

# Peer Review - Mandates & Procedure

By

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## ASSURANCE SERVICES

- The entire Peer Review process is directed at the assurance services which may used interchangeably as audit services, attestation function or audit functions of a practice unit
- Assurance services which shall be subjected to peer review means assurance engagements as defined in the Framework For Assurance Engagements issued by the Institute of Chartered Accountants of India and as may be amended from time to time, means an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria **but does not include**
  - I. Management consultancy engagements;
  - II. Representation various Authorities;
  - III. Engagements to prepare tax returns or advising clients in taxation matters;
  - IV. Engagements for the compilation of financial statements;
  - V. Engagements solely to assist the client in preparing, compiling or collating information other than financial statements;
  - VI. Testifying as an expert witness;
  - VII. Providing expert opinion on points of principle, such as Accounting Standards or the applicability of certain laws, on the basis of facts provided by the client; and
  - VIII. Engagement for Due diligence- IX. Any other service rendered or function performed by practitioner not prescribed by the Council to be 'Assurance Engagement

## **Mechanism for Review of Quality Control**

### **Peer Review Board**

- ✓ To review the systems and procedures put in place for ensuring quality of Assurance services by the members of Institute (Practicing Unit)

## Peer Review - Applicability

**Peer Review Mandate (Revised), operative from April 1, 2022 has been made in following four Phases :**

### ✓ Phase 1

Category of firms covered for Mandatory Peer Review	Date from which Peer Review is Mandatory
Practice Units which propose to undertake ✓ Statutory Audit of enterprises whose equity or debt securities are listed in India or abroad as defined under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:	1st April 2022

## Peer Review - Applicability

### ✓ Phase II

Category of firms covered for Mandatory Peer Review	Date from which Peer Review is Mandatory
<p>Practice Units Thich propose to undertake</p> <p>1. Statutory Audit of unlisted public companies</p> <ul style="list-style-type: none"><li>✓ having paid-up capital <math>\geq</math> 500 Crore or</li><li>✓ having annual turnover <math>\geq</math> 1000 Crores or</li><li>✓ having, in aggregate, outstanding loans, debentures and deposits of <math>\geq</math> 500 Crore as on the 31st March of immediately preceding financial year:</li></ul> <p>OR</p> <p>2. Practice Units rendering attestation services and having 5 or more Partners</p>	1st July 2024

## Peer Review - Applicability

### ✓ Phase III

Category of firms covered for Mandatory Peer Review	Date from which Peer Review is Mandatory
<p>1. Practice Units which propose to undertake the Statutory Audit of entities which have raised funds from public or banks or financial institutions of over 50 Crores rupees during the period under review or of anybody corporate including Trusts which are covered under public interest entities-</p> <p>OR</p> <p>2. Practice Units rendering attestation services and having 4 or more Partners</p>	<p>1st April 2024</p> <p>↓</p> <p>Extended to 1st July 2025</p>

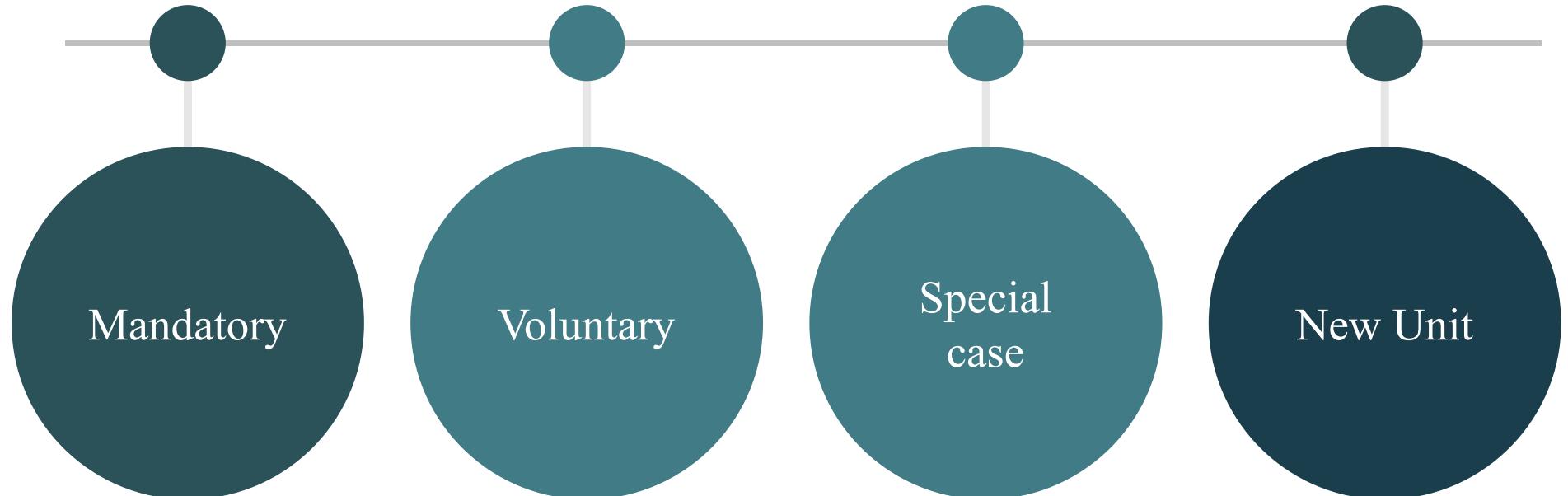
## Peer Review - Applicability

### ✓ Phase IV

Category of firms covered for Mandatory Peer Review	Date from which Peer Review is Mandatory
<p>1. Practice Units which propose to undertake audits of branches of Public Sector banks.</p> <p>OR</p> <p>2. Practice Units rendering attestation services and having 3 or more partners.</p>	<p>1st April 2025</p> <p>↓</p> <p>Extended to 1st January 2026</p>

## **Criteria of Peer Review**

The Criteria of Peer Review are as follows:



**i. Mandatory**

- ✓ Peer Review can be mandated for such Practice Units as may be decided by the Council  
(Discussed under Applicability)

**ii. Voluntary**

- ✓ Any Practice Unit may, suo motu, apply to the Board for Peer Review

**iii. Special case**

- ✓ The Board, based on specific information received from Secretary, ICAI or Disciplinary directorate or any other Regulator,
- ✓ which in the opinion of the Board requires a special Peer Review of the Practice Unit,
- ✓ may conduct a special Peer Review of the Practice Unit for such a period determined by the Board.

#### **iv. New Unit**

A Practice Unit whose

- ✓ Date of establishment is less than twelve months immediately preceding the date of receipt of application of Peer Review

or

- ✓ A Practice Unit in existence for a period exceeding twelve months but not rendering any assurance services may also apply for Peer Review.

#### **v. Prescribed criteria**

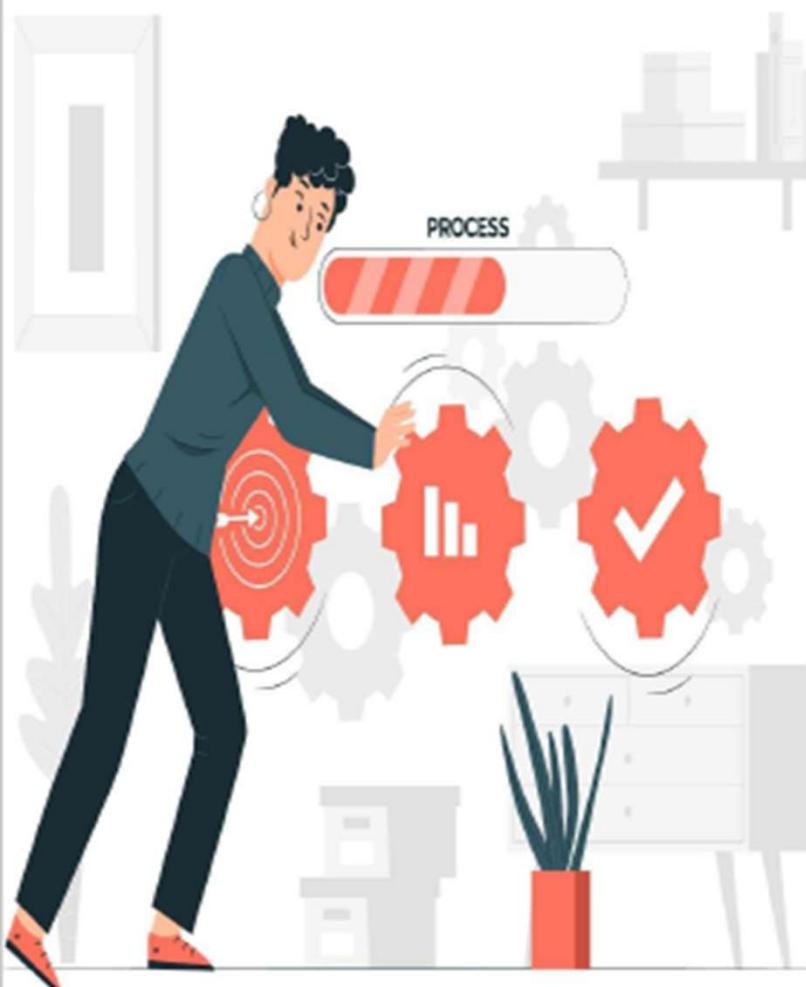
- ✓ The Board may prescribe any other criteria of selection of Practice Unit for Peer Review as it may deem fit...

## **PEER REVIEW - Period**

### **Peer Review Period**

- ✓ Means 3 financial years preceding the year in which the Practice Unit is selected or
- ✓ such other period or any period as may be prescribed by the Peer Review Board for conducting a Peer Review in a specific case.

## Peer Review - Process Flow



Stage 1 -  
Planning

Stage 2 -  
Execution

Stage 3 -  
Reporting

## **Stage 1 - Planning**

1. PU shall make an Application cum Questionnaire - Form I to the Board



2. The Board selects a panel of 3 reviewers.



3. The Board sends the panel of 3 Reviewers to PU, along with Notification of Peer Review fees.

## **Stage 1 - Planning**

4. PU selects and informs the name of the **Reviewer**



5. The Board seeks acceptance from the **Reviewers** for undertaking the Peer Review of the PU.



6. A completed questionnaire enclosing a **complete list of assurance services** clients is sent to the selected **Reviewer**

## **Stage 1 - Planning**

7. PU to provide any other information which the Reviewer may seek



8. An initial sample is selected by the Reviewer, representative of PU's client portfolio



9. PU will be notified of the selection of initial sample



## **Stage 2 — Execution Begins**

## **Stage 2 – Execution**

1. Fixation of date of initial meeting



2. Initial Meeting between PU and Reviewer



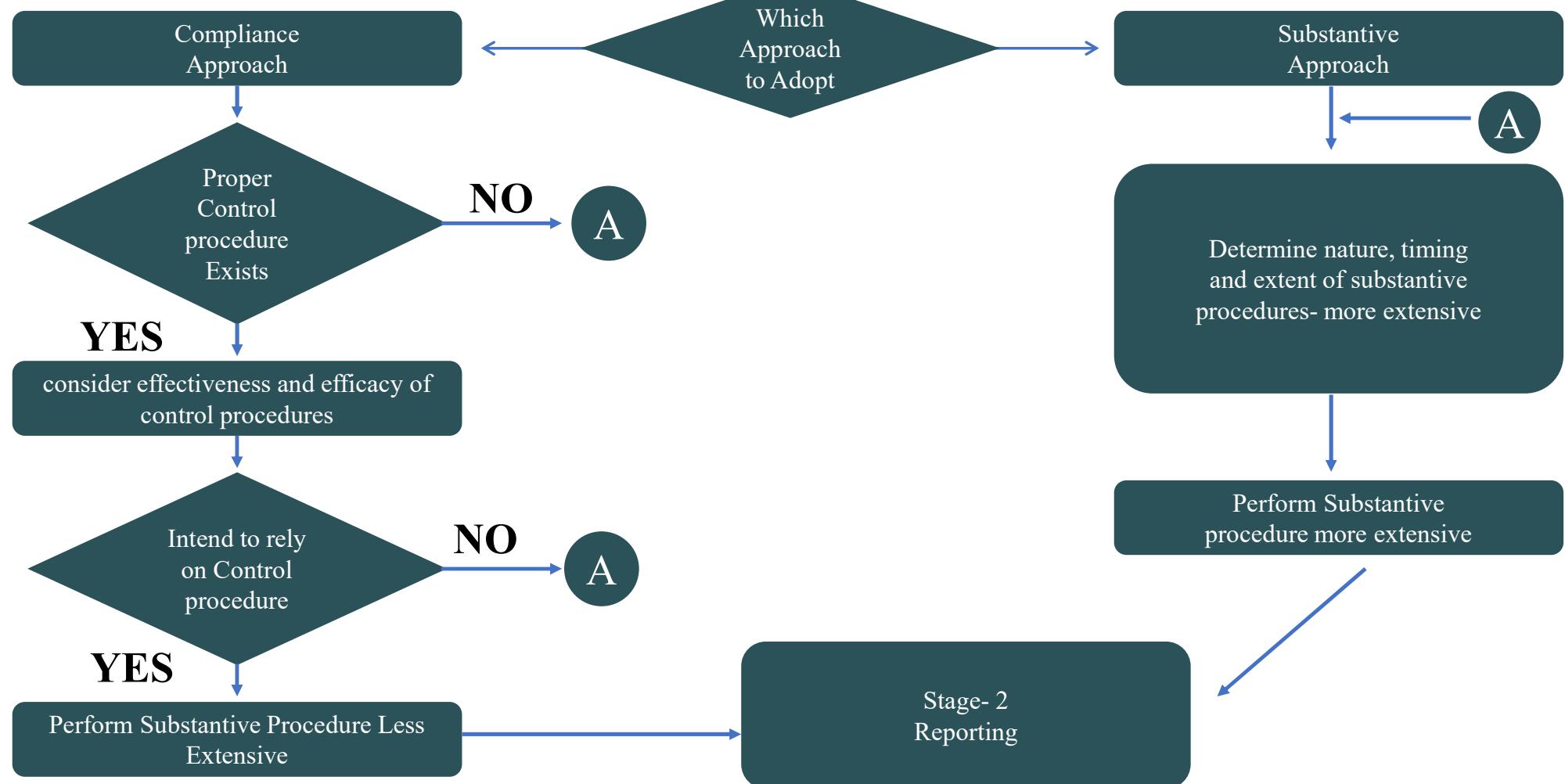
3. Compliance review of general controls

(five key controls independence, maintenance of professional skills & standards, outside consultation, staff supervision & development and office administration)

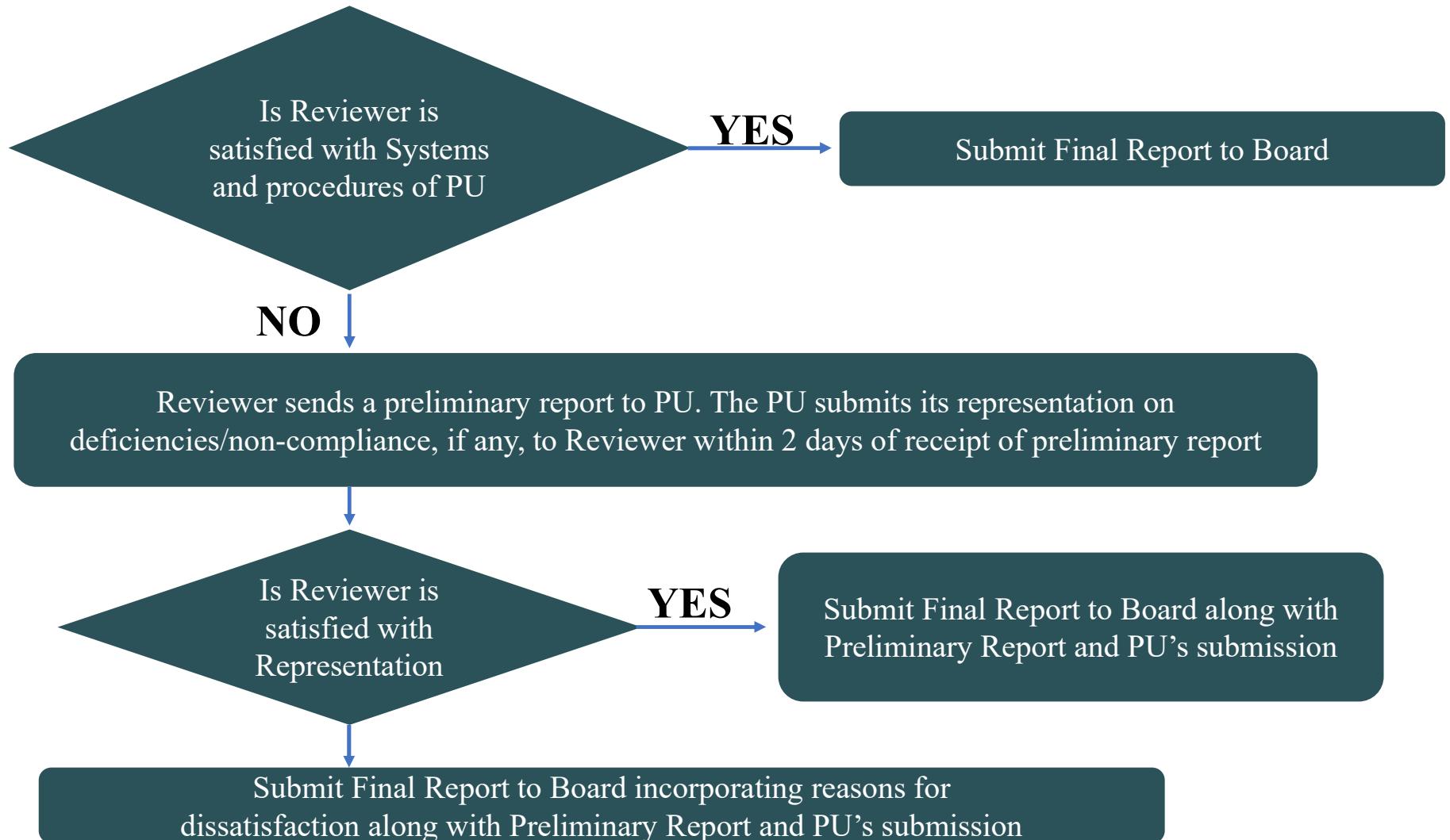


**4. Review of Records**

## 4. Review of Records



## Stage 3 - Reporting



## Peer Review — Forms

Forms	Form Name
FORM 1	Application Cum Questionnaire To be submitted by Practice Unit
FORM 2	Acceptance cum Declaration of Confidentiality To be submitted by Peer Reviewer
FORM 3	Application cum Declaration form for empanelment as a peer reviewer To be submitted by Peer Reviewer
FORM 4	Declaration Form To be submitted by Board members and Secretariat



## Peer Review — Forms



Forms	Form Name
FORM 5	Notice by Peer Reviewer for visiting office of the Practice Unit To be submitted by Peer Reviewer
FORM 6	Format for seeking additional information from the PU by the Reviewer To be submitted by Peer Reviewer
FORM 7	Joint intimation to be made by PU and RE for extension of time for completion of Peer Review process To be submitted by Peer Reviewer and Practice unit jointly

## Peer Review — Forms



Forms	Form Name
FORM 8	Form for seeking extension to the validity of Peer Review Certificate To be submitted by PU to the Board
FORM 9	Letter for submission of report by the Peer Reviewer to the Peer Review Board To be submitted by Peer Reviewer
FORM 10	Notice to be given to the Practice Unit by the Board in case of revocation of Peer Review Certificate Issued by Board to PU



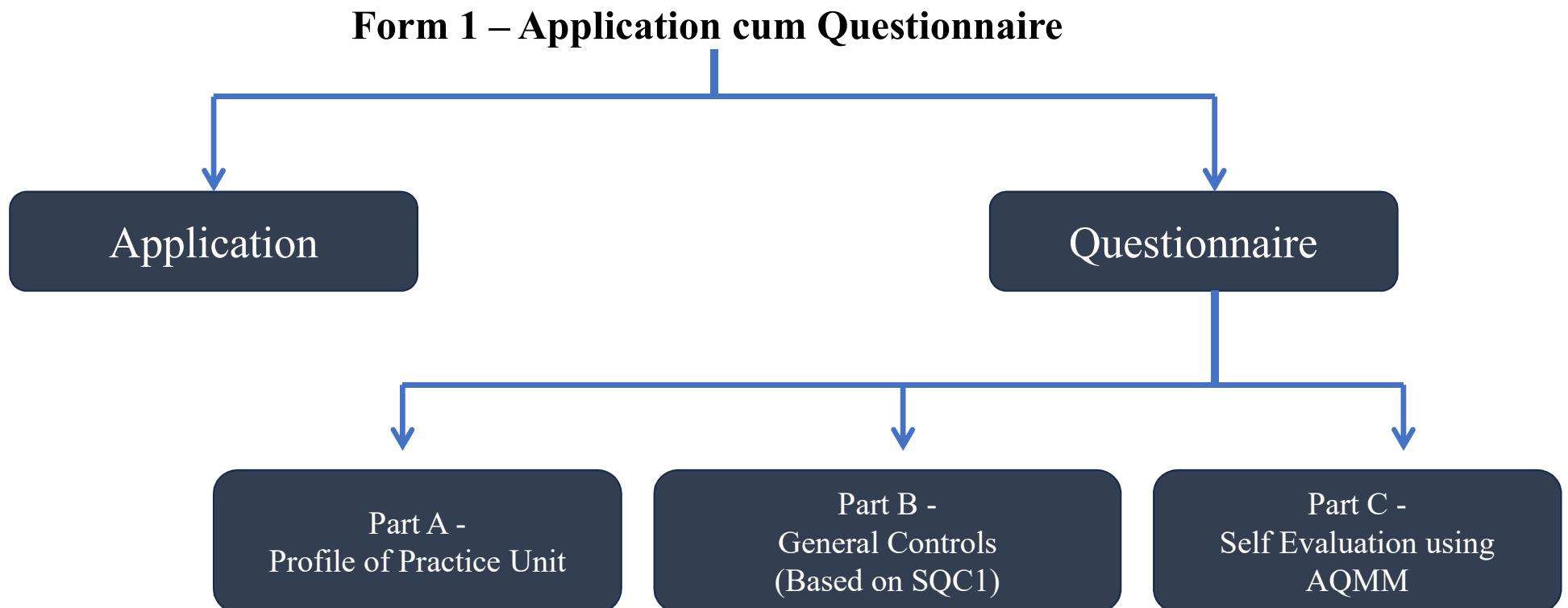
## Peer Review - Fees

The Board has notified the minimum recommended fees for all Practice Units as under:

- 1 Practice Units where the period of Review is 3 years:
- 2 Practice Units where the period of Review is less than 3 years:
- 3 Peer Review of branch of the Practice Unit and to the Peer Reviewer of the HO issuing a consolidated Peer Review report
- 4 Additional Fee for AQMM Review

## **Form 1 – Application cum Questionnaire**

- It is the Initial Step of Peer Review.
- Form 1 can be sub divided in to Following Categories



***Standard on Quality Control (SQC) 1***

Quality Control for Firms that Perform Audits & Reviews of Historical Financial Information, and Other Assurance & Related Services Engagements-

# Elements of System of Quality Control

- I. Leadership responsibilities for QC
- II. Ethical requirements
- III. Client acceptance / continuance
- IV. Human resources
- V. Engagement performance
- VI. Monitoring

## I. Leadership Responsibilities for Quality Within a Firm

- Person responsible for QC at PU in developing, implementing and operating
- Whether is there QC system at PU and the method of verification
- Whether Quality Control Manual is there at PU
- Whether responsible person has got sufficient appropriate experience, ability and authority to assume responsibility
- Authorised personnel attended sufficient training and updated the knowledge to assume responsibility

## II. Ethical Requirements

Independence: The firm must establish P&P, which should enable the firm to:

- Communicate its independence requirements to its personnel and, where applicable to others;
- Evaluate the circumstances and relationships that create threats to Independence;
- Take appropriate action to eliminate those threats or reduce them to an acceptable level.
- For all these Independence matters, this SQC-I has put lot of responsibilities on the shoulders of "Engagement Partner"

## Independence (Contd.)

- Firm should obtain Annual written confirmation as to compliance with independence requirements.
- Create Policies & procedure :
  - ✓ Firm has to update its records (preferably annually) relating to independence; and also design policies to make sure that it would get notified of breaches of independence.
  - ✓ Audit of FS of listed entities — rotation of engagement partner — at least every 7 years

### III. Acceptance and Continuance of Client Relationships and Specific Engagements

Establish policies / procedures to reasonable assure that clients are accepted / continued only where :

- ✓ Client integrity has been considered.
- ✓ Firm is competent to perform engagement with respect to capability, time & resources.
- ✓ Firm can comply with ethical requirements.

## IV. Human Resources

The firm should establish to provide reasonable assurance that:

- It has sufficient personnel with the
  - Capabilities
  - Competence
  - Commitment to ethical principal
- Issues to be addressed by HR policies:
  - ✓ Recruitment
  - ✓ Performance evaluation
  - ✓ Capabilities
  - ✓ Competence
  - ✓ Career development
  - ✓ Promotion
  - ✓ Compensation
  - ✓ Estimation of personnel needs

## IV. Human Resources (Contd.)

The Capabilities & Competence are developed through:

- Professional education
- Continuing professional development, including training
- Work experience
- Coaching by senior partners of the firm.

SQC-I has also emphasis on the matter that:

*"Where internal technical training resources are unavailable, the firm may use a suitably qualified external person for that purpose. "*

## V. Engagement Performance

Establish policies / procedures to reasonable assure w.r.t.:

- ✓ Compliance with professional standards.
- ✓ Compliance with laws/ regulations.
- ✓ Engagement partner issues reports appropriate in the circumstances.

## **V. Engagement Performance (contd.)**

Important aspects of engagement performance :

- ✓ Supervision
- ✓ Review
- ✓ Consultation
- ✓ Differences of opinion
- ✓ Engagement Q. C. review
- ✓ Engagement documentation

## VI. Monitoring

The firm should establish P&P to ensure that the System of QC are :

- Relevant
- Adequate
- Operating Effectively and
- Complied with in practice by firm & its personnel.

## Documentation

The firm should establish the P&P requiring appropriate documentation to provide evidence of the operation of each element of its system of Quality Control, i.e.

- Leadership responsibilities for quality within the firm;
- Ethical Requirements
- Acceptance and continuance of client relationships
- Human Resources.
- Engagement Performance.
- Monitoring.

No one will believe you did  
something on an audit if  
there is nothing in your  
working papers file to show  
for it !!!

## Tips for Auditors on documentation / working papers

### 1. Each audit working paper file should be contain the following information



- ✓ Name of the Client
- ✓ Period covered by the audit
- ✓ Subject-matter
- ✓ File reference
- ✓ Initials of the member of the audit team who prepared it and the date on which it was prepared
- ✓ Initials of the member of the audit team who reviewed the working paper.
- ✓ Complete lead schedules
- ✓ Working papers to agree with books of accounts, financials and are cross referenced.

## Tips for Auditors on documentation / working papers

### 2. general guidelines which can be adopted



- ✓ Clarity and Understanding
- ✓ Completeness and Accuracy
- ✓ Pertinence - Limit the Information in working papers to matters that are important
- ✓ Logical Arrangement
- ✓ Legibility and Neatness
- ✓ Safety- Keep your work papers safe and retrievable
- ✓ Initial and Date- Put your initials and date on every working paper
- ✓ Summary of conclusions

## Tips for Auditors on documentation / working papers

### 3. Proper guidance to staff

- ✓ Filing/keeping of working papers
- ✓ Checklist of documents to be obtained and maintained
- ✓ Indexing of documents/ working papers
- ✓ Proper numbering/ sequencing of working papers
- ✓ Summarizing of overall findings
- ✓ Writing of queries
- ✓ Discussing with seniors on matters of importance
- ✓ Disposing of query -at staff level/ senior level/ partner level
- ✓ Importance of the working papers to be signed, dated and approved
- ✓ Importance of depicting the client's name, file number, accounting period, subject of working paper



## Important Registers and other Documents to be maintained

### ➤ Registers

- ✓ Assignment Register (Details of Assurance Engagements signed )
- ✓ UDIN Register
- ✓ Members CPE Register
- ✓ Staff Training Register
- ✓ Staff Attendance Register
- ✓ Article Attendance Register
- ✓ Articles Dairy, Stipend Register
- ✓ List of Clients





## Important Registers and other Documents to be maintained

- Documents prescribed in SQC
  - ✓ Quality Control Manual
  - ✓ Independence Confirmation from Partners, Staffs and Trainees
  - ✓ Independence Policies
  - ✓ Client/Engagement Acceptance and Continuance Form
  - ✓ Firm Quality Control Inspection Checklist
  - ✓ Joining Check List – New Employees
  - ✓ Audit Summary Memorandum etc

## Important Registers and other Documents to be maintained

### ➤ Documents required in Assurance Services

- ✓ Appointment Letter, ADT -1, NOC from Previous Auditor
- ✓ Engagement Letter
- ✓ Audit strategy
- ✓ Audit Plan
- ✓ Planned Risk Assessment procedures
- ✓ Audit Materiality
- ✓ Audit Sampling
- ✓ Accounting Standards Checklist

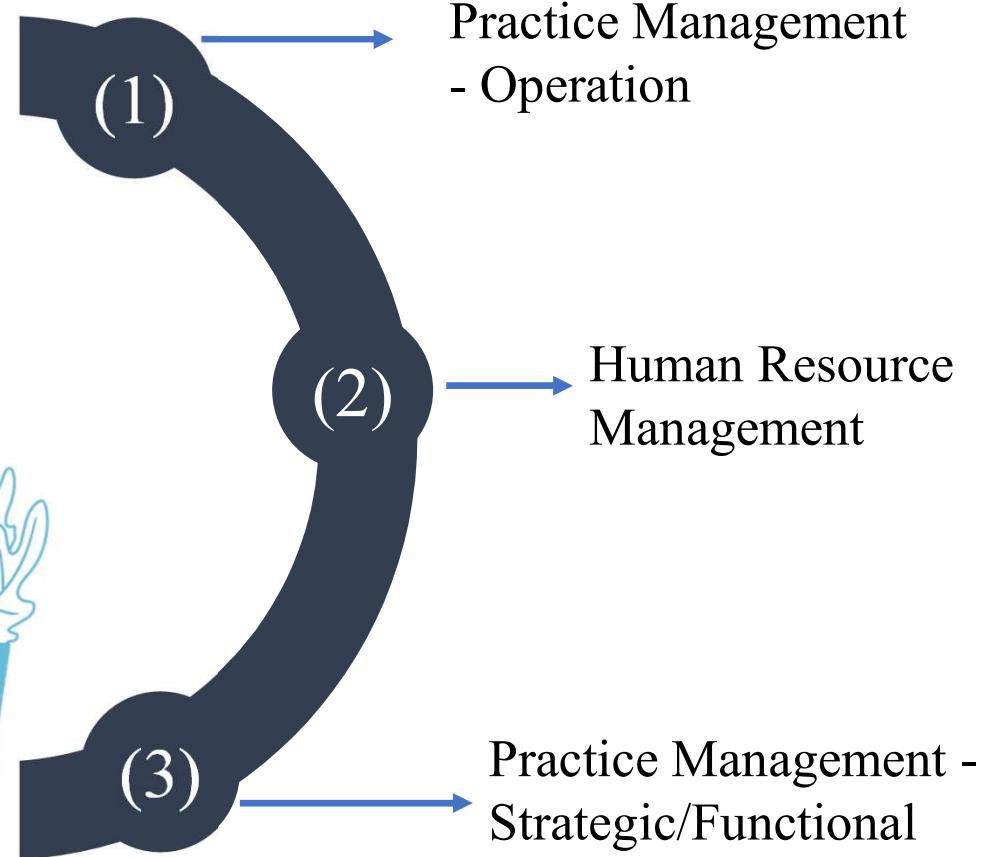




## **Important Registers and other Documents to be maintained**

- Documents required in Assurance Services
  - ✓ Auditing Standards Check List
  - ✓ CARO Checklist
  - ✓ Schedule III Check List
  - ✓ Tax Audit Check List
  - ✓ Audit Summary
  - ✓ Final Deliverable Check List etc....

✓ AQMM can be Divided into 3 sections



# ✓ AQMM Scores

Section	Score
Practice Management – Operation	280
Human Resource Management	240
Practice Management – Strategic /Functional	80
Total	600

## ✓ Levels of the firm under AQMM

Level	Criteria
Level 1 – Lowest Level	The score less than or Equal to 25% in any of the section
Level 2 – Basic Level	The score more than 25% in each sections and less than or Equal to 50 % in any of the section
Level 3 - Advanced Level (Substantial Progress)	The score more than 50% in each sections and less than or Equal to 75 % in any of the section
Level 4 – Highest Level (Significant adoption of Standards and Procedure)	The score more than 75% in each of the section

# Questions



# Thank You

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