at every level , its reply and internal control questionnaire then starts with finalisation process. Partner ensures engagement file in structured manner is put up for review. Once Accounts are finalised the same are subject to review by the senior partner.**

**5e How does the PU maintain confidentiality, safe custody, integrity accessibility and retrievability of engagement documentation?**

■ **There is a system of having the index of all the files and Separate files for different types of engagement for separate clients are maintained in custody under the supervision of head of filing in charge and/or the managing partner. No unauthorised person is allowed to access the files without his permission or permission of the partner.**

**5f How is it ensured that the PU retains engagement documentation for a period of time sufficient to meet the**

needs of the Firm, professional standards, laws and regulations?

■ PU maintains required engagements documentations for a period of time sufficient to meet the needs of the Firm, professional standards, laws and regulations. All the files are weeded out periodically after the approval of the Managing Partner, beyond a period of seven year. However the financial statements duly signed are not weeded out even after seven years.

5g What policies and procedures does the PU have to ensure that proper consultation takes place within the PU for difficult or contentious matters?

■ For any difficult or contentious matter the same is discussed with the senior partner or also with the managing partner as the case may be and expert opinion is sought wherever required.

5h a) How does the PU deal with and resolve differences of opinion, within the engagement team, or with

**those who are consulted or between engagement partner and quality control reviewer ?**

**b) How the conclusions reached are documented and implemented?**

**c) Does the firm release the Report until the matter is resolved?**

■ **In case of difference of opinion in a matter, reference can be made to experts or to related literature/ Publications or judgements**

■ **The conclusions are documented in a sequence of events and the reports or notes of experts are also kept in file as well as in soft copy for future reference**

■ **No report is released until the matter is resolved.**

**5i a) Does the PU have criteria for determining whether an engagement quality control review should be performed for given engagements?**

**b) How is it ensured/ monitored that reports of engagements for which a engagement quality assurance review is required are not released before completion of the review?**

■ **Yes**

■ **No engagement reports are released before the same is reviewed by the senior partner.**

**5j What are the PU's procedures for addressing the nature, timing, extent and documentation of engagement quality assurance reviews?**

■ **Work is allocated to staff depending on their competence and experience to complete the engagement within the desired time frame. The engagement is planned before its commencement and the selection of a staff for a particular job/work is discussed between the partners and joint decision is taken for allocation of work.**

**5k What are the PU's established criteria for eligibility of engagement quality assurance reviewers?**

■ The PU criteria are as under:

■ He should be the Managing Partner or the senior partner.

■ Quality assurance reviewer should have 10 years of experience.

■ He should have sufficient technical expertise and experience.

■ He carries out the responsibilities with objectivity and due professional care.

## 6 MONITORING

6a How has the PU assigned responsibility for the monitoring process?

■ The engagement team is decided on the capability of the personnel to perform the engagement to get the desired quality work within the desired time frame. The Junior partner incharge gives the deadlines for the time frame and the work to be completed to the staff and reviews it

periodically The partner in charge of the team monitors the work and the senior partner reviews the same.

**6b** How does the PU perform monitoring procedures in the light of adherence to professional standards, regulatory and legal requirement, appropriate designing and implementation of quality control system etc.?

Staff work is monitored by the senior in charge which is reviewed by the junior partner in charge of the audit. The same is reviewed by the senior partner before finalisation

**6c** How and how frequently does the PU Communicate the deficiencies noted and recommendations for remedial action to concerned engagement personnel and to other firm personnel?

During the course of engagement if any deficiencies are noted the necessary remedial action are immediately discussed with the concern personal. If the same is

■ assigned to any other person of the PU, the concerned person is briefed in detail by the outgoing member and by the partner-in-charge about it.

**6d How does the PU deal with the issue of complaints and allegations?**

■ Any complaints or allegations of the client are resolved on the spot by way of discussion of the same with the client immediately.

**6e a) What documentation does the PU prepare in evidence of the monitoring operation of each element of its quality control system?**

■ The PU has a system that all the work done by the audit team is documented by way of audit program, audit working papers, queries, check list replies from client etc (either in Hard and / or soft copy).

**b) For how long does the Practice Unit retains monitoring documentation?**

- Permanent working papers are retained permanently and current working papers are retained for a minimum of 7 years or till after litigation (if any) is over.

**6f Has the PU been subjected to a Peer Review in the past? - if so, give details and attach certificate.**

- Yes, the PU has been subject to peer review for the period April 1, 2010 to March 31, 2013. Copy of the certificate is attached.



# REVIEW PROCEDURE AND REPORTING BY PEER REVIEWERS

Thank You

■ Email Id : [akpradhan@cvk-ca.com](mailto:akpradhan@cvk-ca.com)

■ Phones : 022-24468717; 2446 6139; 2445 1488.

*Presented By*

*Ashok Kumar Pradhan*