

Handbook on Advisories

Revised 2020



Peer Review Board
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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Foreword

In its pursuit to proactively upgrade and maintain audit and assurance quality standards, the Council of the Institute of Chartered Accountants of India (ICAI) took a suo moto initiative of establishing the Peer Review Board in March 2002. The Planned efforts of the Board coupled with effective performance of peer reviewers not only inspired the Practice units to continually improve the quality of service that they render to the society at large, but it has also attracted the attention of and received recognition from various regulatory authorities such as The Securities & Exchange Board of India and Comptroller and Auditor General of India.

Nelson Mandela, an anti-apartheid revolutionary and former President of South Africa worded education and its significance that hold true even decades later after they were said. According to him ***'Education is the most powerful weapon which you can use to change the world.'*** We at ICAI make all possible efforts to ensure that our members and students at all times are kept updated on various professional matters of contemporary relevance. Recently the Board has revised its Statement on Peer Review as well as the Peer Review Manual to incorporate changes which have been approved by Council in recent past. Further, the Board has also revised the various reporting formats of the Reviewers as well as the Practice Unit. In view of the revised reporting formats and advisories for Reviewers and Practice units, the Peer Review Board of ICAI is bringing out the revised Handbook on Peer Review to update the Reviewers as well as the Practice Units with the latest changes. The objective of the Handbook is to provide clarity to the Practice Units and the Reviewers regarding the Peer Review Process and the various compliances to be fulfilled by them.

My sincere appreciation for the efforts put in by CA. Dayaniwas Sharma, Chairman, CA. Satish Kumar Gupta, Vice Chairman and members of the Peer Review Board of ICAI for revising this informative Publication for the benefit of members and other stakeholders.

I am confident that the Handbook will be a useful guide to both the Practice Units as well as the Reviewers.

New Delhi
June 2020

CA. Atul Kumar Gupta
President

Preface

The ICAI is forever committed to the goal of enabling the accountancy profession in India to provide services of highest quality in the public interest and which are appreciated worldwide. For enhancing the quality of assurance services and providing guidance to members to improve their performance and adhere to various statutory and other regulatory requirements, the Peer Review Board was set up in the Year 2002.

It is important to note that peer review does not seek to redefine the scope and authority of any of the Technical, Professional and Ethical Standards but only seeks to ensure that they are implemented both in letter and spirit. The key objective of peer review is not to identify isolated cases of engagement failure, but to identify weaknesses that are pervasive and chronic in nature.

The Board has recently revised the Statement on Peer Review which has been approved by the Council. The Peer Review Manual has also been revised to provide guidance to the members on the updated Review Procedures, Peer Review Process, Qualitative Documentation and Reporting requirements. The Board has also revised this Handbook with an objective to provide guidance to the Practice Units and the Peer Reviewers about the various changes made in the Revised Statement on Peer Review which are important from their perspective like categories into which the Practice Units would be falling, eligibility of a Reviewer, concept of special case review etc. Further, an effort has been made to incorporate the recent changes made by the Board regarding the Peer Review Process, sample size, fees of Peer Review, Illustrative Time schedule, etc. in the handbook.

The Handbook is a compilation of advisories for Practice Units coming under Part A; advisories for Peer Reviewers coming under Part B and the frequently asked questions coming under Part C. The Frequently asked questions are based on the queries generally raised by the members during the Training Programmes organised by the Board for the members. The advisories for Practice Units and Reviewers have been prepared on the basis of common non-compliances observed by the Board which are made by them during the Peer Review Process. I am sure that the Handbook will address the various questions and doubts of the Reviewers as well as the Practice Unit as they will get clarification in one or the other Part of the Handbook. I personally feel that the Peer Reviews process is all about nurturing the professionals by nurturing the profession.

I take this opportunity to express my deep gratitude and sincere thanks to CA. Atul Kumar Gupta, President ICAI and CA. Nihar Niranjana Jambusaria, Vice President ICAI for being a guiding force and motivating to revise the Statement on Peer Review and this Handbook which will enable the profession to reach new heights.

I am also grateful for the unstinted support provided by Vice Chairman CA. Satish Kumar Gupta and all other members of the Peer Review Board CA. Anuj Goyal, CA. Prakash Sharma, CA. Rajesh Sharma, CA. Anil Satyanarayan Bhandari and CA. Sushil Kumar Goyal for contributing in the revision of this Handbook.

Last but not the least I appreciate the efforts made by CA. Nidhi Singh, Secretary, Peer Review Board, Dr. Nikhil Saket, Deputy Secretary, Peer Review Board and CA. Kanchan Gupta, Asst. Director, Peer Review Board for co-ordinating the project and rendering Secretarial assistance.

Hyderabad
June 2020

CA. Dayaniwas Sharma
Chairman, Peer Review Board

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BACKGROUND

The Peer Review Board of ICAI was established in 2002, recognising the need to ensure the quality of services provided by practicing Chartered Accountants.

The ICAI is committed to the goal of enabling the accountancy profession in India to provide services of highest quality in the public interest and which are appreciated worldwide. For enhancing the quality of attestation services and providing guidance to members to improve their performance and adhere to various statutory and other regulatory requirements, the Peer Review Board was set up in 2002. The Council of the Institute of Chartered Accountants of India in 2002, issued the Statement on Peer Review and set up a Peer Review Board, comprising of members of the Council, representatives from regulatory bodies and industry. Recently the Board felt a need to revamp the Peer Review mechanism and accordingly, revised the Statement on Peer Review.

Peer Review Mechanism –

The Institute, as a pro-active measure, introduced the Peer Review Mechanism, the first of its kind for any profession in India – in the year 2002 by issuing Statement on Peer Review. The Statement on Peer Review has been revised by the Board and approved by the Council at its 392nd Meeting held on 22nd April, 2020. The peer review is directed towards maintenance as well as enhancement of quality of assurance services and to provide guidance to members to improve their performance and adhere to various statutory and other regulatory requirements.

Publications of the Peer Review Board

The Board has published Peer Review Manual, for the benefit of both the reviewers and the Practice Units. As far as possible, in order that the reviewers carry out review assignment(s) as per globally accepted Standards, the Board has brought out a comprehensive Peer Review Manual providing an insight into various aspects of Peer Review process and modalities.

The level of awareness created during the last 18 years has indeed brought about an overall improvement in the quality of attest services rendered by our members.

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The publications of the Peer Review Board have also been revised from time to time for enhancing the quality of audit assurance services and provide guidance to the members to improve their performance and adhere to various statutory and other regulatory requirements.

The Statement on Peer Review was released to meet the demands of high quality assurance, consistency and greater transparency. The purpose of the Peer Review Statement is to provide a framework for planning, performing, reporting and administering the Peer Review process.

The Peer Review process is intended to Review the quality control framework of the Practice Unit as well as proper and consistent application of such control frameworks across engagement samples selected for Review.

The Statement provides the terms of reference of such Reviews and the roles and responsibilities of the parties concerned.

The implementation of the scope and authority of the Statement is to be ensured both in letter and spirit in the Peer Review process.

The Council, in adopting the Statement of Peer Review, in the year 2002, had very clearly expressed its view that reviews are for the purpose of enhancing the quality of professional work, and they have no relationship whatsoever with any disciplinary or any other regulatory mechanism. The reviews begin with the assumption that professionals work professionally and end with an enhancement of those attributes of professionalism that serve to keep the profession of Chartered Accountancy in India in the forefront of the accounting and auditing profession in the world. Keeping in mind, the same letter and spirit of the Council, the Board has recently revised the Statement on Peer Review to meet the growing global demands.

The Peer Review Board, comprising of members of the Council and representatives from Government and other bodies like the Ministry of Corporate Affairs, Comptroller and Auditor General of India (C&AG), Securities Exchange Board of India (SEBI) & Confederation of Indian Industry (CII), is moving forward in ensuring that the reviews are carried out as per the best global practices.

Recognition of the Peer Review of auditors in India

The Securities and Exchange Board of India (SEBI) vide its circular dated April 5, 2010, has made it mandatory with effect from April 1, 2010 for the listed entities, that limited review / statutory audit reports submitted to the

concerned stock exchanges shall be given only by those auditors who have subjected themselves to Peer Review process and hold a valid certificate issued by the Peer Review Board of the Institute.

The Comptroller & Auditor General of India (C&AG) has also recognized the Peer Review Board's work; as it seeks additional details from the Chartered Accountants' firms about their Peer Review status in the application form for allotment of audit for public sector undertakings. The C&AG every year makes allotment of audits to the firms which are holding a valid Peer Review certificate issued by the Peer Review Board of ICAI. Furthermore for last few years the C&AG annually seeks details from the Institute of those firms which have been issued a certificate by the Peer Review Board.

Information of Peer Review Certificates issued, are also included in the Multipurpose Empanelment Form submitted by the Practice Units to the Professional Development Committee of ICAI.

Global Scenario of Peer Review

Peer Review procedure was first started in France in the year 1930. Thereafter it has been implemented in most of the developed countries. Peer Review is considered as an independent regulatory procedure. There are separate Standards on Peer Review in various countries. Also, disciplinary action can be initiated if deficiency in services of Auditor is found as a result of Peer Review of the Practice Unit.

Present Peer Review System in India

- Peer Review Board is a part of the Institute of Chartered Accountants of India.
- Chinese Wall between Peer Review process and Disciplinary Mechanism has been removed as per the revised Statement on Peer Review (If the Board is of the opinion that the findings of the subgroup contains material deficiencies then the Board shall revoke the Peer Review Certificate and refer the matter to the Council for considering whether the same may be referred to the Disciplinary Directorate for initiating disciplinary action).
- Peer Reviewers are Individual Members of the Institute.

DEFINITIONS

Meaning of 'Peer' & 'Review'

The term "Peer" means a person of similar standing. The term "review" means a general survey or assessment of a subject or thing. Review implies re-examination or retrospective evaluation of subject matter.

Peer Review - means an examination and Review of the systems and procedures to determine whether the same have been put in place by the Practice Unit for ensuring the quality of assurance services as envisaged by the Technical, Professional and Ethical Standards and whether the same were consistently applied during the period under review. Therefore the term "Peer Review" would mean review of work done by a professional, by another professional of similar standing.

A Peer Reviewer: -

- (a) shall be a member in Practice with at least 10 years of experience in practice for Level I entities and 7 years of experience for Level II entities;
- (b) in case a member has moved from industry to practice and is currently in practice he should have at least 15 years of experience in industry and at least 5 years' experience in practice, for Level I entities and an experience of at least 10 years in industry and at least 3 years' experience in practice for Level II entities ;

(Level L I and L II Practice unit have been defined under Para 11 of the Statement on Peer Review)

- (c) should have undergone the requisite training and cleared requisite test for Peer Review as prescribed by the Board.
- (d) should have conducted audit of Level I Entities for at least 7 years or got his entity audited for at least 7 years which should be a Level I entity to be eligible for conducting Peer Review of Level I Entities as referred to in Para 11 of the Statement on Peer Review.
- (e) should furnish a declaration as prescribed by the Board, at the time of acceptance of Peer Review appointment.
- (f) should have signed the Declaration of Confidentiality as prescribed by the Board.

For being a Reviewer a member should not have: -

- (i) disciplinary action / proceedings pending against him
- (ii) been found guilty of professional or other misconduct by the Council or the Board of Discipline or the Disciplinary Committee at any time.
- (iii) been convicted by a Competent Court whether within or outside India, of an offence involving moral turpitude and punishable with imprisonment.
- (iv) he or his partners or personnel has/have any obligation or conflict of interest in the Practice Unit .

A Reviewer shall not accept any professional assignment from the Practice Unit for a period two years from the date of appointment. Further, he should not have accepted any professional assignment from the Practice Unit for a period of two years before the date of appointment as reviewer of that Practice Unit.

Further, a reviewer should:

- Have submitted the Empanelment Form and is empanelled with the Board as a trained reviewer.
- Is currently active in practice of accounting and auditing .
- Reviewer can also take assistance of a Chartered Accountant practising with him atleast for one year. Such member shall also be subject to confidentiality requirements as that of Reviewer. If assistance is taken, the name of that person shall be indicated in S.no.4 of the Annexure -I to be attached to the Report.
- Reviewer has to undergo training at least once in a span of 5 years.
- Refresher courses for the trained Peer Reviewers are also organized to enable the Peer Reviewers to update and upgrade their knowledge and skills.

PRACTICE UNITS SUBJECT TO REVIEW

Every Practice Unit including its branches, based on their category as determined below will be subject to Peer Review in accordance with the Statement on Peer Review.

A. Level I

A Practice Unit which has undertaken any of the under-mentioned assurance services in the period under review will be treated as Level I units::

- (i) Central Statutory Audit of Public Sector Banks, Private Sector Banks, Foreign Banks, Cooperative Banks and Public Financial Institutions.
- (ii) Central Statutory Audit of Central or State Public Sector Undertakings and Central Cooperative Societies based on criteria such as turnover or paid up capital etc. as may be decided by the Board.
- (iii) Central Statutory Audit of Insurance Companies.
- (iv) Statutory Audit of asset management companies or mutual funds.
- (v) Statutory Audit of enterprises whose equity or debt securities are listed in India or abroad.
- (vi) Statutory Audit of any body corporate including trusts which are covered under public interest entities .
- (vii) Statutory Audit of entities which have raised funds from public or banks or financial institutions of over Fifty Crore rupees during the period under Review.
- (viii) Statutory Audit of entities which have raised donations and / or contributions over Rs. Fifty Crore rupees during the period under Review.
- (ix) Statutory Audit of entities having net worth of more than Two Hundred and Fifty Crore rupees at any time during the period under Review.;
- (x) Statutory Audit of entities which have been funded by Central and / or State Government(s) schemes of over Fifty Core rupees during the period under Review.
- (xi) Statutory Audit of Non – Banking Financial Companies (NBFCs) as may be defined by the Board.

- (xii) Central Statutory Audit of Regional Rural Banks
- (xiii) Statutory Audit of parent, subsidiary, associate, and joint venture of above entities.

B. Level II

A Practice Unit which has undertaken any of the under-mentioned assurance services in the period under review:

- (i) Statutory / Internal / Concurrent / Systems / Tax audit and / or Departmental Review of Branches / Offices of
 - (a) Public Sector Undertakings
 - (b) Public Sector or Private Sector and / or Foreign Banks
 - (c) Insurance Companies
 - (d) Co-operative Banks
 - (e) Regional Rural Banks
- (ii) Statutory Audit of Non – Banking Financial Companies (NBFCs) as may be defined by the Board.
- (iii) Statutory Audit of entities having net worth of over Five Crore rupees or an annual turnover of more than Fifty Crore rupees during the period under Review.;
- (iv) UDINs generated by the Practice Units more than the specified number determined by the Board from time to time.
- (v) Statutory Audit of entities which have raised funds from public or banks or financial institutions of more than 25 Crore rupees but less than Rs. Fifty Crore rupees during the period under review.
- (vi) Any other Practice Unit providing assurance or such other services not covered under (i), (ii), (iii), (iv) and (v) hereinabove.

C. Special case review

The Board, based on specific information received from Secretary, ICAI or any other Committee of the Institute including Disciplinary directorate or any other Regulator, which in the opinion of the Board requires a special review of the Practice Unit, may conduct a special review of the Practice Unit.

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Any Practice Unit not selected for Peer Review, may *suo motu* apply to the Board for the conduct of its Peer Review. The Board shall act upon the same within 30 days from the date of receipt of such request.

An auditee (client) may request the Board for the conduct of Peer Review of its auditor (Practice Unit). The Board shall act upon the same within 30 days from the date of receipt of such request.

The Board may with the approval of the Council, modify any of the above criteria.

Assurance Engagements

According to the *Framework For Assurance Engagements* issued by the Institute of Chartered Accountants of India and as may be amended from time to time, assurance engagement 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 before 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
- (viii) Engagement for due diligence

The phrase 'assurance services' is used in the Statement on Peer Review interchangeably with Audit Services, assurance functions, and audit functions.

SCOPE OF PEER REVIEW

The Review shall cover:

- (i) Compliance with Technical, Professional and Ethical Standards
- (ii) Quality of reporting.
- (iii) Systems and procedures for carrying out assurance services.
- (iv) Training programmes for staff (including articled and audit assistants) concerned with assurance functions, including availability of appropriate infrastructure.
- (v) Compliance with directions and / or guidelines issued by the Council to the Members, including fees to be charged, number of audits undertaken, register for assurance engagements conducted during the year and such other related records.
- (vi) Compliance with directions and / or guidelines issued by the Council in relation to articled assistants and / or audit assistants, including attendance register, work diaries, stipend payments, and such other related records.

Technical, Professional and Ethical Standards

- (i) Accounting Standards issued by ICAI that are applicable for entities other than companies under the Companies Act, 2013;;
- (ii) Accounting Standards prescribed under section 133 of the Companies Act 2013 by the Central Government based on the recommendation of ICAI and in consultation with National Financial Reporting Authority (NFRA) and notified as Accounting Standards Rules 2006, and amended from time to time;
- (iii) Indian Accounting Standards prescribed under section 133 of the Companies Act 2013 by the Central Government based on the recommendation of ICAI and in consultation with NFRA and notified as Companies (Indian Accounting Standards) Rules, 2015, and amended from time to time.
- (iv) Standards issued by the Institute of Chartered Accountants of India including
 - (a) Engagement and Quality Control Standards

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- (b) Statements
- (c) Guidance notes
- (d) Standards on Internal Audit
- (e) Guidelines/ Notifications / Directions / Announcements / Pronouncements / Professional standards issued from time to time by the Council or any of its Committees.
- (v) Framework for the Preparation and Presentation Of Financial Statements, Preface to the Standards on Quality Control, Auditing, Review, Other Assurance and Related Services and Framework for Assurance engagements;
- (vi) Provisions of the relevant statutes and / or rules or regulations which are applicable in the context of the specific engagements being reviewed including instructions, guidelines, notifications, directions issued by regulatory bodies as covered in the scope of assurance engagements;

PERIODICITY OF PEER REVIEW

- (a) Level - I Practice Units – Once in 3 years.
- (b) Level - II Practice Units – Once in 4 years

However, if the Board so decides or otherwise at the request of the Practice Unit, Peer Review for a Practice Unit can be conducted at shorter intervals.

FEES OF PEER REVIEW

In exercise of the powers vested in the Peer Review Board by the Statement on Peer Review, the Board has notified the fees of Peer Review for **Level -I and II** including honorarium and TA/DA for reviewer and his qualified assistant, as under:

Average gross receipts/ Revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review	Fees
Less than Rs 10 lacs p.a.	Rs 15,000/-
From Rs 10 lacs to 50 Lacs p.a.	Rs 25,000/-
From Rs 50 lacs to 1 crore p.a.	Rs 40,000/-

From Rs 1 crore to 3 crore p.a.	Rs 60,000/-
From Rs 3 crore to 5 crore p.a.	Rs 75,000/-
From Rs 5 crore p.a. to 10 crore p.a	Rs 1,50,000/-
From Rs. 10 crore p.a to Rs. 20 crore p.a.	Rs. 2,00,000/-
From Rs. 20 crore p.a to Rs. 30 crore p.a.	Rs. 3,00,000/-
Above Rs. 30 crore p.a.	Rs. 5,00,000/-

The fees for Peer Review is to be calculated on the basis of the average revenue earned by the Practice Unit during the period of review at all its units i.e. Head Office and Branches. The average revenue from assurance services will determine the fees of peer review as per the above table . Peer Review is a one time procedure for the period covered under review and therefore the fees payable for the services is a one time fees payable for the review.

Consolidated fees for Peer Review is paid by the Practicing Unit to the Reviewer for the total period reviewed and not on 'per year' basis. In this regard, it may also be clarified that the total revenue from the assurance services for the three financial years shall be clubbed and average of the same would be taken to arrive at the fee payable which shall be as per the notification.

The bill for peer review is to be raised on the Practice Unit by the Reviewer, immediately on receipt of confirmation from the Peer Review Board to the effect that all documents and information have been received. In case the Reviewer has to conduct "follow on" Review, the same rate would apply to the follow-on review also.

The amount of fees shall be paid by the Practice Unit within 15 days of receipt of the bills from the Reviewer. However, the Peer Review certificate will be dispatched only after confirmation of receipt of fees from the reviewer.

The Peer Review fees is to be paid even where a qualified report has been issued by Reviewer. Peer Review fees is also to be paid in case of follow on review as well as special case reviews initiated by ICAI.

OBJECTIVE OF PEER REVIEW

Assessing the maintenance of quality of assurance service engagements performed by Practice Units through:

compliance with Technical, Professional and Ethical Standards including other Regulatory requirements; and existence of proper system (including documentation systems)

RATIONALE OF PEER REVIEW

At Profession's Level

- To strengthen public confidence in financial reporting and effectiveness of audit process.
- To increase the basis of reliance placed by users of financial statements for economic decision making.
- To ensure better quality and consistency in auditing services across cross-section of auditing firms.

At Firm's Level

- To maintain and enhance quality of assurance services
- To provide guidance to members to improve their performance
- To ensure adherence to various statutory and other regulatory requirements

INHERENT LIMITATIONS OF PEER REVIEW

- Review would not necessarily disclose all weaknesses in the compliance of technical standards.
- Any system of quality control has certain inherent limitations – Departures from the system may not be detected.

What for Peer Review is intended

- An application of reasoned knowledge based on information, evidence, observation, experience
- A test of adherence to Standards issued and in force
- An opportunity for quality enhancement
- A process to achieve global standards of excellence

What for Peer Review is not intended

- A source of setting up new Auditing Standards

- An opportunity to “second guess” an auditor’s judgments
- A source of competitive information
- An opportunity to put down a fellow professional or indulge in a “witch hunt”

NEED FOR PEER REVIEW

- To fulfil the expectation of service receiver to receive quality service
- To bridge the gap between minimum quality of service and actual service rendered.
- Restoration of public confidence in the quality of audit assurance services provided by Chartered Accountants.

ILLUSTRATIVE TIME SCHEDULE OF PEER REVIEW PROCESS

Sr. No.	Review Process	Time Schedule	Cumulative Days
1.	Peer Review Board notifies the selection of Practice Unit (PU) for Review. The PU is requested to submit the duly filled declaration (hosted on the Peer Review Page of ICAI website www.licai.org) to the Board for confirming the Level of PU.	Day- 3	Day- 3
2	The Board selects a Panel of three Reviewers to match the Level of PU which is ascertained from the declaration submitted by the PU.	Within 2 days	Day 5
3	The Board seeks acceptance from the Reviewers for undertaking the Peer Review of the Practice Unit.	Within 2 days	Day 7
4	After receiving confirmation from the three reviewers, a Panel of three reviewers is sent to PU, along with (a). Questionnaire and attachment for (b). Notification of Peer Review fees.	Within 1 days	Day- 8

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5.	PU to give the choice of the Reviewer.	Within 2 days	Day -10
6.	A. Board to notify the reviewer (<i>3rd letter</i>) as per the choice given by PU and; Reviewer to submit his consent for accepting the Review along with submission of declaration of confidentiality. Reviewer should receive the communication from the Peer Review Board and give his consent for his acceptance of Peer Review of the Practice Unit along with one qualified assistant, if selected and the duly signed declaration of confidentiality within 1 week.	Within 25 days	Day- 17
.	B. The Peer Review Board to issue letter (<i>4th Letter from PRB</i>) to Practice Unit and the Reviewer confirming the appointment of reviewer - <i>Consent of Reviewer</i>. PU is informed that the Questionnaire, is to be send to Reviewer selected by PU and copy of Questionnaire, sent to Peer Review Board. <i>Note:</i> Review should be started only after the Board receives the declaration, as above, along with the intimation and declaration of confidentiality of assistant, if any, and the Board approves the same. Approval of the Board should be obtained before the starting of the Review.		Day- 20
.	C. PU to submit completely filled up Questionnaire		Day- 25

	(https://resource.cdn.icaai.org/28284prb17887.pdf) to the reviewer for his information . PU is informed that the Questionnaire, is to be sent to Reviewer selected by PU and copy of the Questionnaire, sent to Peer Review Board.		
7.	Reviewer to call for any other information, if required after evaluation of the Questionnaire sent by the PU.	Within 5 days	Day- 30
8.	PU to provide additional information asked by the Reviewer.	Within 5 days	Day- 35
9	Reviewer to decide on the initial sample from the client list of the PU.	Within 7 days	Day- 42
10.	PU and the Peer Review Board to be notified about the sample selected by the Reviewer and advance notice to be given before visit of reviewer to PU's office.	5 days advance notice before visit of Reviewer to PU's office.	Day- 47
11	Reviewer to carry out the review by visiting the office of PU after fixing the date as per the mutual consent.	23 Days Within 70 days from date of Notification to PU	Day- 70
12.	Reviewer to send the Preliminary report to the PU for comments.	Within 5 days after completion of Review.	Day- 75
13.	Practice Unit to submit representation on Preliminary report to Reviewer. Reviewer	Within 5 days	Day- 80

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	should be satisfied with PU response on Preliminary Report along with point wise justification and basis of arriving at opinion/conclusion for issuing clean report		
14.	On completion of the Review, Reviewer has to submit, the under mentioned documents duly signed in individual capacity along with reasons of delay in submission, if any: - Final Report along with Annexure I (https://www.icai.org/post.html?post_id=16417), addressed to Chairman, PRB - Annexure II (https://resource.cdn.icai.org/36414annexII130115prb.pdf) - List of sample selected and basis of sample selection and sample selection criteria as laid down by the Board.* (refer to box below) - Preliminary Report, if issued, PU's submissions and Reviewers verification thereon. - Basis of reaching to the conclusion in the Final Report as well as Annexure I to the Final Report. - Based on suggestions/observations of the reviewer during the Peer Review process, reviewer to confirm whether Accounting Standards and Standard on Quality Control, as mentioned by PU in Part B of the Questionnaire, are properly implemented. - Completed copy of PU Questionnaire received from Practice Unit. Peer Review Board Reserves the right to ask for working papers as specified in the Statement on Peer Review.	Within 10 days	Day- 90

	A copy of the Final Report along with Annexure I should be sent to the PU also.		
15	Board to consider issuance of Peer Review Certificate in case of clear Report. In case of Qualified Report submitted by reviewer, Board to give the recommendation to PU for rectifying the deficiencies observed by Reviewer. <i>Reviewer to submit proof of receipt of Peer Review Fees in individual capacity.</i>	In the next meeting to be held in every quarter/ Sub-Committee constituted for the purpose.	

*** Sample selection criteria for Point No. 14 (c) :**

- (i) A. Minimum sample size for L1 and L2 Practice Units to obtain certificate having validity of 3 and 4 years respectively

Minimum sample size to be selected is based on average gross receipts/ revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review as per the following –

<i>Average gross receipts/ Revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review</i>	<i>Minimum sample size for L1 firms</i>	<i>Minimum sample size for L2 firms</i>
Upto Rs. 5 crore p.a.	10	8
From Rs 5 crore p.a. to 10 crore p.a	15	10
From Rs. 10 crore p.a to Rs. 20 crore p.a.	20	15
From Rs. 20 crore p.a to Rs. 30 crore p.a.	25	20
Above Rs. 30 crore p.a.	30	25

Note: It may be noted that if minimum sample criteria is not satisfied either for L1 or L2 then a certificate with validity of 1 year would be issued irrespective of level of Firm.

B. For newly established firms (existence of firm between 1-3 years) :

Minimum 5 (Five) samples to be selected. Three year validity certificate to be issued to said newly established firm , irrespective of levels defined in the Statement on Peer Review. If minimum sample criteria is not satisfied then One year certificate to be issued i.e. Sample size '03 to 04'.

For newly established firms (less than 1 year):

Minimum 3 (Three) samples to be selected. One year validity certificate to be issued to said newly established firms, irrespective of levels defined in the Statement on Peer Review. On completion of 1 year validity certificate, the firm can reapply *suo motu* for review of their firm and on review 1 year certificate is to be issued unless the existence of firm is 3 years or more and a certificate of full validity period can be issued on completion of review of 3 years.

Other points to be considered by the Reviewer while selecting the sample:

- (ii) If the average gross receipts of PU are more than Rs. 50 Lakh then Reviewer has to select minimum 10% of sample- assurance service/s from each category from Clause 30 A to Q.of H.O. and its branch/es, if any, of Part A of the Questionnaire copy.
- (iii) Sample chosen should compulsorily include that assurance engagement assignment which has the highest turnover among the population.
- (iv) One sample mandatory of assurance services provided on tender.
- (v) Samples from assurance services provided at branch if such turnover is more than the turnover at the Head office, and/ or the turnover of assurance services from the branch is more than Rs. 25 lakhs.
- (vi) At least one sample from each category 30 A to R has to be selected and at least 1 sample from each '*type of Assurance engagement*' should be selected.
- (vii) If sample size is less than minimum, then 100% selection has to be done, compulsorily and the fact intimated to the Board. However, if minimum sample criteria is not satisfied either for L1 or L2 or newly established Practice Units, then a certificate with validity of 1 year would be issued irrespective of level of Firm.
- (viii) Sample selected should be representative of total population of assurance services.

MAJOR DEVELOPMENTS DURING THE LAST 8 YEARS

1. Part B was added to the Questionnaire to be submitted by the Practice Unit and it is reviewed by the Reviewer. The Part B includes General Controls based on SQC1 –

- (a) Leadership responsibilities for quality within a firm,
- (b) Ethical requirements
- (c) Acceptance and continuance of client relationships,
- (d) Human resources
- (e) Engagement Performance and
- (f) Monitoring

Reporting on the same has been made mandatory for all firms from 2012 onwards.

2. Annexure II of Final Report, (based on SQC 1), submitted by Peer Reviewer, includes :

- (a) Quality Control, Ethical requirement and Independence
- (b) Engagement Documentation
- (c) Audit planning and risk assessment
- (d) Audit sampling and other selective testing procedures
- (e) Materiality
- (f) Audit Documentation
- (g) Audit Evidence

Annexure II was introduced for level I firms from 2014. From 2017, reporting on the same has also been made applicable to Level II firms.

3. Period of validity of certificates was fixed according to the levels of the firms.

4. From 2017, newly established firms have been included in the scope of Peer Review so that the small and medium practitioners can be eligible for listed company audits.

5. In 2015 the scope of Peer Review was widened to include “assurance services”. Further in 2016 - 17, the scope of Peer Review was widened to include tendering services provided by Practice Units, firms exceeding the specified number of Tax audits. Also, the Board is proactively initiating Peer Reviews of Practice Units who are providing audit assurance services to Banks, PSUs and NBFCs.

6. Communications of the Board has been made online, through emails and hard copies of communications are minimised. Software is being developed to make the peer review procedure more streamlined, efficient and effective.

In addition to the above, the following changes have been brought into the functioning of the Board by Revising the Statement on Peer Review since 2020:

7. The Board, based on specific information received from Secretary, ICAI or any other Committee of the Institute including Disciplinary directorate or any other Regulator, which in the opinion of the Board requires a special review of the Practice Unit, may conduct a special review of the Practice Unit.

8. The Board has also been empowered to revoke the Peer Review Certificate under the following circumstances, subject to the Principle of natural justice if:

- (i) the Practice Unit has not complied with the order or advisory issued by the Peer Review Board; or
- (ii) the follow on review has been initiated by the Peer Review Board on the recommendation of the Peer Reviewer and the Practice Unit has not complied with the recommendations thereof; or
- (iii) the Peer Review Board receives any Directions from Secretary, ICAI, Other Committees of ICAI including Disciplinary directorate or complaint from any Regulator through secretary, ICAI or Council.

9. The Board shall conduct Empanelment test for Empanelling the Peer Reviewers and the Reviewer, after having undergone the requisite training should clear the requisite test for Peer Review so conducted by the Board before being appointed as a technical reviewer.

PART A

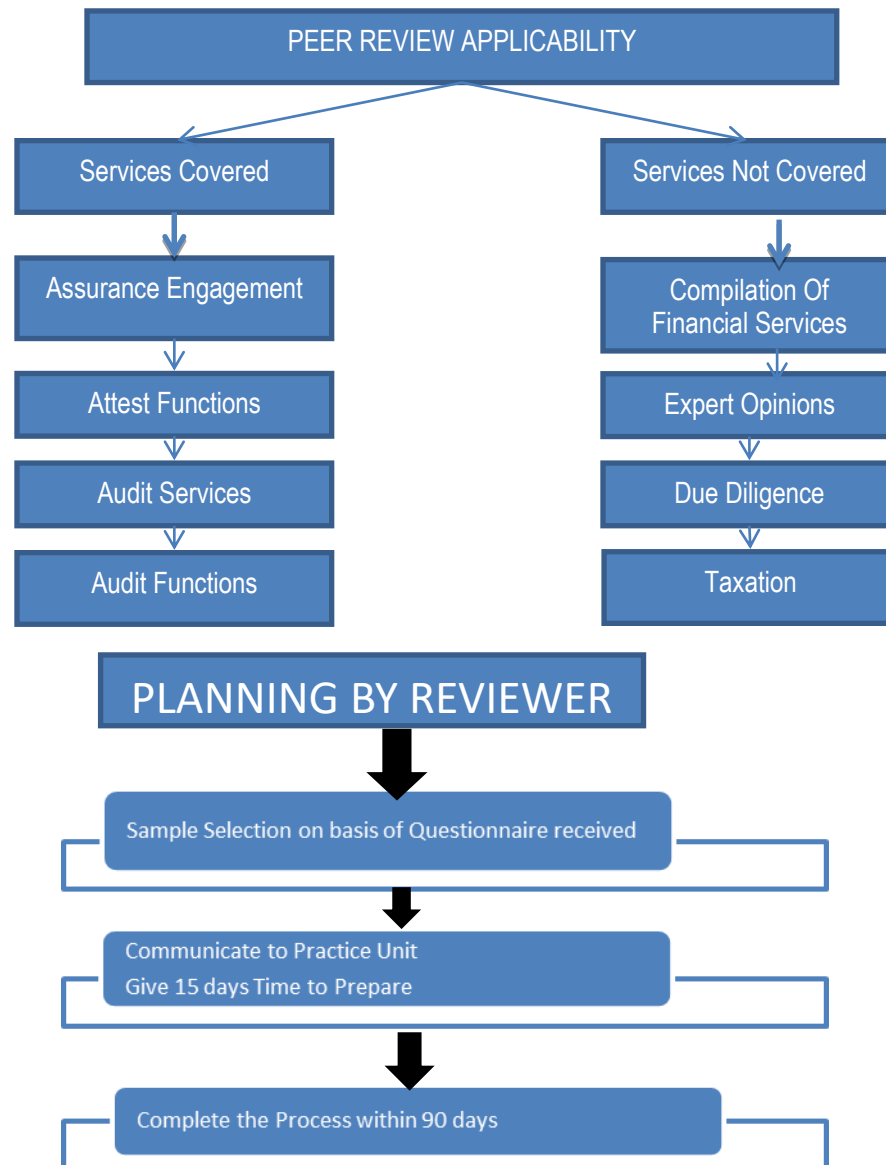


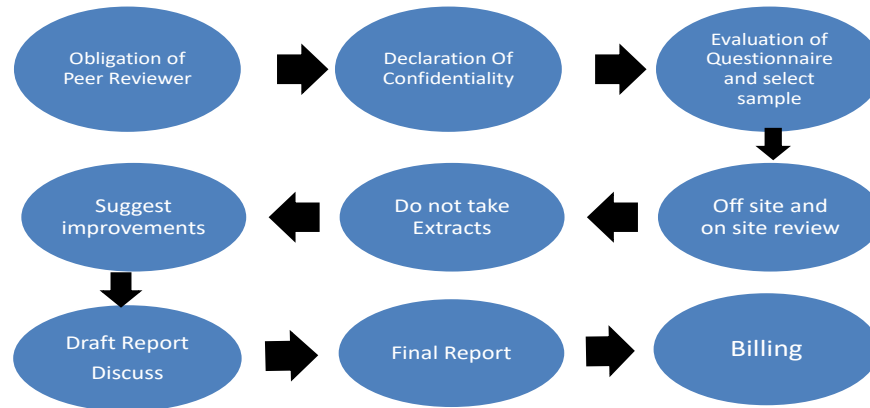
ADVISORIES FOR PRACTICE UNITS

PART-A : ADVISORIES FOR PRACTICE UNIT

Peer Review Process

The Peer review process can best be described, through flowcharts as under:





PEER REVIEW PROCEDURE

- The Peer Review Board selects a Practice Unit for review and intimates the same to the unit. On receipt of the intimation, the Practice Unit is required to submit filled up Declaration Form to the Board.
- Thereafter the Board selects a panel of 3 reviewers to match the Level of PU which is ascertained from the declaration submitted by the PU.
- The Board thereafter seeks acceptance from the 3 Reviewers for undertaking the Peer Review of the Practice Unit.
- On receipt of acceptance from the reviewers, Panel of 3 reviewers is sent to the PU along with the Questionnaire and Notification of Peer Review fees.
- The PU should give its choice of the Reviewer.
- Board to notify the reviewer as per the choice given by PU and Reviewer to submit his consent for accepting the Review along with submission of Declaration of confidentiality;
- Peer Review Board to Issue letter (4th letter from PRB) to Practice Unit and Reviewer, confirming the appointment of reviewer –(Consent of Reviewer).
- Review done without submission of the Declaration of Confidentiality of the Reviewer, is *void-ab-initio* and the reviewer may be subject to

disciplinary action. Therefore the Practice Unit is to submit the Questionnaire to the Reviewer only after confirmation from the Peer Review Board to the effect that the Reviewer has accepted the assignment and to start the review process.

- Thereafter, the Practice Unit is to forward the duly filled up Questionnaire to the Reviewer with a copy to Peer Review Board along with the list of clients for HO and Branches separately.
- The Reviewer may call for any other information, if required after evaluation of the Questionnaire sent by the PU and the Practice unit to provide the additional information called for by the Reviewer.
- The Reviewer selects clients for review from out of the list submitted by the Practice Unit and inform the PU and the Peer Review Board accordingly, along with date of visit.
- The Practice Unit is required to keep the files selected for review, ready for the verification of the reviewer.
- After on-site review, in case of deficiencies in systems and procedures or non-compliances, the reviewer to issue preliminary report to PU immediately.
- In case the reviewer had issued a preliminary report of his findings to the practice unit, the firm has to submit his response to the recommendations and conclusions on the review report, including planned actions and expected timeframe for completion or implementation. Based on the response of the firm, the Reviewer submits a clean or qualified report to the Board. The Board on consideration of the same may direct future timeframe for 'follow on review' and submission of report.
- Practice Unit is required to reply in writing within 5 days of receipt of preliminary report on areas mentioned in it
- Reviewer to submit final report to the Board with a copy to the PU
- Final report should incorporate the findings as discussed with the PU
- *On completion of the Review, the Reviewer has to submit, the under mentioned documents along with reasons for delay in submission, if any:-*
 1. Final Report, along with Annexure I (https://www.icaai.org/post.html?post_id=16417), addressed to the Chairman PRB.

2. Annexure II
(<https://resource.cdn.icaai.org/36414annexII130115prb.pdf>)
3. List of sample selected & basis of sample selection and sample selection criteria as laid down by the Board.* (*refer to point no. 8 below*)
4. Preliminary Report if issued, PU's submissions & reviewer verification thereon.
5. Basis of reaching to the conclusion in the final report as well as Annexure I to the final report.
6. Based on suggestions/observations of the Reviewer during the Peer Review process, the Reviewer to confirm whether Accounting Standards and Standards on Quality Control, as mentioned by PU in Part B of the Questionnaire, are properly implemented.
7. Completed copy of PU Questionnaire received from Practice Unit.(<https://resource.cdn.icaai.org/28284prb17887.pdf>)
8. **Sample selection criteria for Point No. 3 above :**

A. Minimum sample size for L1 and L2 Practice Units to obtain certificate having validity of 3 and 4 years respectively.

Minimum sample size to be selected is based on average gross receipts/ revenue from assurance service clients of Practice Unit (per annum) for the period under review as per the following –

Average gross receipts/ Revenue from assurance service clients of Practice Unit (per annum) for the period under review	Minimum sample size for L1 firms	Minimum sample size for L2 firms
Upto Rs. 5 crore p.a.	10	8
From Rs 5 crore p.a. to 10 crore p.a	15	10
From Rs. 10 crore p.a to Rs. 20 crore p.a.	20	15
From Rs. 20 crore p.a to Rs. 30 crore p.a.	25	20
Above Rs. 30 crore p.a.	30	25

Note: It may be noted that if minimum sample criteria is not satisfied either for L1 or L2 then a certificate with validity of 1 year would be issued irrespective of level of Firm.

B. For newly established firms (existence of firm between 1-3 years) :

Minimum 5 (Five) samples to be selected. Three year validity certificate to be issued to said newly established firm, irrespective of levels defined in the Statement on Peer Review. If minimum sample criteria is not satisfied then one year certificate to be issued i.e. sample size '03 to 04'.

For newly established firms (less than 1 year):

Minimum 3 (Three) samples to be selected. One year validity certificate to be issued to the said newly established firms, irrespective of the levels defined in the Statement on Peer Review. On completion of 1 year validity certificate, the firm can reapply *suo motu* for review of their firm and on review 1 year certificate is to be issued unless the existence of firm is 3 years or more and a certificate of full validity period can be issued on completion of review of 3 years.

Other points to be considered by the Reviewer while selecting the sample

- (i) If the average gross receipts of PU are more than Rs. 50 Lakh then the Reviewer has to select minimum 10% of sample- assurance service/s from each category from Clause 30 A to Q. of H.O. and its branch/es, if any, of Part A of the Questionnaire copy.
- (ii) Sample chosen should compulsorily include that assurance engagement assignment which has the highest turnover among the population.
- (iii) One sample mandatory of assurance services provided on tender.
- (iv) Samples from assurance services provided at branch if such turnover is more than the turnover at the Head office, and/ or the turnover of assurance services from the branch is more than Rs. 25 lakhs.
- (v) At least one sample from each category 30 A to R has to be selected and at least 1 sample from each 'type of assurance engagement' should be selected.
- (vi) If sample size is less than the minimum, then 100% selection has to be

Handbook on Advisories

done, compulsorily and the fact intimated to the Board. However, if the minimum sample criteria is not satisfied either for L1 or L2 or newly established Practice Units then a certificate with validity of 1 year would be issued irrespective of level of firm.

- (vii) Sample selected should be representative of total population of assurance services.

The Peer Review Board reserve the right to ask for working papers as specified in the statement on Peer Review'

A copy of the final report along with Annexure I may be sent to the PU also.

- The Reviewer may issue-
- A clean report, if he is of the opinion that Practice Unit is conducting its affairs in a manner that ensures quality of services rendered by it or the deficiencies are not of such serious nature to vitiate the efficacy of the key control objectives.
- A qualified report may be issued in the following circumstances:

Non-compliance with technical standards,

Quality Control system design deficiency

Non-compliance with quality control policies and procedures

Non-existence of adequate staff training programmes

The Board shall consider the report and if satisfied, will issue Peer Review Certificate.

If not satisfied, the Board may issue recommendations to the Practice Unit and direct for further review and shall order for a 'Follow on Review' after a period of one year/6months from the date of issue of report. Fresh panel of Reviewer would be provided, for the succeeding period of Peer Review cycle, only when the Practice Unit confirms for rectification of discrepancies observed, in the qualified report issued by Reviewer, in the earlier Peer Review.

Obligations of the Practice Unit

Any Practice Unit, in addition to the prescribed information to be furnished including the questionnaire, statements and such other particulars as the Board may deem fit, shall have to comply with the following:

- Produce to the Reviewer or allow access to, any record, document or prescribed register maintained by the Practice Unit or any other record or document which is of a class or description so specified, and which is in the possession or under the control of the Practice Unit.
- Practice unit should submit complete details of all assurance services for head office and branches or offices at other locations, for the Peer Review period, separately, so that the reviewer can examine the quality controls at all such locations.
- Where a branch is located in a different city/town, the Reviewer is advised to visit, if the Branch turnover from assurance services is more than Rs. 25,00,000. However in respect of branches having turnover less than Rs.25,00,000 the Reviewer shall have freedom to arrange, in consultation with the practice unit, for documents, related records and related personnel to be brought to head office and examine them centrally.
- Provide to the Reviewer such explanation or further particulars in respect of anything produced in compliance with a requirement under the first bullet point above, as the Reviewer shall specify.
- Provide to the Reviewer all assistance in connection with Peer Review.
- Where any information or matter relevant to a Practice Unit is recorded otherwise than in a legible form, the Practice Unit shall provide and present to the Reviewer a reproduction of any such information or matter, or of the relevant part of it in a legible form, with a translation in English or Hindi if the matter is in any other language, and if such translation is requested for by the Reviewer. The Practice Unit shall be responsible and accountable for the accuracy and truthfulness of the translation so provided.
- To co-operate and extend all necessary support to the Board as well as the Peer Reviewer in case it is being subjected to special case Review by the Board or its Sub-Committee.
- Declaration for level of Practice Unit is to be submitted mandatorily before the review can be initiated (available at Peer Review Board page of www.icai.org.)
- Furnish questionnaire statements and other particulars (all required documents / formats should be taken either from Peer Review page of www.icai.org or from the office of ICAI only.)

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- Provide access to Reviewer. Provide explanation as sought by the Reviewer.
- If query has been raised by the reviewer, then the Practice Unit has to submit necessary documents to satisfy the query of the reviewer.
- Any other relevant information

Advisories for Practice Units

Where a request for initiating Peer Review process is received from a newly established firm:

If the existence of firm is between 1-3 years :

Minimum sample size (Number of audits conducted by new firm) to be reviewed by Reviewer should be 05 for issuing Peer Review certificate carrying validity of three years from the date of issue irrespective of levels defined in the Statement on Peer Review. However, if minimum sample criteria is not satisfied i.e. sample size '03 to 04' then one year certificate will be issued.

If the existence of the firm is less than 1 year:

Minimum sample size (Number of audits conducted by new firm) to be reviewed by Reviewer should be 03 for issuing Peer Review certificate carrying validity of one year from the date of issue irrespective of levels defined in the Statement on Peer Review. On completion of 1 year validity certificate, the firm can reapply *suo motu* for review of their firm and on review 1 year certificate is to be issued unless the existence of firm is 3 years or more and a certificate of full validity period can be issued on completion of review of 3 years.

However, since SEBI has made it compulsory for the auditor of listed companies to get themselves registered under Peer Review exercise with ICAI and obtain a Peer Review Certificate, a newly established firm shall fulfil the minimum criteria as stated above, so that it may not lose any professional opportunity.

Further, Para 7.2 states, once a Practice Unit is selected for Review, its assurance engagement records pertaining to the Peer Review Period shall be subjected to Review. Accordingly, once a Practice Unit is selected for review as a firm/individual, its assurance engagement records pertaining to the immediately preceding three completed financial years shall be subjected

to review. In respect of sample selection by Reviewer from three years assurance records of Practice Unit, the Peer Review Board at its 64th meeting has revised the minimum sample selection criteria to be as under:

Minimum sample size for L1 and L2 Practice Units to obtain certificate having validity of 3 and 4 years respectively.

Minimum sample size to be selected is based on average gross receipts/ revenue from assurance service clients of Practice Unit (per annum) for the period under review as per the following –

<i>Average gross receipts/ Revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review</i>	<i>Minimum sample size for L1 firms</i>	<i>Minimum sample size for L2 firms</i>
Upto Rs. 5 crore p.a.	10	8
From Rs 5 crore p.a. to 10 crore p.a	15	10
From Rs. 10 crore p.a to Rs. 20 crore p.a.	20	15
From Rs. 20 crore p.a to Rs. 30 crore p.a.	25	20
Above Rs. 30 crore p.a.	30	25

Note: It may be noted that if minimum sample criteria is not satisfied either for L1 or L2 then a certificate with validity of 1 year would be issued irrespective of level of firm.

1. The Practice Unit should update itself with the Peer Review Procedure as stated in this publication and with the Statement on Peer Review. The same is available on the Peer Review page of the website of www.icaai.org... The Reviewer should study in detail the Peer Review Manual before commencing the review.
2. Decisions of the Peer Review Board are updated on the Peer Review page of www.icaai.org. The Practice Unit should update itself with the current decisions and requirements from the Peer Review page.
3. It is the duty of the Practice Unit to submit to the Board, declaration in the prescribed format as per the decision of the Board. The same is also available on the Peer Review page of the website of www.icaai.org.
4. While communicating with the Board, Practice Unit should mention correct Reviewer / PU number, membership number and FRN number.

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5. While conducting Peer Review, ensure adherence to the Statement on Peer Review and the guidelines issued by the Board.
6. Ensure adherence to the illustrative time schedule given in the Peer Review Manual.
7. The Review work should be started only after the Board receives the acceptance from Reviewer along with the declaration, and the Board approves the same. Approval of the Board should be obtained before the starting of the review. As per the decision of the Board, Reviewer will be held guilty if the review is started before the submission of Confidentiality and the report will be considered *void-ab-intio*.
8. Reviewer is to be appointed by the Board and not by the Practice Unit directly.
9. The Statement on Peer Review provides that the Reviewer may take the help of a qualified assistant while carrying out Peer Review.

In this context, the Board has clarified that a Reviewer is permitted to take the assistance of only one assistant who shall be a chartered accountant and a person who does not attract any of the disqualifications prescribed under Section 8 or Section 21 of the Chartered Accountants Act, 1949. The name of the qualified assistant which the reviewer would like to assist him shall be identified and intimated to the Board as well as Practice Unit before the commencement of the Peer Review. Such a qualified assistant shall also have to sign the declaration of confidentiality as annexed to the Statement. He shall have no direct interface either with the Practice Unit or the Board. Further the person chosen for assisting the reviewer shall be an associate of the Reviewer either as a partner or as a paid assistant as per the records of the Institute of Chartered Accountants of India

10. If the Practice Unit had quoted fees below the minimum prescribed fees, the same should be intimated to the Board along with reasons for quoting minimum fees. (Point No. 2o of the Questionnaire)
11. Compliance with four focus areas mentioned below should be seen:
 - (a) Compliance with Technical, Professional and Ethical standards
 - (b) Quality of reporting

- (c) Office systems and procedures
 - (d) Training programme for staff (including Articled and Audit Clerks)
12. Wherever so ordered by the Board, complete the follow-on review within the stipulated time period.
 13. While conducting follow-on review, cover the period subsequent to the period covered in the qualified final report.
 14. The cost of review should be charged as per rates approved by the Board and it is inclusive of TA/DA wherever applicable.
 15. Extracts of the Practice Unit's files or records examined while conducting Peer Review should not be carried by the Reviewer, as a part of the working papers.
 16. For calculation of fees of the assignment, the average of 3 years turnover of the PU from audit assurance services is to be taken. For example, if the turnover of the PU from audit assurance services for the 3 years under review are Rs. 40 lakhs, 45 lakhs and 62 lakhs respectively, then the average fees of the 3 years will be Rs. 49 lakhs. Accordingly, the fees to be charged for the assignment should be Rs. 25,000/-.
 17. A reviewer should note that Peer Review visits will be conducted at the Practice Unit's head office. It may also be possible that if a Practice Unit happens to be a large entity and has several branches, the Reviewer may have to visit more than once.
 18. Where a Practice Unit has a head office at one location and branches at other locations, it would be within the Reviewer's scope to examine the quality controls at all such locations.

Where a branch is located in a different city/town, the Reviewer is advised to visit, if the Branch turnover from assurance services is more than Rs. 25,00,000/-. However, in respect of branches having turnover less than Rs. 25,00,000/-, the Reviewer shall have the freedom to arrange, in consultation with the Practice Unit, for documents, related records and related personnel to be brought to head office and examine them centrally. The Practice Unit should assist the Reviewer in reviewing the branch.

The Statement as per Paragraph 12.1, requires the Practice Unit to produce to the Reviewer or allow him access to, any record or document which contains or is likely to contain information relevant to the Peer Review.

The Board has clarified that the Reviewer may have access to, or take abstracts of the records and documents maintained by the Practice Unit in order to carry out the review work at Practice Unit's office, but in order to ensure the confidentiality of client's file with the Practice Unit, the Reviewer shall not carry extracts of the client's files or records acquired by him while conducting Peer Review, as part of his working papers.

19. The Board may, subject to the principles of natural justice, revoke the Peer Review Certificate of the Practice Unit, if -
- (i) the Practice Unit has not complied with the order or advisory issued by the Peer Review Board; or
 - (ii) the 'follow on review' has been initiated by the Peer Review Board on the recommendation of the Peer Reviewer and the Practice Unit has not complied with the recommendations thereof; or
 - (iii) the Peer Review Board receives any directions from Secretary, ICAI, other Committees of ICAI including Disciplinary Directorate or complaint from any Regulator through Secretary, ICAI or the Council.

PART B



The Institute of Chartered Accountants of India



Peer Review Certification

Hallmark of :

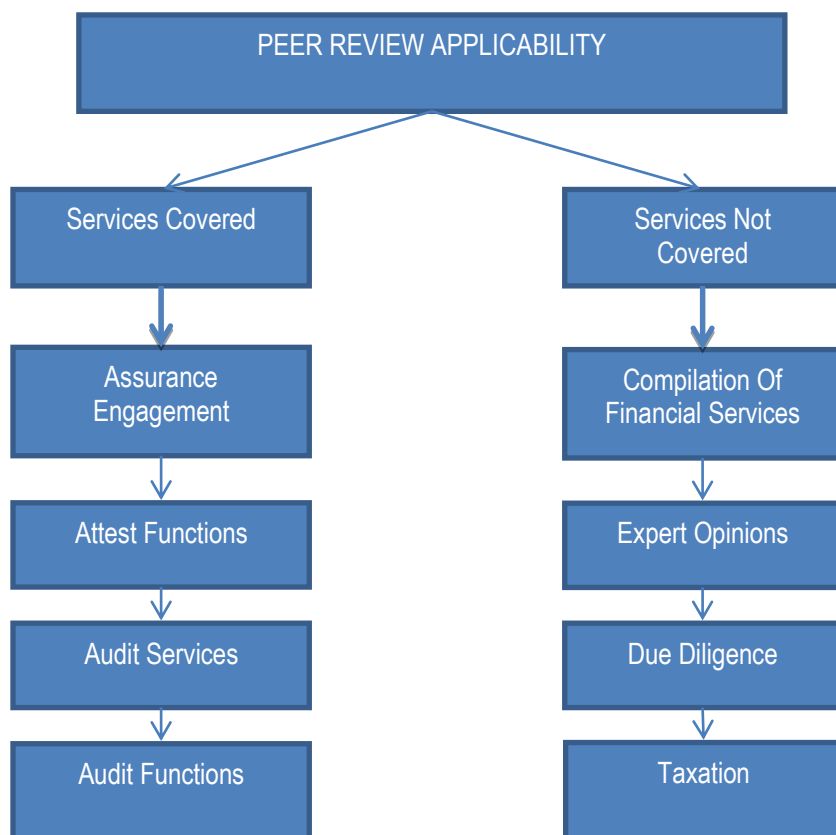
- World class procedures and techniques
- Transparency in technical standards used
- Enhanced quality of professional work

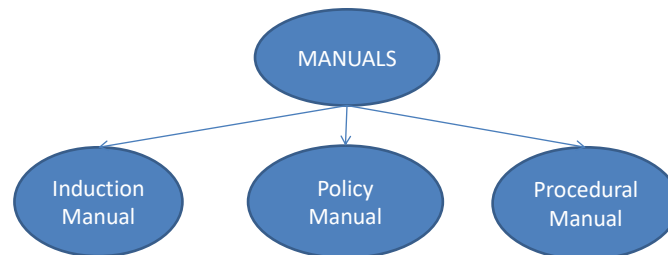
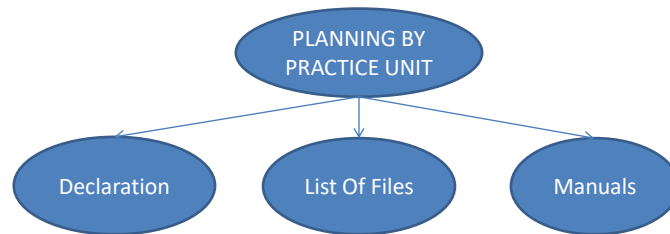
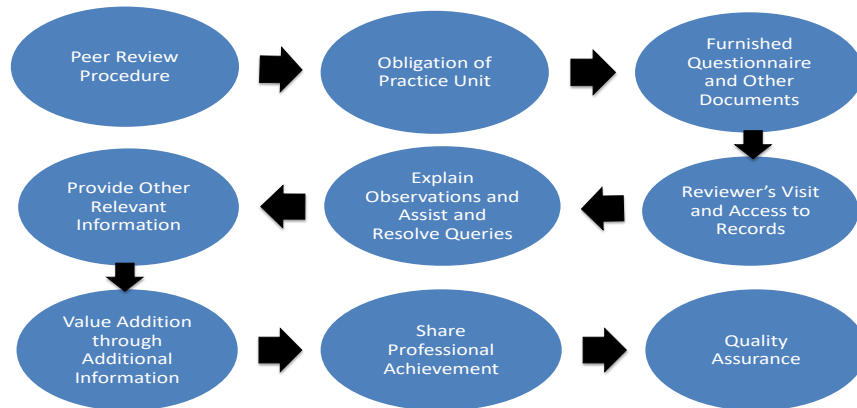
ADVISORIES FOR PEER REVIEWERS

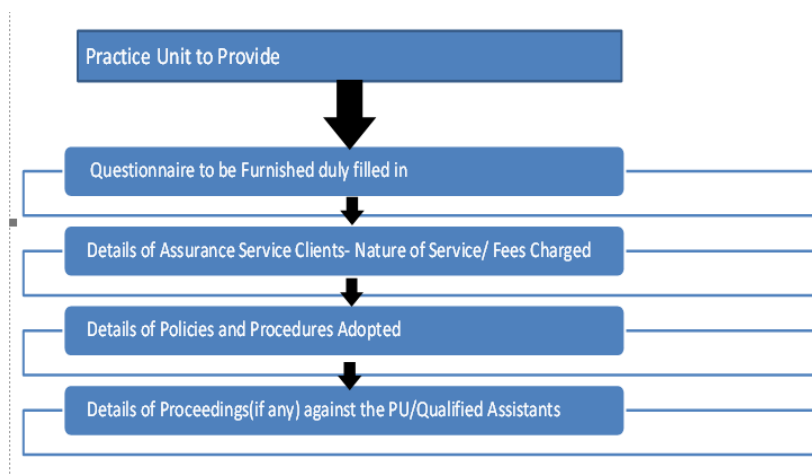
PART-B : ADVISORIES FOR PEER REVIEWER

Peer Review Procedure and reporting by the Reviewer

The Peer Review process can best be described through the following flowcharts:







- After submission of declaration of confidentiality of the Reviewer and that of qualified assistant, if any, to the Board, the Board issues communication to commence the review process.
- Review done without submission of the declaration of confidentiality of the Reviewer, is *void-ab-initio* and the Reviewer may be subject to disciplinary action.
- Thereafter, the Practice Unit is to forward the duly filled up Questionnaire to the Reviewer with a copy to Peer Review Board along with the list of clients, for head office and branches separately.
- The Reviewer is to select clients for review from out of the list submitted by the Practice Unit and inform the PU and the Peer Review Board accordingly, along with date of visit.
- After on-site review, Reviewer may communicate with PU and seek clarifications and consider sending a preliminary report if replies are not found satisfactory.
- After on-site review, in case of deficiencies in systems and procedures or non-compliances the Reviewer has to issue preliminary report to PU immediately.
- If the Peer Reviewer finds deficiencies in systems and procedures or non-compliances, he will have to issue preliminary report to the Practice Unit immediately. He may consider issuing such report also in case the clarifications given by the Practice Unit are not found to be satisfactory.

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- In case the Reviewer had issued a preliminary report of his findings to the Practice Unit, the firm has to submit his response to the recommendations and conclusions on the review report, including planned actions and expected timeframe for completion or implementation. Based on the response of the firm, the Reviewer submits a clean or qualified report to the Board along with basis of reaching at the conclusion.
- The Report should be on the individual letter head of the Reviewer and bear the individual stamp only and not the stamp of the firm.
- The Board on consideration of the report, directs future timeframe for follow on review and submission of report.
- Scope of review performed and scope limitations, if any, to be mentioned
- The report should be prepared on the letterhead of the Reviewer (individual and not on the letterhead of his firm).
- The Report is to be dated and signed (Membership no. and Reviewer code no. should also be mentioned)
- Practice Unit is required to reply in writing within 5 days of receipt of preliminary report on areas mentioned in it
- Thereafter the Reviewer has to give his submission on the response of the Practice Unit.
- Reviewer to submit Final Report to the Board with a copy to the PU
- Final Report should incorporate the findings as discussed with the PU
- *On completion of the Review, Reviewer has to submit, the undermentioned documents alongwith reasons for delay if any in the submission:-*
 1. Final Report, along with Annexure I, (https://www.icai.org/post.html?post_id=16417), addressed to the Chairman of the PRB.
 2. Annexure II (<https://resource.cdn.icai.org/36414annexII130115prb.pdf>)
 3. List of sample selected & basis of sample selection and sample selection criteria as laid down by the Board.* (refer to point no. 8 below)

4. Preliminary Report if issued, PU's submissions & Reviewer verification thereon.
5. Basis of reaching the conclusion in the Final Report as well as Annexure I to the Final report.
6. Completed copy of Peer Review Questionnaire received from the Practice Unit
(<https://resource.cdn.icaai.org/28284prb17887.pdf>)
7. Proof of receipt of fees on completion of the Review.

A copy of the Final Report along with Annexure I may be sent to the PU also.

8. Sample selection criteria for Point No. 3 above

A. Minimum sample size for L1 and L2 Practice Units to obtain certificate having validity of 3 and 4 years respectively

Minimum sample size to be selected is based on average gross receipts/ revenue from assurance service clients of Practice Unit (per annum) for the period under review as per the following –

Average gross receipts/ Revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review	Minimum sample size for L1 firms	Minimum sample size for L2 firms
Upto Rs. 5 crore p.a.	10	8
From Rs 5 crore p.a. to 10 crore p.a	15	10
From Rs. 10 crore p.a to Rs. 20 crore p.a.	20	15
From Rs. 20 crore p.a to Rs. 30 crore p.a.	25	20
Above Rs. 30 crore p.a.	30	25

Note: It may be noted that if minimum sample criteria is not satisfied either for L1 or L2 then a certificate with validity of 1 year would be issued irrespective of level of Firm.

B. For newly established firms (existence of firm between 1-3 years) :

Minimum 5 (Five) samples to be selected. Three year validity certificate to be issued to the said newly established firm , irrespective of levels defined in the Statement on Peer Review. If minimum sample criteria is not satisfied then one year certificate to be issued i.e. sample size '03 to 04'.

Handbook on Advisories

For newly established firms (less than 1 year):

Minimum 3 (Three) samples to be selected. One year validity certificate to be issued to said newly established firms, irrespective of levels defined in the Statement on Peer Review. On completion of 1 year validity certificate, the firm can reapply *suo motu* for review of their firm and on review one year certificate is to be issued unless the existence of firm is 3 years or more and a certificate of full validity period can be issued on completion of review of 3 years.

Other points to be considered by the Reviewer while selecting the sample

- (i) If the average gross receipts of PU are more than Rs. 50 Lakh then the Reviewer has to select minimum 10% of sample- assurance service/s from each category from Clause 30 A to Q. of Part A of the Questionnaire in respect of the H.O. and its branch/es, if any.
- (ii) Sample chosen should compulsorily include that assurance engagement assignment which has the highest turnover among the population.
- (iii) One sample mandatory of assurance services provided on tender.
- (iv) Samples from assurance services provided at branch if such turnover is more than the turnover at the Head office, and/ or the turnover of assurance services from the branch is more than Rs. 25 lakhs.
- (v) At least one sample from each category of Clause 30 A to R of the Questionnaire has to be selected and at least 1 sample from each 'type of Assurance engagement' should be selected.
- (vi) If sample size is less than the minimum, then 100% selection has to be done, compulsorily and the fact intimated to the Board. However, if minimum sample criteria is not satisfied either for L1 or L2 or newly established Practice Units then a certificate with validity of one year would be issued irrespective of level of Firm.
- (vii) Sample selected should be representative of total population of assurance services.

The Peer Review Board reserves the right to ask for working papers as specified in the statement on Peer Review..

- The number of assurance services engagements to be reviewed in a sample shall depend upon
 - (i) Its size and nature
 - (ii) Generally prevailing standards of quality control
 - (iii) Methodology adopted by PU
 - (iv) Number of partners/members involved
 - (v) Number of locations/ branch offices
 - (vi) Fees charged

If the sample population is less than the minimum laid down, 100% selection of the samples is to be done for review.
- The Reviewer is advised to pay attention to point 2(j) to 2(t) of Part B of the Questionnaire and submit explanation received from Practice Unit, if reply is affirmative to the said points.
- The Reviewer may issue-
 - A clean report, if he is of the opinion that PU is conducting its affairs in a manner that ensures quality of services rendered by it or the deficiencies are not of such serious nature to vitiate the efficacy of the key control objectives.
 - A qualified report may be issued in the following circumstances:
 - Non-compliance with technical standards,
 - Quality Control system design deficiency
 - Non-compliance with quality control policies and procedures
 - Non-existence of adequate staff training programmes

The Board shall consider the report and if satisfied, will issue Peer Review Certificate

If not satisfied, the Board may issue recommendations to the PU and direct for further review and shall order for a 'follow on review' after period of one year/6months from the date of issue of report.

Obligations of the Reviewer

1. The Reviewer shall not take any extracts of the Practice Units clients' file or records examined by him while conducting Peer Review, as a part of his working papers.
2. The Reviewer shall complete the Review within the prescribed time frame.
3. The Reviewer shall be bound by Code of Ethics
4. The Reviewer shall be bound by the "secrecy provision" enshrined in the revised Statement on Peer Review

Advisories for Peer Reviewers

1. Peer Reviewer should attend the Peer Review training programs and clear the requisite test for Peer Review at least once in every 5 years. If the Peer Review training program is not attended in 5 years, the Reviewer will be removed from the list of empanelled Reviewers as per the decision of the Board. Only after the successful completion of the training and clearing the requisite test the Reviewer will be re-empanelled.
2. The Reviewer should update himself with the process of Peer Review and with the Statement on Peer Review. The same is available in Peer Review Manual. Updates on the same, and current decisions of the Board are updated on the Peer Review page of the website www.icaai.org. The Reviewer should study in detail the Peer Review Manual before commencing the review.
3. Decisions of the Peer Review Board are updated on the Peer Review page at www.icaai.org. The Reviewer should update himself with the current decisions and requirements before commencing the review.
4. The basic requirements from the Reviewer are also mentioned in the letter sent to the Reviewer. The Reviewer should read the letter thoroughly to understand the further requirements from him.
5. It is the duty of the Reviewer to submit to the Board, the declaration in prescribed format as per the decision of the Board. The Peer Review Board, may at its discretion, not assign any review power to a reviewer until the declaration is received by the Board .

6. It is the duty of the Reviewer to intimate the Board immediately if he is disqualified from being appointed as a reviewer. If the same is not done, the reviewer will be responsible and further action may be initiated against the reviewer.
7. Before submitting the acceptance for Peer Review, the Reviewer is to take note of Clause 10 'Eligibility to be a Reviewer', as given in Statement of Peer Review (<https://resource.cdn.icai.org/55153prb44301stmt.pdf>)
8. While communicating with the Board, the Reviewer should mention correct Reviewer / PU number, membership number and FRN number.
9. Firm's letterhead and firm's stamp should not be used while corresponding with the Board or the Practice Unit (PU).
10. While conducting Peer Review, ensure adherence to the Statement on Peer Review and the guidelines issued by the Board.
11. Ensure adherence to the illustrative time schedule given in the Peer Review Manual.
12. Formal consent letter accepting peer review assignment, together with the declaration of confidentiality, in the format as prescribed by the Board, or letter intimating non-acceptance, with reasons, should be sent to the Board and not to the PU. Updated format for declaration of confidentiality can be obtained from the Board and is also available on the Peer Review page of www.icai.org.
13. Review should be started only after the Board receives the acceptance from Reviewer along with the declaration, and the Board approves the same. Approval of the Board should be obtained before starting the review.
14. In cases where the Board has permitted an assistant, the declaration of confidentiality of the chartered accountant , assisting the Reviewer in the assignment should also be sent.
15. While conducting Peer Review, ensure adherence with Standards of Auditing wherever applicable. Few examples are given hereunder: -
 - (i) Document working papers of the review performed and findings, including matters that indicate deficiencies in the PU's policies and procedures relating to quality control and significant lack of compliance therewith. (SA 230 – Audit Documentation).

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- (ii) Obtain written representations from the PU, wherever required. (SA 580 – Written Representations).
 - (iii) A letter of engagement may be sent to the PU (SA 210 – Agreeing to the Terms of Audit Engagement).
- 16. The number of assurance engagements to be reviewed should be selected by exercising professional judgement based on the evaluation of the questionnaire and the size of the PU. Obtain a reasonable cross-section of the PU's clients although greater weight may be given to large clients. While selecting the assurance engagements to be reviewed, the Reviewer should keep in mind the minimum prescribed number of reviews. Also, if there is any assurance services which had been obtained vide tender, the same should be selected for review and specifically mentioned in the list of samples.
- 17. If the PU had quoted fees below the minimum prescribed amount, the same should be intimated to the Board along with reasons therefor. (Point No 2 O of the Questionnaire)
- 18. Reviewer is advised to submit explanation on Points 2(j) to 2(t) of Part B of the Questionnaire if reply is in the affirmative.
- 19. The Reviewer should verify whether the number of tax audits and other audit assurance services provided by the PU are within the limits as prescribed by the Institute. This can be verified from Point no. 10 of the declaration submitted by the PU.
- 20. The Reviewer should verify whether proper records of appointments, training and payments to staff (including articled and audit clerks) are maintained.
- 21. An assurance engagement which is the subject matter of any disciplinary proceedings before ICAI or any other judicial body, should not be reviewed.
- 22. A combination of compliance procedure and substantive procedure may be followed throughout the Peer Review process. The mix of compliance and substantive procedures should be decided by exercising professional judgement.
- 23. Where a practice unit has a head office at one location and branches at other locations, it would be within the Reviewer's scope to examine the quality controls at all such locations.

Where a branch is located in a different city/town, the Reviewer is advised to visit, if the branch turnover from assurance services is more than Rs. 25,00,000/-. However, in respect of branches having turnover less than Rs. 25,00,000/-, the Reviewer shall have freedom to arrange, in consultation with the Practice Unit, for documents, related records and related personnel to be brought to head office and examine them centrally. The Practice Unit should assist the Reviewer in review of the branch.

24. Compliance with the following four focus areas should be seen:
 - (a) Compliance with Technical, Professional and Ethical standards
 - (b) Quality of reporting
 - (c) Office systems and procedures
 - (d) Training programme for staff (including articled and audit clerks)
25. An unqualified report may be issued only if there is reasonable compliance of the above.
26. Point out the deficiencies or non-compliance noticed during the course of review and do not give any advice/ suggestions in the preliminary report.
27. Review findings should be discussed with the Practice Unit before finalizing the Peer Review report (final –clean / qualified)
28. Any objections raised by the Practice Unit must be dealt with before submitting draft report with the Practice Unit. The Reviewer should also submit how he has dealt with and has been satisfied by the response of the Practice Unit on the preliminary report.
29. Issue the Peer Review report (final – clean / qualified) after discussing draft report with the Practice Unit.
30. Peer Review report should be issued on Reviewer's personal letter – head, along with RE number, Membership Number, PU number and FRN number and correct name of the PU, correct peer review period and Head Office address of Practice Unit.
31. Peer Review report should be addressed to the Board and should be dated as of the date of the conclusion of the review.
32. Peer Review report (final – clean / qualified) should be prepared in the prescribed format (s) as given in the Peer Review Manual.

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33. Peer Review report (final – clean / qualified) should be clear and specific and it should also be free of any ambiguity.
34. Peer review report (final – clean / qualified) may also contain suggestions.
35. Peer Review report (final – clean / qualified) should contain an attachment which describes the Peer Review conducted including an overview and information on planning and performing the review.
36. Ensure that there is no contradiction in the information given in the Annexure to the Report and the Peer Review report.
37. While submitting the Peer Review report (final – clean / qualified) to the Board, enclose Annexure to the Report, copy of the questionnaire submitted by the PU, copy of preliminary report and PU's response thereto and the manner in which PU's representation has been dealt with.
38. Copy of the Peer Review report (final – clean / qualified) should also be sent to the PU, while submitting to the Board.
39. Wherever so ordered by the Board, complete the follow-on review within the stipulated time period.
40. The follow-on report should contain an attachment indicating how the PU has dealt with the deficiencies pointed out in the earlier review.
41. The fees for review should be charged as per rates approved by the Board and is inclusive of TA/DA wherever applicable.
42. Ensure confidentiality of the contents of review report or working paper file, document or other material in any form coming to the knowledge while performing Peer Review.
43. Extracts of the client's file or records examined while conducting peer review should not be carried, as a part of the working papers.
44. At the end of the review, the following documents are to be submitted to the Board:
 - (a) Final Report in prescribed format
 - (b) Preliminary report if issued
 - (c) PU's response to the preliminary report
 - (d) How the Reviewer was satisfied with the PU response to the preliminary report

- (e) Annexure I to the final report
 - (f) Annexure II to the final report
 - (g) List of samples selected along with basis of selection of sample
 - (h) Submit explanation on Points 2(j) to 2(t) of Part B of the Questionnaire, if reply is in the affirmative
 - (i) Basis of reaching at the conclusion in the final report and Annexure I to the final report.
 - (j) All fields of all the forms should be filled up and not left blank.
 - (k) PRB has the right to seek for revised working papers for Peer Review conducted.
45. The Peer Reviewer is appointed in his individual capacity. Therefore all communication with the Board should be made in the name of the Reviewer. Fees will be paid by the PU to the Reviewer. Therefore, to avail GST credit, the GST number of the Reviewer and not of the firm should be used.
46. Reviewer should note that the review is to be started only after submission of declaration of confidentiality to the Board and receipt of the confirmation from the Board .. As per the decision of the Board, Reviewer will be held guilty if the review is started before the submission of confidentiality and the report will be considered void-ab-intio.
47. Report should be submitted to the Board immediately on the completion of the review.
48. After confirmation of receipt of final report, along with all annexures, from the Peer Review Board, Reviewer should submit proof of receipt of fees to the Board. Certificate will not be issued until the proof of receipt of fees is received.
49. For calculation of fees of the assignment, the average of 3 years' turnover of the PU from audit assurance services is to be taken. For example, if the turnover of the PU from audit assurance services for the 3 years under review are Rs. 40 lakhs, 45 lakhs and 62 lakhs respectively, then the average fees of the 3 years is Rs. 49 lakhs. Accordingly, the fees to be charged for the assignment will be Rs. 25,000/-
50. Reviewer is required to submit updated details to the Peer Review

Board at the beginning of each year. The details should include change in communication addresses like residential address, office address, email address, phone number etc. along with the RE number, membership number, FRN number and PU number.

51. A panel of reviewers will be maintained by the Peer Review Board, satisfying the qualification requirements laid down under Para 10 of the Statement, i.e., for conducting review of Level 1 entity, an individual should be a member of the Institute; possess atleast 10 years' experience of audit; and be currently active in the practice of accounting and auditing.

Further, for conducting review of Level 2 entities, an individual should be a member of the Institute; possess atleast 7 years' experience of audit; and be currently active in the practice of accounting and auditing.

52. In this context, the Board has clarified that 10/7 years' experience of audit should not necessarily be continuous but cumulative.

Any period of audit experience of less than 2 years shall not be counted for this purpose. Also mere membership of 10/7 years would not be enough to be empanelled as a reviewer. It has to be 10/7 years' experience of audit.

53. Recently, with a view to explore the experience of the members having industry experience, the Board has revised the criteria of eligibility of a reviewer to include members who have industry experience. For the said purpose, the Statement provides that in case a member has moved from industry to practice and is currently in practice he should have at least 15 years of experience in industry and at least 5 years' experience in practice for Level I entities and an experience of at least 10 years in industry and at least 3 years' experience in practice, for Level II entities.

54. For the purpose of maintaining the panel, the Board invites applications in the prescribed format from members desirous of empanelment. The form of application requires the applicants to furnish such particulars as would enable the Board to assess the core competence of the applicants for conducting peer review.

In order to ensure that there is no mis-match between the audit experience of the reviewer and the Practice Unit, the Board has clarified that the selection of reviewer for allotment of review would be

based on his experience *vis -à-vis* the attestation functions performed by a practice unit. The panel of reviewers would be reviewed by the sub-group formed for this purpose by the Board from time to time by suitably matching the reviewer's experience with the Practice Unit's attest engagements. Empanelment as a reviewer is no guarantee that the applicants empanelled would be eligible for allotment of Peer Review work.

55. The Statement provides that the Reviewer may take the help of a qualified assistant while carrying out Peer Review.

In this context, the Board has clarified that a Reviewer is permitted to take the assistance of only one assistant who shall be a Chartered Accountant and a person who does not attract any of the disqualifications prescribed under Section 8 or Section 21 of the Chartered Accountants Act, 1949. The name of the qualified assistant which the reviewer would like to assist him shall be identified and intimated to the Board as well as Practice Unit before the commencement of the Peer Review. Such a qualified assistant shall also have to sign the declaration of confidentiality as annexed to the Statement. He shall have no direct interface either with the Practice Unit or the Board. Further the person chosen for assisting the Reviewer shall be an associate of the Reviewer either as a partner or as a paid assistant as per the records of the Institute of Chartered Accountants of India.

A reviewer should note that Peer Review visits will be conducted at the practice unit's head office. It may also be possible that if a practice unit happens to be a large entity and has several branches, the Reviewer may have to visit more than once.

56. The Statement as per Paragraph 12.1, requires the Practice Unit to produce to the reviewer or afford him access to, any record or document which contains or is likely to contain information relevant to the Peer Review.

The Board has clarified that the Reviewer may have access to, or take abstracts of the records and documents maintained by the Practice Unit in order to carry out the review work at practice unit's office, but in order to ensure the confidentiality of client's file with the practice unit, the Reviewer shall not carry extracts of the client's files or records acquired by him while conducting peer review, as part of his working papers.

PART C



FREQUENTLY ASKED QUESTIONS

PART C : Frequently Asked Questions

Q1 What is the need for Peer Review?

Peer Review helps in reassuring the stakeholders and the society at large that the profession is conscious of its responsibilities and is always striving to ensure that the highest standards are observed by all practicing members rendering audit and assurance services to the society. The peer review process is an endeavour to enhance the quality of services rendered by members of the Institute of Chartered Accountants of India in public practice.

Q2 What is the main objective of peer review?

The main objective of Peer Review is to ensure that in carrying out their professional assurance assignments, the Institute's members in practice: (a) comply with the Technical, Professional and Ethical Standards laid down by the Institute, including other regulatory requirements thereto; and (b) have in place proper systems (including documentation systems) for maintaining the quality of the assurance services work they perform for their clients.

Essentially, through review of records, the Peer Reviewer identifies areas of weaknesses which are pervasive and chronic in nature and where a member may require guidance in improving the quality of his performance and adherence to various requirements as per applicable technical standards.

Q3 To whom Peer Review is applicable?

Peer Review is applicable to all practicing Chartered Accountants and firms (Practice Unit.)

Q4 Is it true that the significant objective of Peer Review is to identify deficiencies?

No, the significant objective of Peer Review is not to find out deficiencies but to improve the quality of services rendered by the members. The objective of Peer Review is not to identify isolated cases of engagement failure, but to identify weaknesses that are pervasive and chronic in nature.

Q5 What professional opportunities are likely to be provided by the process of Peer Review?

Some of the areas which may provide/ enhance professional growth/ opportunities both for reviewer and reviewee could be as under:

- (i) Training of reviewer and reviewee would lead to updating of knowledge and consequently expansion of the horizon of professional opportunities.
- (ii) Incentive for implementation of the best professional practices by a practice unit (PU), (i.e. an individual or a firm in practice that is being subjected to peer review), since one's internal policies and procedures are subject to an independent review.
- (iii) Enhancement in the competence of members since such a process greatly increases the awareness about the implementation of Technical Standards both on the part of reviewer and reviewee.
- (iv) Facilitates networking and affiliation for small and medium PUs.
- (v) Peer Review serves as a quality assurance certificate and invites preference from regulatory and other authorities while assigning professional work to CAs.
- (vi) Reviewer earns fees as per prescribed scale for the review of practice unit.

Q6 What do “assurance services” mean in the context of peer review?

The whole concept of peer review is directed at assurance services only. Therefore, one must clearly understand the term “assurance services”. As per the Statement, ‘assurance services’ include auditing or verification of financial transactions, books, accounts or records and verification or certification of financial accounting and related statements as defined under Section 2(2)(ii) of the Chartered Accountants Act, 1949. Thus, the term assurance services include all those services such as internal audit, concurrent audit etc., which involve provisions of some element of assurance to users.

Para 3.1 of Statement on Peer Review reads thus :

“3.1 *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 the 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 before various authorities
- (iii) Engagements to prepare tax returns or advising clients in taxation matter;
- (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
- (viii) Engagement for due diligence

The phrase 'assurance services' is used in the Statement on Peer Review interchangeably with audit services, attestation functions, and audit functions. Assurance services provided vide tender have also been brought with in ambit of Peer Review.

Q7 What do “technical standards” mean in the context of peer review?

Technical standards in relation to which peer reviews are to be carried out, and which the peer review process seeks to enforce, are specified as under:

- Accounting Standards issued by ICAI that are applicable for entities other than companies under the Companies Act, 2013.

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- Accounting Standards prescribed under section 133 of the Companies Act ,2013 by the Central Government based on the recommendation of ICAI and in consultation with National Financial Reporting Authority (NFRA) and notified as Accounting Standards Rules 2006, and amended from time to time;
- Indian Accounting Standards prescribed under section 133 of the Companies Act ,2013 by the Central Government based on the recommendation of ICAI and in consultation with NFRA and notified as Companies (Indian Accounting Standards) Rules, 2015, and amended from time to time.
- Standards issued by the Institute of Chartered Accountants of India including
 - (a) Engagement and Quality Control Standards
 - (b) Statements
 - (c) Guidance Notes
 - (d) Standards on Internal Audit
 - (e) Guidelines /notifications / directions / announcements / / pronouncements / professional standards issued from time to time by the Council or any of its Committees.
- Framework for the Preparation and Presentation of Financial Statements, Preface to the Standards on Quality Control, Auditing, Review, Other Assurance and Related Services and Framework for Assurance engagements.
- Provisions of the relevant statutes and / or rules or regulations which are applicable in the context of the specific engagements being reviewed including instructions, guidelines, notifications, directions issued by regulatory bodies as covered in the scope of assurance engagements.

Q8 What is the scope of peer review?

The focus of peer review is on:

- Compliance with Technical, Professional and Ethical Standards.
- Quality of reporting.
- Office systems and procedures - pertaining to assurance

services only.

- Training Programmes For Staff (including articled and audit clerks) – concerned with assurance functions, including availability of appropriate infrastructure.
- Compliance with directions and /or guidelines issued by the Council to the Members, including fees to be charged, number of audits undertaken, register for assurance engagements conducted during the year and such other related records.
- Compliance with directions and / or guidelines issued by the Council in relation to articled assistants and / or audit assistants, including attendance register, work diaries, stipend payments and such other related records.

Q9 What is the time period for which records of assurance services are subjected to Peer Review?

- (i) While assurance engagement records for the three immediately completed financial years are subject to peer review, the records of audit reports/assurance relating to years prior to the accounting year beginning 1 April, 2002 shall not be subject to review.
- (ii) From 2017, newly constituted firms i.e. where constitution of firms is less than 1 year, can apply for peer review *suo motu* if the Member i.e. proprietor/partner has at least five years of post-qualification experience (holding full time Certificate Of Practice)

Q.10. What should be the minimum sample size for various Practice Units to be selected for Peer Review by the Reviewer?

Para 7.2 of the Statement on Peer Review states that once a Practice Unit is selected for review, its assurance engagement records pertaining to the Peer Review period shall be subjected to review. Accordingly, once a practice unit is selected for review as a firm/individual, its assurance engagement records pertaining to the immediately preceding three completed financial years shall be subjected to review. Minimum sample size to be selected by Peer Reviewer is as under:

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- A. *Minimum sample size for L1 and L2 Practice Units to obtain certificate having validity of 3 and 4 years respectively*

Minimum sample size to be selected is based on the average gross receipts/ revenue from assurance service clients of Practice Unit (per annum) for the period under review as per the following –

<i>Average gross receipts/ Revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review</i>	<i>Minimum sample size for L1 firms</i>	<i>Minimum sample size for L2 firms</i>
Upto Rs. 5 crore p.a.	10	8
From Rs 5 crore p.a. to 10 crore p.a	15	10
From Rs. 10 crore p.a to Rs. 20 crore p.a.	20	15
From Rs. 20 crore p.a to Rs. 30 crore p.a.	25	20
Above Rs. 30 crore p.a.	30	25

Note: It may be noted that if minimum sample criteria is not satisfied either for L1 or L2 then a certificate with validity of 1 year would be issued irrespective of level of Firm.

- B. *For newly established firms (existence of firm between 1-3 years):*

Minimum 5 (Five) samples to be selected. Three year validity certificate to be issued to said newly established firm , irrespective of levels defined in the Statement on Peer Review. If minimum sample criteria is not satisfied then one year certificate to be issued i.e. sample size '03 to 04'.

For newly established firms (less than 1 year):

Minimum 3 (Three) samples to be selected. One year validity certificate to be issued to said newly established firms, irrespective of levels defined in the Statement on Peer Review. On completion of 1 year validity certificate, the firm can reapply *suo motu* for review of their firm and on review one year certificate is to be issued unless the existence of firm is 3 years or more and a certificate of full validity period can be issued on completion of review of 3 years.

Other points to be considered by the Reviewer while selecting the sample

- If the average gross receipts of PU are more than Rs. 50 Lakh then the Reviewer has to select minimum 10% of sample-assurance service/s from each category from Clause 30 A to Q. of Part A of the Questionnaire in respect of H.O. and its branch/es.
- Sample chosen should compulsorily include that assurance engagement assignment which has the highest turnover among the population.
- One sample mandatory of assurance services provided on tender.
- Samples from assurance services provided at branch if its turnover is more than the turnover at the Head office, and/ or the turnover of assurance services from the branch is more than Rs. 25 lakhs.
- At least one sample from each category specified at Clause 30 A to R has to be selected and at least 1 sample from each '*type of assurance engagement*' should be selected.
- If the sample size is less than the minimum, then 100% selection has to be done, compulsorily and the fact intimated to the Board. However, if the minimum sample criteria is not satisfied either for L1 or L2 or newly established Practice Units then a certificate with validity of 1 year would be issued irrespective of level of firm.
- Sample selected should be representative of total population of assurance services.

Q.11 Does grant of peer review certificate signify that PU will not be subjected to disciplinary proceedings in respect of assurance engagements for which review was carried out?

No. Peer Review is only a review by Peer Review Board of systems & procedures followed by Practice Unit. The scope and purpose of peer review is general and is subject to inherent limitations. Consequently, peer review does not provide blanket exemption to members of the Institute in respect of disciplinary proceedings, even in respect of engagements that were subjected to peer review. However, neither the Institute nor the reviewer can file any complaint in respect of deficiencies observed during the course of Peer Review.

Q12 Will the information disclosed by Practice Unit be kept confidential by the reviewer?

The Reviewer appointed by the Peer Review Board is bound by a confidentiality agreement with the Peer Review Board. If he misuses the information disclosed by PU, he may be subject to disciplinary action by the Institute.

Q13 Whether all PUs will be subjected to peer review?

The peer review process in India has been introduced in two stages, namely, Stage I and Stage II . Different types of PUs are included at each stage.

Note:

- (i) Any Practice Unit not selected for Peer Review, may *suo motu* apply to the Board for the conduct of its Peer Review. The Board shall act upon the same within 30 days from the date of receipt of such request.
- (ii) An auditee (client) may request the Board for the conduct of Peer Review of its auditor (Practice Unit). The Board shall act upon the same within 30 days from the date of receipt of such request.
- (iii) The Board may with the approval of the Council, modify any of the above criteria.

Q14 Are audit assurance services provided under tender covered under review?

Yes, as per Board decision, audit assurance services provided under tender have been brought within audit of assurance services.

Q15 If I have been peer reviewed can I disclose this on my website?

Only the fact of being Peer Reviewed can be stated. However, neither the certificate nor the Peer Review Report could be given on the website.

Q16 How will a PU be selected for review?

At each stage of peer review, certain PUs, satisfying the criteria laid down in the Statement, would be selected for peer review on a random sample basis. The Board is empowered to decide the proportion of

PUs to be included in the selection during each phase of implementation.

A PU may also, *suo motu*; apply to the Board for the conduct of its peer review. Further, an auditee concern may request the Board for the conduct of peer review of its auditor (PU).

Q17 What is the periodicity of review?

All PUs covered under Level-I shall be subjected to mandatory review once in a block of three years. However, if the Board so decides or otherwise at the request of the PU, the peer review can be conducted at shorter intervals in respect of PUs falling under Level I. However, PUs falling under Level II may be subjected to review every four years.

Q18 What action to be taken if Practice Unit moves up/down from level-2 to level-1 and vice versa?

Regarding validity of Peer Review Certificate, if the Practice Unit is covered under Level II of Peer Review, then it shall be subjected to mandatory review once in a block of four years. The Four year period shall be counted from the date of issue of Peer Review Certificate and not from the period covered under Peer Review. However, if the firm is having audit of listed entity or any other audit carried out by Level I entity at any point of time, the firm must update the status with Peer Review Board and undergo voluntary second cycle Peer Review once in every three years from the date of issue of earlier certificate. Further if sample size is less than minimum, then certificate for validity of one year is issued by the board.

Q19 What are the obligations of a PU?

Any person, being a partner/sole proprietor or any person employed by/whose services are engaged by the PU, shall,

- Submit duly filled declaration form for the Peer Review period given by the Board.
- Practice Unit to submit duly filled in Questionnaire for the Peer Review Period allotted to the Reviewer after confirmation of his appointment. Chapter 3 of the Manual contains the Questionnaire .. Practice Unit is requested to carefully, fill in the same in as detailed a manner as possible, and send it to the selected Reviewer.

- After the Board receives the Declaration of Confidentiality along with the acceptance of the reviewer, the Board intimates the Practice Unit and Reviewer to start the process of review and the Practice Unit should then submit the filled in Questionnaire to the Reviewer.. (Any report received by the Board prior to receipt of reviewer's acceptance and declaration, will be considered *void-ab-initio* and will not be accepted by the Board.) The Questionnaire will enable the Reviewer to decide whether he needs any further information or he can commence the review work, from a mutually convenient date.
- Whenever there is a change in contact details/Email Ids Practice Unit to intimate the same to the Board.
- Produce to the Reviewer, or afford him access to, any records or documents considered relevant by him within reasonable time.
- Provide explanation or further particulars as specified by the Reviewer.
- Provide to the Reviewer all assistance in connection with the conduct of peer review.
- Provide information in legible form. If information is in any language other than in English, then provide a suitable translation in English, if requested by the Reviewer. The Practice Unit shall be responsible and accountable for the accuracy and truthfulness of the translation so provided.
- Provide the Reviewer access to all documents relevant to his review no matter in which office of the Practice Unit these documents may be available in case the practice unit has more than one office. If the turnover from assurance services in any branch of the PU is more than Rs. 25 lakhs, the Reviewer has to compulsorily select at least 1 sample from such branch. The PU should assist the Reviewer accordingly.
- Allow the Reviewer to inspect, examine or take any abstract of or extract from a record or document. However, in order to ensure the confidentiality of the contents of the client's file with the PU, the Reviewer shall not make copies or extracts of any

document from the client's files reviewed by him, or of any client records acquired by him while conducting peer review, as part of his working papers, or otherwise.

Q.20. What are the consequences if a PU that falls under Level I does not apply to the Peer Review Board?

As filing of declaration by PUs is a mandatory requirement as per the Statement on Peer review, non-compliance with it shall amount to professional/other misconduct, as defined under Section 21/22 of the Chartered Accountants Act, 1949.

Q.21. Can a PU refuse to get itself Peer Reviewed?

No. Once a firm has been selected by the Board for Peer Review, it is the obligation of the firm to comply with the same.

Q.22. Can a PU opt for a Reviewer from outside the State/region of his operation?

Yes, PU can make a specific request to the Board, along with reasons, within the time limit mentioned in the intimation letter to the PU, for opting for a Reviewer from outside the State/region of its operation. The PU can request for peer review of branch where the major activity for assurance services are rendered or the turnover is high.

Note: Peer Review visits will be conducted at the Practice Unit's head office or /and branch(es) or any other locations. This on-site Review should not extend beyond seven to fifteen working days based on the size of the Practice Unit. Information to be provided by the Practice Unit in response to the questionnaire should be for the head office as well as all branches of the Practice Unit. With reference to the questionnaire, it may be noted that if the Practice Unit maintains a register of its assurance clients with a system of numbering, then instead of providing names of its clients, it may choose to provide the client numbers/code.

Where a practice unit has a head office at one location and branches or offices at other locations, it would be within the reviewer's scope to examine the quality controls at all such locations. Further, where a branch is located in a different city/town, the reviewer is advised to visit, if the Branch turnover from assurance services is more than Rs. 25,00,000. However in respect of branches having turnover less than

Rs.25,00,000 the reviewer shall have freedom to arrange, in consultation with the Practice Unit, for documents, related records and related personnel to be brought to head office and examine them centrally.

Q.23. What if constitution of Firm changes, during the Peer Review Period?

If the constitution of a firm changes from proprietorship to partnership or vice – versa or the constitution of partnership firm changes, while the firm's registration number remains same, Peer Review initiated/carried out at proprietor's name/proprietary concern/partnership firm, shall be valid for the newly constituted firm. However, if there is change in f registration nos. of proprietary concern and newly constituted partnership firm, both will be considered as different entities and thus will have to be Peer Reviewed separately and the Peer Review Certificate issued in the name of the original firm will be invalid from the date of dissolution of the firm.

Q.24. How is peer review conducted?

Peer Review is conducted in three stages, namely, Stage I - Planning, Stage II - Execution and Stage III - Reporting.

Q.25. What are the steps involved in the Planning Stage?

- A firm may apply for voluntary Peer Review by submitting duly filled declaration/application form (Standard Performa). On receipt of declaration form from the Practice Unit, the request for voluntary Peer review is processed.
- The Board will also suo motu initiate the Peer Review process for Practice Units whose next cycle of Peer Review is due six months prior to the expiry of the validity of the last issued certificate if the Practice Unit has itself not applied for its Peer Review. A new declaration has to be submitted by the Practice Unit for every cycle of its Peer Review.
- The Board based on specific information received from Secretary, ICAI or any other Committee of the Institute including Disciplinary Directorate or any other Regulator , which in the opinion of the Board requires a special review of the Practice Unit, may conduct a special review of the Practice Unit.

- A pool of trained reviewers (city wise) is maintained by the Board.
- Names (with address) of three local reviewers are randomly selected and their acceptance is taken by the Board to conduct the Peer Review of the Practice Unit. On seeking their acceptance, the panel of three reviewers is allotted to a Practice Unit to select one from the three.
- Intimation: for initiation of review by e-mail is sent by the Board to the PU for initiating Peer Review, along with panel of 3 reviewers from whom the Board has already taken acceptance, a copy of questionnaire and notification for Peer Review fees.
- Once a PU selects one reviewer from the panel provided and communicates the same to the Board (as per Statement on Peer Review, PU is required to intimate to the Board), letter of appointment is sent to the reviewer for his acceptance.. After receiving intimation from the Board, the reviewer has to convey his acceptance/non acceptance to the Board. If the reviewer agrees to accept the assignment, he will send the same along with duly signed declaration of confidentiality; he may also take assistance of one qualified assistant to conduct peer review under intimation to the board and after filing the signed declaration of confidentiality of the assistant. Acceptance of reviewer would be communicated to PU with a request to send duly filled questionnaire (pertaining to the relevant three years covered under review) to the reviewer directly with a copy to Peer Review Board, so as to enable the reviewer to select sample from the questionnaire for review.
- Peer Review process is of 90 days duration in total at present and time interval for each of the various processes have been specified in the illustrative time schedule. After visiting the PU office, if the reviewer is satisfied with the PU records & documentation, he may issue a clean final report to the PU and sent report to the Board. However, if the reviewer has found major irregularities, he will issue qualified report. Further, a preliminary report is issued when some deficiencies are pointed out by the reviewer and a clarification of the same from the

Practice Unit is desired. If the reviewer is satisfied with the response of the PU to the preliminary report, he may issue a clean final report thereafter. However, the Reviewer is required to discuss the findings of the review with the PU and thereafter submit his report to the Board after consideration of the representation of the PU.

Q.26. Is it necessary to reveal the names of all assurance clients to the Reviewer?

Yes, complete list of assurance clients is to be provided for the Peer Review Period by Practice Unit in Part A of Questionnaire-Point 30A to 30R. PU may mention the unique code number as per client register, instead of client name.

Q.27. Should an assurance engagement that has been the subject matter of disciplinary proceedings be made available to the Reviewers?

No, the Reviewers are free to select samples for review as per the information provided to them vide the Questionnaire. The PU should not, in any way, influence the Reviewer in selecting engagements for review.

Q.28. What kind of records should a PU maintain?

A PU should maintain documentation in accordance with the requirements of SA 230, "Documentation". The records should, preferably, be classified as mandatory records and recommendatory records.

Q.29. What are the mandatory records that must be maintained by a PU?

Mandatory records are stated in 'Standard on Auditing' SA 230, "Documentation", which is a mandatory Standard on Auditing. Apart from the general criteria for the quality and contents of working papers, the Standard lists what the permanent audit file and current audit file may normally contain.

Q.30. What are the minimum recommendatory records that may be maintained by a PU?

The PUs may maintain minimum recommendatory records for the following:

- (i) Profile of the PU should be bifurcated into information relating

to,

- (a) Partners and constitution of the firm;
- (b) Staff including qualified members of the Institute and other professional bodies; and
- (c) Articled clerks.

The reviewer while performing the review should examine whether the file is maintained properly and is regularly updated for any changes.

- (ii) List of Clients
- (iii) Staff Files
- (iv) Manual of policies and procedures for:
 - (a) acceptance of an engagement and appointment letter duly authorized in writing is received
 - (b) skills and competence for particular type of engagement
 - (c) the manner of assignment and delegation of authority and responsibility for different kinds of engagement
 - (d) the procedure for consultation
 - (e) policy for retention of clients
 - (f) guidelines for monitoring the engagement; and
 - (g) policies regarding direction and supervision of the engagement.

Q.31. Which PUs are covered under Level I?

A Practice Unit which has undertaken any of the under-mentioned assurance services in the period under review:

- (i) Central Statutory Audit of Public Sector Banks, Private Sector Banks, Foreign Banks, Cooperative Banks and Public Financial Institutions.
- (ii) Central Statutory Audit of Central or State Public Sector Undertakings and Central Cooperative Societies based on criteria such as turnover or paid up capital etc. as may be

decided by the Board.

- (iii) Central Statutory Audit of Insurance Companies.
- (iv) Statutory Audit of asset management companies or mutual funds.
- (v) Statutory Audit of enterprises whose equity or debt securities are listed in India or abroad.
- (vi) Statutory audit of any body corporate including trusts which are covered under public interest entities.
- (vii) Statutory Audit of entities which have raised funds from public or banks or financial institutions of over Fifty Crores rupees during the period under review.
- (viii) Statutory Audit of entities which have raised donations and / or contributions over Fifty Crores rupees during the period under review.
- (ix) Statutory Audit of entities having Net Worth of more than Two hundred and Fifty Crores rupees at any time during the period under Review.
- (x) Statutory Audit of entities which have been funded by Central and / or State Government(s) schemes of over Fifty Cores rupees during the period under Review.
- (xi) Statutory Audit of Non – Banking Financial Companies (NBFCs) as may be defined by the Board.
- (xii) Central Statutory Audit of Regional Rural Banks.
- (xiii) Statutory Audit of parent, subsidiary, associate, and joint venture of above entities.

Q.32. Which PUs are covered under Level II?

A Practice Unit which has undertaken any of the under-mentioned assurance services during the period under review:

- (i) Statutory/internal/concurrent/systems/tax audit and/or departmental review of branches/offices of
 - (a) Public sector undertakings

- (b) Public sector or private sector and / or Foreign Banks;
- (c) Insurance companies;
- (d) Co-operative Banks;
- (e) Regional Rural Banks;
- (ii) Statutory Audit of Non – Banking Financial Companies (NBFCs) as may be defined by the Board.
- (iii) Statutory Audit of entities having net worth of over Five Crores rupees or an annual turnover of more than Fifty Crores rupees during the period under Review.
- (iv) UDIN's generated by the Practice Units more than the specified number determined by the Board from time to time.
- (v) Statutory Audit of entities which have raised funds from public or banks or financial institutions of more than Twenty Five Crores rupees but less than Fifty Crores rupees during the period under Review.
- (vi) Any other Practice Unit providing assurance or any other services not covered under (i), (ii), (iii), (iv) and (v) hereinabove.

Q.33. Who is qualified to perform the functions of a Reviewer?

A Reviewer -,

- (i) Shall be a member in Practice , with at least 10 years' experience in practice for Level I entities as referred to in Para 11 of the Statement and 7 years of experience for Level II entities as referred to in Para 11 of the Statement on Peer Review.
- (ii) In case a member has moved from industry to practice and is currently in practice, he should have at least 15 years of experience in industry and at least 5 years experience in practice, for Level I entities as referred to in Para 11 of the Statement and an experience of at least 10 years in industry and at least 3 years experience in Practice for Level II entities as referred to in Para 11 of the Statement on Peer Review.
- (iii) Should have undergone the requisite training and cleared requisite test for Peer Review as prescribed by the Board (once in five years)

- (iv) Should have conducted audit of Level I entities for at least 7 years or got his entity audited for at least 7 years which should be a Level I entity to be eligible for conducting Peer Review of Level I entities as referred to in Para 11 of the Statement on Peer Review.
- (v) Should furnish a declaration as prescribed by the Board, at the time of acceptance of Peer Review appointment
- (vi) Should have signed the declaration of confidentiality as prescribed by the Board.

For being a Reviewer a member should not have:

- (i) Disciplinary action / proceedings pending against him
- (ii) Been found guilty of professional or other misconduct by the Council or the Board of Discipline or the Disciplinary Committee at any time
- (iii) Been convicted by a competent court whether within or outside India, of an offence involving moral turpitude and punishable with imprisonment
- (iv) Any obligation or conflict of interest in the Practice Unit or its partners /personnel.

The Reviewer shall not accept any professional assignment from the Practice Unit for a period of two years from the date of appointment. Further, he should not have accepted any professional assignment from the Practice Unit for a period of two years before the date of appointment as reviewer of that Practice Unit.

Audit experience of 10/7 years stipulated by the Manual need not be continuous but cumulative; but any block of less than 2 years' experience in determining cumulative experience shall not be counted.

Q.34. How to apply for empanelment as a Reviewer?

Members fulfilling the criteria laid down under Para10 of the Statement on Peer Review may empanel at any time by applying in the prescribed form. The empanelment form may be downloaded from the Institute's website: www.icai.org, available at the following link:

<https://resource.cdn.icai.org/55154prb44301emp.pdf> for it may be obtained from the office of the Board at

'ICAIBhawan',
Hostel Block, 2nd Floor,
A-29, Sector 62, NOIDA 201309
Dist- Gautam Budh Nagar (UP)

Q.35. What are the common errors committed while filling the empanelment form?

Commonly noticed mistakes are...

- Associate date and Fellow date not mentioned at Point Nos. 10 and 11 of the empanelment form].
- Audit and assurance services work experience not mentioned properly with respect to the following [Point No. 12 of the empanelment form]:
- Not as per the format. It is given in the form of resume, or experience of firm. Experience of the specific member applying for empanelment only is required in the prescribed format.
- Working since (in the firm) and working as (position in the firm) not mentioned. It is given as not applicable/blank whereas individual's duration of work in the firm and position occupied whether as employee/proprietor/partner is required from the date of enrolment as Associate/ Fellow Members.
- Number of partners, number of paid chartered accountants and date of constitution of firm not mentioned.
- Articleship experience is mentioned. Audit experience as a member of the Institute is required.
- Major work handled not mentioned properly. [Point no. 17 of the empanelment form].
- Not as per the format.??? What
- Name of clients, level of responsibility, turnover, audit fees and type of audit not mentioned including experience in audit assurance services provided under tender. All the details are required for each client.
- Level of responsibility, turnover and audit/assurance fees not specified as per the codes given in the form.

- Experience in financials filed in XBRL format is not mentioned.
- No. of tax audit reports signed not mentioned.

Q.36. Does empanelment as a Reviewer guarantee allotment of peer review work?

No, review work will be allotted to those Reviewers whose experience matches with the attest functions performed by the PUs. This is necessary, as it will ensure that there is no mismatch between the audit including tendering experience of the Reviewer and the PU.

As per Clause 10.3 (i) of the Statement of Peer Review, a member will not be eligible to be a Reviewer if there is disciplinary action/proceedings pending against him. Reviewer has to intimate the Board in case any disciplinary proceeding is initiated against him, otherwise Board will consider the matter as non-compliance by the Reviewer under the provisions of the Statement on Peer Review and the Board may direct that the reviewer's name be removed from the panel with immediate effect and no further assignments be allotted till the conclusion of the disciplinary proceedings.

Q.37. Can a Reviewer decline an assignment under any circumstances?

A reviewer may decline the assignment in case of conflict of interest between the Reviewer and the PU, after informing the Board and stating reasons as to why he cannot take up the assignment. Such a situation may arise when the Reviewer's independence is likely to be compromised due to any reason, including his past association with the persons connected with the PU to be reviewed. A reviewer may also decline the assignment on account of ill-health and/or his other pre-occupations etc.

Q.38. Can a Reviewer take assistance in the conduct of review?

The Reviewer may take help of only one qualified assistant. The assistant should,

- (a) be a Member of the Institute
- (b) not be disqualified under the Chartered Accountants Act, 1949
- (c) has been a partner or employee of the Reviewer for at least one year

- (d) sign and submit the declaration of confidentiality before starting the review and
- (e) shall have no direct interface either with the Practice Unit or the Board and should be from the Practice Unit firm and has been working with him for atleast one year as a Member in practice.

Finally, the Reviewer must submit consent and declaration of confidentiality to the Board before the commencement of the peer review. It may be noted, such qualified assistant shall not have direct interface either with the PU or the Board. Reviewer to submit the name of the qualified assistant services used against point 4 of Annexure-I of the Final Report.

Q.39. Can a qualified assistant sign of behalf of Reviewer?

No, only Reviewer in his individual capacity should sign and submit the Report along with Annexure-I & Annexure-II.

Q.40. What are the other criteria for selection of sample for review to be considered before selecting samples?

Evaluation of the general controls as submitted by the Practice Unit in the Questionnaire, would help the reviewer in determining the appropriate selection of sample (keeping in mind minimum samples to be selected, category-wise, as prescribed by the Board). However the Statement emphasises that the number of assurance services engagements to be reviewed in a sample shall depend upon the following :

- (i) Its size and nature
- (ii) Generally prevailing standards of quality control
- (iii) Methodology adopted by PU
- (iv) Number of partners/members involved
- (v) Number of locations / branch offices
- (vi) Fees charged

It is also to be noted that the reviewer may reduce or enlarge the initial sample.

Sample size

Handbook on Advisories

A. *Minimum sample size for L1 and L2 Practice Units to obtain certificate having validity of 3 and 4 years respectively*

Minimum sample size to be selected is based on Average gross receipts/ Revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review as per the following –

<i>Average gross receipts/ Revenue from assurance service Clients of Practice Unit (per annum) for the period under review</i>	<i>Minimum sample size for L1 firms</i>	<i>Minimum sample size for L2 firms</i>
Upto Rs. 5 crore p.a.	10	8
From Rs 5 crore p.a. to 10 crore p.a	15	10
From Rs. 10 crore p.a to Rs. 20 crore p.a.	20	15
From Rs. 20 crore p.a to Rs. 30 crore p.a.	25	20
Above Rs. 30 crore p.a.	30	25

Note: It may be noted that if minimum sample criteria is not satisfied either for L1 or L2 then a certificate with validity of 1 year would be issued irrespective of level of the firm.

B. *For newly established firms (existence of firm between 1-3 years) :*

Minimum 5 (Five) samples to be selected. Three year validity certificate to be issued to the said newly established firm , irrespective of levels defined in the Statement on Peer Review. If minimum sample criteria is not satisfied then one year certificate to be issued i.e. sample size '03 to 04'.

For newly established firms (less than 1 year):

Minimum 3 (Three) samples to be selected. One year validity certificate to be issued to the said newly established firms, irrespective of levels defined in the Statement on Peer Review. On completion of 1 year validity certificate, the firm can reapply *suo motu* for review of their firm and on review one year certificate is to be issued unless the existence of firm is 3 years or more and a certificate for full validity period can be issued on completion of review of 3 years.

Other points to be considered by the Reviewer while selecting the sample

- (i) If average gross receipts of PU are more than Rs. 50 Lakh then the Reviewer has to select minimum 10% of sample-assurance service/s from each category from Clause 30 A to Q.of H.O. and its branch/es, if any, of Part A of the Questionnaire.
- (ii) Sample chosen should compulsorily include that assurance engagement assignment which has the highest turnover among the population.
- (iii) One sample mandatory of assurance services provided on tender.
- (iv) Samples from assurance services provided at branch if its turnover is more than the turnover at the Head office, and / or the turnover of assurance services from the branch is more than Rs. 25 lakhs.
- (v) At least one sample from each category 30 A to R has to be selected and at least 1 sample from each '*type of Assurance engagement*' should be selected.
- (vi) If sample size is less than minimum, then 100% selection has to be done, compulsorily and the fact intimated to the Board. However, if minimum sample criteria is not satisfied either for L1 or L2 or newly established Practice Units then a certificate with validity of 1 year would be issued irrespective of level of Firm.
- (vii) Sample selected should be representative of total population of assurance services.

Note: The Peer Review Board reserves the right to ask for working papers from Reviewer for particular Peer Review as specified in the Statement on Peer Review.

Q.41. What is the cost of peer review and who shall bear it?

In exercise of powers vested in the Peer Review Board by the Statement on Peer Review, the Board has notified the fees of Peer Review for Level-I and II including honorarium and TA/DA for reviewer and his qualified assistant asunder:

Handbook on Advisories

<i>Average gross receipts/ Revenue from assurance service clients of practice unit (per annum) for the period under review</i>	<i>Fees</i>
Less than Rs 10 lacs p.a.	Rs 15,000/-
From Rs 10 lacs to 50 Lacs p.a.	Rs 25,000/-
From Rs 50 lacs to 1 crore p.a.	Rs 40,000/-
From Rs 1 crore to 3 crore p.a.	Rs 60,000/-
From Rs 3 crore to 5 crore p.a.	Rs 75,000/-
From Rs 5 crore p.a to Rs. 10 crore p.a.	Rs 1,50,000/-
From Rs. 10 crore p.a to Rs. 20 crore p.a.	Rs. 2,00,000/-
From Rs. 20 crore p.a to Rs. 30 crore p.a.	Rs. 3,00,000/-
Above Rs. 30 crore p.a.	Rs. 5,00,000/-

The cost of peer review is to be borne by the firm

Further Consolidated fees of Peer Review is paid by the Practice Unit to the reviewer for the *total period reviewed and not for the per year basis*. The total revenue from the assurance services for the three financial years shall be clubbed and average of the same would be taken to arrive at the fee payable which shall be as per the above table.

The fees of Peer Review including the limit of out of pocket expenses payable to the Reviewer shall be decided by the Board from time to time and shall be paid by the Practice Unit. In case Reviewer has to conduct “follow-on” review, the same rates would apply .. The amount shall be paid by the Practice Unit within 15 days of receipt of the bills from the Reviewer.

Q.42. Is payment of honorarium to be made through the Board?

No, the PU directly pays the honorarium to the Reviewer, by crossed account payee cheque/demand draft within 15 days of receipt of the bills from the Reviewer. Proof of receipt of fees is to be submitted to the Board for issuance of the Peer Review Certificate.

Q.43. Is GST applicable in case of Peer Review?

GST is payable by the Reviewer for the peer review fees received by him (if applicable). The peer reviewer is appointed in his individual capacity. Therefore all communications with the Board should be made in the name of the Reviewer. Fees will be paid by the PU to the Reviewer. Therefore, to avail of GST credit, the GST number of the reviewer and not of the firm should be used.

Q.44. On what basis does the Reviewer decide number of assurance engagements including tendering service engagements to be reviewed?

The number of assurance (including tendering) service engagements to be reviewed would depend upon the size of the PU, degree of reliance that can be placed on general quality controls and the total number and variety of assurance (including tendering) services engagements undertaken by the PU during the period under review. However, keeping the time constraints in mind, it might not be advisable to select a very large sample, though it should be representative of the PU's client portfolio. Minimum number of samples to be reviewed is prescribed by the Board.

Q.45. How does a Reviewer select assurance service engagements to be reviewed?

The Reviewer is required to select on a random basis, depending on the level of the Practice Unit firms, an initial sample for review from the complete list of assurance service engagement clients of the PU. He may select the sample on the basis of the information given in the questionnaire and after seeking such other information from the PU as he considers necessary to facilitate the selection. The engagements to be reviewed should be a balanced sample from a variety of different-sized clients covering various entities so that they reflect the overall performance of a PU.

The Reviewer may modify the initial sample selected for review, in consultation with the PU and the Peer Review Board, at the execution stage. This further refinement of initial sample is done by the reviewer on the basis of information and knowledge that he gains during the course of initial meeting and by performance of compliance review of the five general controls within the PU. Ordinarily, further refinement would involve a reduction of the initial sample to a smaller, actual sample for review, and not selection of new engagements not included

in the initial sample.

List of sample selected and basis of sample selection

A. *Minimum sample size for L1 and L2 Practice Units to obtain certificate having validity of 3 and 4 years respectively*

Minimum sample size to be selected is based on average gross receipts/ revenue from assurance service clients of Practice Unit (per annum) for the period under review as per the following –

<i>Average gross receipts/ Revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review</i>	<i>Minimum sample size for L1 firms</i>	<i>Minimum sample size for L2 firms</i>
Upto Rs. 5 crore p.a.	10	8
From Rs 5 crore p.a. to 10 crore p.a	15	10
From Rs. 10 crore p.a to Rs. 20 crore p.a.	20	15
From Rs. 20 crore p.a to Rs. 30 crore p.a.	25	20
Above Rs. 30 crore p.a.	30	25

Note: It may be noted that if minimum sample criteria is not satisfied either for L1 or L2 then a certificate with validity of 1 year would be issued irrespective of level of Firm.

B. *For newly established firms (existence of firm between 1-3 years) :*

Minimum 5 (Five) samples to be selected. Three year validity certificate to be issued to said newly established firm , irrespective of levels defined in the Statement on Peer Review. If minimum sample criteria is not satisfied then one year certificate to be issued i.e. Sample size '03 to 04'.

For newly established firms (less than 1 year):

Minimum 3 (Three) samples to be selected. One year validity certificate to be issued to said newly established firms, irrespective of levels defined in the Statement on Peer Review. On completion of 1 year validity certificate, the firm can reapply *suo motu* for review of

their firm and on review one year certificate is to be issued unless the existence of firm is 3 years or more and a certificate of full validity period can be issued on completion of review of 3 years.

Other points to be considered by the Reviewer while selecting the sample

- (i) If average gross receipts of PU are more than Rs. 50 Lakh then Reviewer has to select minimum 10% of sample- assurance service/s from each category from Clause 30 A to Q. of H.O. and its branch/es, if any, of Part A of the Questionnaire copy.
- (ii) Sample chosen should compulsorily include that assurance engagement assignment which has the highest turnover among the population.
- (iii) One sample mandatory of assurance services provided on tender.
- (iv) Samples from assurance services provided at branch if such turnover is more than the turnover at the Head office, and/ or the turnover of assurance services from the branch is more than Rs. 25 lakhs.
- (v) At least one sample from each category Clause 30 A to R has to be selected and at least 1 sample from each '*type of assurance engagement*' should be selected.
- (vi) If sample size is less than minimum, then 100% selection has to be done, compulsorily and the fact intimated to the Board. However, if minimum sample criteria is not satisfied either for L1 or L2 or newly established Practice Units then a certificate with validity of 1 year would be issued irrespective of level of Firm.
- (vii) Sample selected should be representative of total population of assurance services.
- (viii) Reviewer is advised to submit explanation on Points 2(j) to 2(t) of Part B of the Questionnaire if reply is in the affirmative.

Q.46. Will assurance functions in respect of smaller clients also be subjected to Peer Review?

Yes. There is no provision in the Statement on Peer Review restricting

the assurance functions to be reviewed, according to the size of the clients.

Q.47. What are the steps involved in the execution stage?

Briefly, steps involved in the execution stage are:

- On-site visit arranged by mutual consent between the reviewer and the reviewee which should not extend beyond 7 to 15 working days based on the size of practice unit.
- At the initial meeting, the accuracy of responses to questionnaire is confirmed and the reviewer seeks to obtain a full understanding of the system, to form a preliminary evaluation of its adequacy.
- A compliance review of five “general controls” (independence, maintenance of professional skills and standards, outside consultation, staff supervision and development and office administration) is then carried out.
- Refinement of the initial sample selected for review, in consultation with the PU. The refinement of initial sample is done on the basis of the initial meeting and compliance review of the five general controls.
- Review of records:
 - By compliance approach or substantive approach or a combination of both.
 - If compliance approach is adopted, the six “key controls” shall be reviewed (assurance services records for administration, financial statements presentation and disclosures, review and evaluation of system of internal controls, substantive tests, assurance services conclusions and assurance services reporting).
 - If the substantive approach is adopted, a detailed examination of the selected files shall be made to cover areas given in the “Illustrative checklist of audit programme of a Reviewee ” to be found in Paragraph 8 of the Peer Review Manual.

Q.48. Are the branches of large firms under the purview of Peer Review?

Where a practice unit has a head office at one location and branches or offices at other locations, it would be within the reviewer's scope to examine the quality controls at all such locations. Further, where a branch is located in a different city/town, the reviewer is advised to visit, if the branch turnover from assurance services is more than Rs. 25,00,000. However in respect of branches having turnover less than Rs.25,00,000 the reviewer shall have freedom to arrange, in consultation with the Practice Unit, for documents, related records and related personnel to be brought to head office and examine them centrally.

Q.49. Can a Reviewer visit client(s) of the PU?

No, he cannot, under any circumstances, communicate with or visit the client(s) of the PU.

Q.50. Can a Reviewer take extracts of PU's client(s) file?

No. The Reviewer may have access to, or take abstracts of the records and documents maintained by the PU in order to carry out the review work at PU's office, but in order to ensure the confidentiality of the contents of the client's file with the PU, the Reviewer shall not make copies or extracts of any document from the client's files reviewed by him, or of any client records acquired by him while conducting peer review, as part of his working papers, or otherwise.

Q.51. What are the steps involved in the reporting stage?

Briefly, the steps involved in the reporting stage are:

- After visiting the PU office, if the reviewer is satisfied with the PU records & documentation, he may issue a clean final report to the PU and send report to the Board. However, if the reviewer has found major irregularities, he will issue qualified report. Further, a preliminary report is issued when some deficiencies are pointed out by the reviewer and a clarification of the same from the Practice Unit is desired. If the reviewer is satisfied with the response of the PU to the preliminary report, he may issue final clean report thereafter. However, the Reviewer is required to discuss the findings of the review with the PU and thereafter submit his report to the Board after consideration of the

representation of the PU.

- PU should respond to the preliminary report within 10 days.
- If the Reviewer is satisfied with the response of the Practice Unit, he issues 'clean report'. But if he is not satisfied with the response of Practice Unit to the preliminary observations/queries raised by Reviewer, Reviewer shall issue a 'qualified report'.
- The Board considers the final report (clean or qualified) and if satisfied, issues Peer Review Certificate.
- The Board if not satisfied, may issue recommendations to the PU and direct for further / follow up review.
- The Board may suggest a follow on review after a period of one year or 6 months from the date as per the Board's direction.
- Follow-on review ordered on or after April, 2009 should be carried out by a reviewer other than the one who carried out the review initially. Further, the Practice Unit is required to pay requisite fees to previous reviewer who had qualified the report as well as to the follow on reviewer in such circumstances.
- Practice Unit is intimated/informed that it has to inform the Board for the rectification of the deficiency/ies, reported in qualified report by Reviewer, within specified period - which may be either 6 months or one year, from the date of Board Meeting in which qualified report was placed.
- After intimation from Practice Unit/ or on *suo-motu* by the Board, after expiry of specified period, the Board initiates the follow on review for period/s, immediately succeeding the previous Peer Review period in which the report was qualified by Reviewer.
- The follow-on Reviewer is provided a copy of the qualified report of the previous reviewer, who had issued the qualified report.
- If the Reviewer is satisfied with the PU's response to the preliminary report, he submits final report to the Board with a copy to the PU. Final report should be accompanied by preliminary report, PU's submissions thereon and point-wise

verification of Reviewer to Practice Unit response on preliminary report.

- The Board considers the follow on review report and if satisfied, issues Peer Review Certificate.
- The final report to be submitted to the Board should also contain all Annexures forming part of it. The Annexures are available on the Institute's website: www.icaai.org and at Appendix of Peer Review Manual. Annexure I and Annexure II have been made compulsory for both Level I and Level II firms w.e.f. 17.03.2017.
- The Reviewer is required to submit reasons fthe or delay in the submission of final report & other documents, if request for extension of period of review was not applied for by Reviewer/Practice Unit earlier.

Note: Before submitting the acceptance for Peer Review, the Reviewer to take note of Clause 10 'Eligibility to be a Reviewer', as given in Statement of Peer Review.

Q.52. What documents are to be submitted after the conclusion of the Peer Review process?

PU to submit representation to reviewer- Reviewer is satisfied with PU response on Preliminary Report along with Point wise justification and basis of arriving at opinion/conclusion for issuing clean report

On completion of the Review, Reviewer has to submit, the undermentioned documents alongwith reasons of delay in submission, if any:-

1. Final Report

Along with Annexure I
, (https://www.icaai.org/post.html?post_id=16417), to the
Chairman PRB) *The peer review assignment is assigned to an individual peer reviewer and therefore, only individual reviewer's letter head, stamp and other stationery should be used.*

2. Annexure II
(<http://resource.cdn.icaai.org/36414annexII130115prb.pdf>)

3. List of sample selected & basis of sample selection. (Sample

selection criteria is stated here under):

A. *Minimum sample size for L1 and L2 Practice Units to obtain certificate having validity of 3 and 4 years respectively*

Minimum sample size to be selected is based on average gross receipts/ revenue from assurance service clients of Practice Unit (Per Annum) for the period under review as per the following –

<i>Average gross receipts/ Revenue from assurance service Clients of Practice Unit (per annum) for the period under review</i>	<i>Minimum sample size for L1 firms</i>	<i>Minimum sample size for L2 firms</i>
Upto Rs. 5 crore p.a.	10	8
From Rs 5 crore p.a. to 10 crore p.a	15	10
From Rs. 10 crore p.a to Rs. 20 crore p.a.	20	15
From Rs. 20 crore p.a to Rs. 30 crore p.a.	25	20
Above Rs. 30 crore p.a.	30	25

Note: It may be noted that if minimum sample criteria is not satisfied either for L1 or L2 then a certificate with validity of 1 year would be issued irrespective of level of firm.

B. *For newly established firms (existence of firm between 1-3 years) :*

Minimum 5 (Five) samples to be selected. Three year validity certificate to be issued to said newly established firm , irrespective of levels defined in the Statement on Peer Review. If minimum sample criteria is not satisfied then one year certificate to be issued i.e. sample size '03 to 04'.

For newly established firms (less than 1 year):

Minimum 3 (Three) samples to be selected. One year validity certificate to be issued to said newly established firms, irrespective of levels defined in the Statement on Peer Review. On completion of 1 year validity certificate, the firm can reapply

suo motu for review of their firm and on review one year certificate is to be issued unless the existence of firm is 3 years or more and a certificate of full validity period can be issued on completion of review of 3 years.

Other points to be considered by the Reviewer while selecting the sample:

- (i) If the average gross receipts of PU are more than Rs. 50 Lakh then Reviewer has to select minimum 10% of sample- assurance service/s from each category from Clause 30 A to Q. of Part A of the Questionnaire in respect of H.O. and its branch/es, if any,
 - (ii) Sample chosen should compulsorily include that assurance engagement assignment which has the highest turnover among the population.
 - (iii) One sample mandatory of assurance services provided on tender.
 - (iv) Samples from assurance services provided at branch if such turnover is more than the turnover at the Head office, and/ or the turnover of assurance services from the branch is more than Rs. 25 lakhs.
 - (v) At least one sample from each category of Clause 30 A to R of the Questionnaire has to be selected and at least 1 sample from each *type of assurance engagement* should be selected.
 - (vi) If sample size is less than minimum, then 100% selection has to be done, compulsorily and the fact intimated to the Board. However, if minimum sample criteria is not satisfied either for L1 or L2 or newly established Practice Units then a certificate with validity of 1 year would be issued irrespective of level of Firm.
 - (vii) Sample selected should be representative of total population of assurance services.
4. Preliminary Report if issued, PU's submissions & reviewer's verification thereon.
5. Basis of reaching to the conclusion in the final report.

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6. Completed copy of Peer Review Questionnaire received from Practice Unit(<http://resource.cdn.icaai.org/28284prb17887.pdf>).

Reviewer is advised to pay attention to *Point 2 (j) to 2(t) of Part B* of the Questionnaire and submit explanation received from PU, if reply is in the affirmative to the said points.

A copy of the final report along with Annexure I and Annexure II is to be sent to the PU also.

Q.53. What should be the duration of Peer Review Process?

The Board has formulated an illustrative time schedule of peer review process as under :

Sr. No.	Review Process	Time Schedule	Cumulative Days
1.	Peer Review Board notifies the selection of Practice Unit (PU) for Review. The PU is requested to submit the duly filled declaration (hosted on the Peer Review Page of ICAI website www. icaai.org) to the Board for confirming the Level of PU.	Day- 3	Day- 3
2	The Board selects a Panel of three Reviewers to match the Level of PU which is ascertained from the declaration submitted by the PU.	Within 2 days	Day 5
3	The Board seeks acceptance from the Reviewers for undertaking the Peer Review of the Practice Unit.	Within 2 days	Day 7
4	After receiving confirmation from the three reviewers, a Panel of three reviewers is sent to PU, along with (a). Questionnaire and attachment for (b). Notification of Peer Review fees.	Within 1 days	Day- 8
5.	PU to give the choice of the	Within 2	Day -10

	Reviewer.	days	
6.	A. Board to notify the reviewer (<i>3rd letter</i>) as per the choice given by PU and; Reviewer to submit his consent for accepting the review along with submission of declaration of confidentiality. Reviewer should receive the communication from the Peer Review Board and give his consent for his acceptance of Peer Review of the Practice Unit along with 1 qualified assistant, if selected and the duly signed declaration of confidentiality within 1 week .	Within 25 days	Day- 17
.	B. The Peer Review Board to issue letter (<i>4th Letter from PRB</i>) to Practice Unit and the Reviewer confirming the appointment of reviewer - (<i>Consent of Reviewer.</i>) PU is informed that the Questionnaire, is to be sent to Reviewer selected by PU and copy of Questionnaire, sent to Peer Review Board. Note: Review should be started only after the Board receives the declaration, as above, along with the intimation and declaration of confidentiality of assistant, if any, and the Board approves the same. Approval of the Board should be obtained before the starting of the Review.		Day- 20
.	C. PU to submit completely filled up		Day- 25

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	Questionnaire (https://resource.cdn.icai.org/28284prb17887.pdf) to the Reviewer for his information . PU is informed that the Questionnaire, is to be sent to Reviewer selected by PU and copy of Questionnaire, sent to Peer Review Board.		
7.	Reviewer to call for any other information, if required after evaluation of the Questionnaire sent by the PU.	Within 5 days	Day- 30
8.	PU to provide additional information asked by the Reviewer.	Within 5 days	Day- 35
9	Reviewer to decide on the initial sample from the client list of the PU.	Within 7 days	Day- 42
10.	PU and the Peer Review Board to be notified about the sample selected by the Reviewer and advance notice to be given before visit of reviewer to PU's office.	5 days advance notice before visit of Reviewer to PU's office.	Day- 47
11	Reviewer to carry out the review by visiting the office of PU after fixing the date as per the mutual consent.	23 Days Within 70 days from date of Notification to PU	Day- 70
12.	Reviewer to send the Preliminary report to the PU for comments.	Within 5 days after completion of	Day- 75

		Review.	
13.	Practice Unit to submit representation on preliminary report to reviewer. Reviewer should be satisfied with PU response on preliminary report along with point wise justification and basis of arriving at opinion/conclusion for issuing clean report	Within 5 days	Day- 80
14.	On completion of the Review, Reviewer has to submit, the under mentioned documents duly signed in individual capacity along with reasons of delay in submission, if any: (a) Final Report along with Annexure I (https://www.icai.org/post.html?post_id=16417), addressed to Chairman, PRB (b) Annexure II (https://resource.cdn.icai.org/36414annexII130115prb.pdf) (c) List of sample selected and basis of sample selection and sample selection criteria as laid down by the Board (d) Preliminary report, if issued, PU's submissions and Reviewer's verification thereon. (e) Basis of reaching the conclusion in the final report as well as Annexure I to the Final Report. (f) Based on suggestions/observations of the Reviewer during the Peer	Within 10 days	Day- 90

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	Review process, the Reviewer to confirm whether Accounting Standards and Standard on Quality Control, as mentioned by PU in Part B of the Questionnaire, are properly implemented. (g) Completed copy of PU Questionnaire received from Practice Unit. <i>Peer Review Board Reserves the right to ask for working papers as specified in the Statement on Peer Review.</i> A copy of the final report along with Annexure I should be sent to the PU also.		
15	Board to consider issuance of Peer Review Certificate in case of clear report. In case of Qualified Report submitted by reviewer, Board to give the recommendation to PU for rectifying the deficiencies observed by Reviewer. Reviewer to submit proof of receipt of Peer Review fees in individual capacity.	In the next meeting to be held in every quarter/ Sub-Committee constituted for the purpose.	

The time period mentioned above includes the transit time for sending the reports, communication etc.

Q.54. How should a Reviewer conduct a review?

First of all, the Reviewer makes his assessment of the PU on the basis of the duly filled-in questionnaire (i.e. Parts A, B) received from the PU. The off-site review includes determination of initial sample of assurance service engagements to be reviewed and obtaining basic

understanding of quality control policies and procedures of the PU. While selecting the samples, the Reviewer has to keep in mind the requirements for selection of sample (Refer Q.45)

During the first meeting, the reviewer verifies whether information provided in the questionnaire is in conformity with the state of affairs at the PU. Next, he performs a compliance review of the five general controls to determine whether such controls do exist and are being effectively implemented.

Then, he reviews the records of the PU in respect of six key controls (by compliance approach) to assess whether policies and procedures adopted by the PU in carrying out assurance service engagements ensure compliance with the technical standards.

Finally, if the Reviewer finds the implementation of the six key controls at the PU unsatisfactory, he may employ the substantive approach to check whether the assurance service engagements has been carried out as per the technical standards.

Q.55. Can a Reviewer challenge the judgment exercised by a PU in conducting an audit?

No, a Reviewer cannot challenge the professional judgment exercised by a PU in conducting an audit, unless such judgment clearly contradicts the position stated in a technical standard.

Q.56. In respect of which matters should a Reviewer maintain working papers?

A Reviewer should document the working papers to substantiate the review performed and his findings, including matters that indicate deficiencies in the PU's policies and procedures relating to quality control and significant lack of compliance therewith.

Q.57. For how long should a Reviewer preserve working papers?

The Reviewer is required to keep working papers for a period, as prescribed by the Board, or till the PU appeals against the review before the Peer Review Board /the Council of the Institute or the date of final judgment by the Board/Council, as the case may be.

Q.58. What should be the basic elements of the Reviewer's report?

The report should contain the following:

- (a) An indication of what a system of quality control encompasses and a reference to the quality control standards.
- (b) A statement indicating that the system of quality control is the responsibility of the reviewed firm.
- (c) Scope of the peer review conducted.
- (d) Limitation(s), if any, on the review conducted with reference to the scope as envisaged in the Statement on Peer review.
- (e) A statement indicating that the review did not necessarily disclose any instance of lack of compliance with technical standards.
- (f) An opinion on whether the reviewed PU's quality controls are designed to meet the requirements of the quality control standards for assurance services and whether they were found to be operating efficiently during the period under review.
- (g) If instead of a clean report, a modified report is necessary, a description of why modification was required. The report of the reviewer should also contain suggestions.
- (h) A reference to the preliminary report.
- (i) An attachment which describes the Peer Review conducted, including an overview and information on planning and performing the review.

The report should be issued on the Reviewer's (individual) letterhead and signed by the Reviewer in his individual capacity. It should be addressed to the Peer Review Board and should be dated as of the date of the conclusion of the review. No report would be accepted unless and until reviewer is properly appointed i.e. declaration of confidentiality of reviewer and qualified assistant, if any, in the approved format, is submitted to the Board at the time of acceptance of Peer Review of respective Practice Unit and intimation of receipt of the same is communicated by the Board to the PU and the Reviewer.

Q.59. What does a clean report signify?

A clean report indicates that the Reviewer is of the opinion that the PU

is conducting its affairs in a manner that ensures the quality of services rendered by it.

Q.60. When can a Reviewer qualify his report?

A Reviewer can qualify the report due to one or more of the following:

- (a) non-compliance with technical standards
- (b) quality control system design deficiency
- (c) non-compliance with quality control policies and procedures; or
- (d) non-existence of adequate training programmes for staff.
- (e) non-existence of internal control system
- (f) non-maintenance of current file and permanent file as per standards laid down by ICAI

Q61 How should a Reviewer decide whether he should give a clean report or a qualified report?

In making that decision, the Reviewer should consider the evidence he has obtained and document his overall conclusions with respect to the following matters:

- (a) Whether the policies and procedures that constitute the reviewed PU's system of quality control for its assurance services have been designed to ensure quality control to provide the firm with reasonable assurance of complying with technical standards.
- (b) Whether personnel of the reviewed PU complied with such policies and procedures in order to provide the firm with reasonable assurance of complying with technical standards.
- (c) Whether the PU has instituted adequate mechanism for training of staff.
- (d) Whether the PU ensures the availability of expertise and/or experienced individuals for consultation with the consent of the auditee.
- (e) Whether the skill and competence of assistants are considered before assignment of assurance engagement.

- (f) Whether the progress of assurance service is monitored and work performed by each assistant is reviewed by the service in charge and necessary guidance is provided to assistants.
- (g) Whether the PU has established procedures to record the audit plan, the nature, timing and extent of auditing procedures performed and the conclusions drawn from the evidences obtained.
- (h) Whether the PU verifies compliance with laws and regulations to the extent it has material effect on financial statement.
- (j) Whether the internal controls within the PU contribute towards maintenance of quality of reporting

Q.62. What are the liabilities of a Reviewer?

The Reviewer, by virtue of carrying out the Peer Review shall not incur any liability other than the liability arising out of his own conduct under the Code of Ethics under the Chartered Accountants Act, 1949 and Regulations framed thereunder as well as under the relevant clauses of the Statement on Peer Review.

Q.63. What does "Peer Review" generally mean?

The term "peer" means a person of similar standing. The term "review" means a general survey or assessment of a subject or thing. The term "peer review" would mean review of work done by a professional, by another professional of similar standing.

Peer review means an examination and review of the systems and procedures to determine whether they have been put in place by the PU for ensuring the quality of assurance including tendering services as envisaged and implied/mandated by the Technical Standards, Ethical Standards and Professional standards and whether these were effective or not during the period under review.

In other words, the peer review involves examination of the systems and procedures of the PU but does not aim to identify isolated cases of engagement failure.

Q.64. What is the concept of Peer Review in India?

The reputation and acceptability of a learned profession hinges on its

ability to render the highest quality of services to the society. Towards this end, the Institute of Chartered Accountants of India has always been striving hard to formulate Standards, statements, guidance notes, industry-specific publications, research studies, monographs, study materials etc., to provide guidance to auditors and thus enable them to discharge their duties in the most efficient and effective manner. Throughout the world, including India, the concept of Peer Review, *inter alia*, is being used by all accountancy bodies as a tool for enhancing the quality of services rendered by professional accountants. The Institute, recognizing the need to observe the best international practices, has established a system of peer review.

Q.65. What are the major differences between peer review system in India and in some of the developed countries of the world?

In the US, public accountancy firms are required to enroll professionals in an approved Practice Monitoring Programme in order to be admitted to or retain membership in the AICPA (the professional body in the US). Furthermore, under Sec 104 of the Sarbanes-Oxley Act, 2002 they are additionally liable to be inspected by the PCAOB (Public Companies Accounting Oversight Board), to assess the degree to which each firm and persons associated with it comply with the Act, the PCAOB and SEC rules, the professional and reporting standards, etc.

However, in India, the system of peer review is intended to be educative and is aimed at enhancing the quality of assurance services rendered by the members of the Institute who are in public practice.

Q66. What is the meaning of Practice Unit(PU)?

Practice Unit means a firm of Chartered Accountants or a Member in Practice, practicing whether in an individual name or a trade name or such other entity as recognized by the Institute of Chartered Accountants of India from time to time.

Q67. Which authority has set up the peer review system and who administers it?

The Council of the Institute of Chartered Accountants of India has issued a Statement on Peer Review (henceforth referred to as 'the Statement'), which lays down the framework for conduct of peer

reviews by setting up the Peer Review Board (henceforth referred to as 'the Board'). The duty of carrying out the provisions of the Statement is vested in the Board.

Q.68. What is the composition and Powers of the Board?

Composition: With a view to provide strong foundation to Peer Review system in India, the Board shall consist of members from the Council, as well as nominees outside bodies and from amongst prominent individuals of high integrity and reputation, including but not limited to, regulatory authorities, bankers, academicians economists, legal professionals and business executives. It may, however, be noted that members of the Disciplinary Committee or the Board of Discipline shall not concurrently serve on the Board.

Powers: The Board has the primary responsibility to ensure compliance with the various requirements laid down in the Statement on Peer Review.

Q.69. What are the duties of the Board?

The duties of the Board include:

- (a) To call for such information and / or records from Practice Units / Reviewers in such form and manner as may be decided by the Board from time to time.
- (b) To arrange for orientation and periodic training programmes for Reviewers and/ or Practice Units.
- (c) To conduct empanelment tests for empanelling the Peer Reviewers.
- (d) To prescribe the procedures to be followed in relation to Peer Review.
- (e) To register and/or remove the Peer Reviewers and maintain a panel of Reviewers.
- (f) To fix the ceiling on number of yearly reviews to be conducted by the Reviewer.
- (g) To fix the terms and conditions of appointment of the Reviewers.
- (h) To prescribe formats for maintenance of records by Peer Reviewers and to examine the same.

- (i) To Review the work performed by a Reviewer.
- (j) To collect information to determine the level of a Practice Unit as referred to in Para 11 of this Statement
- (k) To define the scope of selection of Practice Unit for Peer Review as the Board may deem fit.
- (l) To select and notify the Practice Unit for Peer Review to be conducted during the year.
- (m) To select three Reviewers and seek their acceptance for undertaking the Peer Review of the Practice Units. Further intimate their names to the Practice Unit and allow the Practice Unit to choose any one Reviewer therefrom within 30 days or such other period as may be decided by it from time to time

Provided that, the Board shall, for reasons to be recorded in writing, appoint a Reviewer for the Practice Unit if: -

- (i) the Practice Unit does not select Reviewer within a period of 30 days or such other period as may be fixed, from the date of service of the intimation; or
 - (ii) the Reviewer selected by the Practice Unit does not give his confirmation within 30 days of being intimated by the Peer Review Board.
 - (iii) the Practice Unit on its own requests the Board to appoint a Reviewer.
- (n) To call for such information on regular intervals from UDIN Directorate as may be considered necessary .
 - (o) To call for information from Practice Units to update data on Regular intervals for Level I and Level II entities for *suo motu* peer review action .
 - (q) To prescribe a register to be maintained by the Practice Unit for assurance services rendered during the year .
 - (r) On considering the report of a Reviewer:
 - (i) issue such advisory to the Practice Unit as may be considered appropriate; or

- (ii) order a “Follow On” Peer Review to be carried out; or
- (iii) issue Peer Review Certificate in the format as the Board may decide.
- (s) To ensure that all the Practice Units comply with appropriate Audit Assurance Quality Index as may be defined by the Council at appropriate time.
- (t) To form such sub groups of the Board, as may be necessary to discharge its various functions.

Q.70. What is the importance of documentation?

Documentation is an essential part of any assurance engagement. According to ‘Standard on Auditing’ SA 200, “Basic Principle Governing an Audit”, the auditor should document matters which are important in providing evidence that the audit was carried out in accordance with the basic principles. Documentation for purposes of this standard refers to the working papers prepared or obtained by the auditor and retained by him, in connection with the performance of his audit. Working papers should record the audit plan, the nature, timing and extent of auditing procedures performed, and the conclusions drawn from the evidence obtained. Thus, in today's scenario, where the quality of audit work is getting increasingly questioned, and auditors are being called upon to justify their opinion, adequate documentation is the only way for an auditor to substantiate that he was not negligent.

Q.71. What documentation is considered adequate?

The extent of documentation is a matter of professional judgment since it is neither necessary nor practical that every observation, consideration or conclusion be documented by the auditor. Working papers should be sufficiently complete and detailed to demonstrate that the auditor can obtain an overall understanding of the audit. All the working papers must be prepared in a manner so that they clearly and logically show the schedule, result of test etc. Working papers must depict the client name, file number, accounting period, subject of working paper, reference with current or permanent file, initials of the preparer & date. If documentation maintained by a PU provides reasonable basis for the opinion expressed, it will be considered adequate. If documentation evidences the nature, extent and quality of

audit procedures followed that enabled the auditor to reach the opinion expressed, that would constitute reasonable basis. In particular, all significant matters which require exercise of judgment, together with auditor's conclusions thereon, should be included in the working papers. Further, the documentation should also be relevant and must contain information on the matters specifically laid down by the Standards on Auditing issued by the Institute, especially SA230.

Q.72. Does adequate documentation always signify that quality control policies and procedures of the PU are adequate?

Not necessarily. Good documentation policies are generally designed to ensure that adequate audit procedures are followed and loose ends are tied up, but it does not replace the need for an auditor to use his professional skill, care and judgment in planning and performing the audit. Documentation records and evidences what work was done, but does not guarantee the quality of that work, nor whether technical standards were duly followed.

Q.73. What is the procedure for referral of disputes?

When a dispute arises over any matter related to the review, the PU, the Reviewer or both may refer the dispute, in writing in duplicate, within 30 days from the date of completion of the review. It should be verified and signed by authorized person and lodged with the Secretary, Peer Review Board.

The Board, after taking into consideration any submissions or representations made in writing by the PU and/or the Reviewer

- shall decide on the dispute and communicate the decision to each of the parties to the dispute.
- may issue directions relating to the matter in dispute to such PU or the Reviewer concerned and require such unit or Reviewer to comply with them.
- shall convey its decision in this regards to the appellant within 15 days from the date of the decision, so as to provide the appellant sufficient time to respond.

If a PU is dissatisfied with the decision of the Board, it may submit a petition referring the matter to the Council within 60 days from the date

of receipt of the decision of the Board. The petition should be in duplicate. It should be verified and signed by authorized person and filed with the Secretary, Peer Review Board.

Q.74. Can review of a PU lead to disciplinary proceedings?

Pursuant to a follow on review carried out in terms of Clause 8.2(r), if the report of the reviewer continues to be adverse then the deficiencies as reported shall be referred to a sub group of the Board. The Sub Group shall consider the nature and materiality of the deficiencies contained in the follow on review and give its findings within 30 days from the date the said matter has been referred to it by the Board.

The Board shall consider the findings of the sub group on the nature and materiality of the deficiencies which the Board after due deliberations may either accept or reject the findings for reasons to be recorded in writing. If the Board is of the opinion that the findings of the sub group have observations on material deficiencies in the Practice Unit then the Board shall revoke the Peer Review Certificate and refer the matter to the Council for considering whether the same may be referred to the Disciplinary Directorate for initiating disciplinary action.

Q.75. Can peer review certificate be issued to a PU against which Disciplinary Proceedings are in progress?

With effect from 21.04.2017, peer review certificates are being issued to practice units against whom Disciplinary proceedings are in progress. The Board opined that the peer review and disciplinary proceedings are independent proceedings and review is concerned with the quality of audit assurance services provided by the PU. Therefore peer review certificate may be issued to a PU against whom disciplinary proceedings are in progress subject to an otherwise clean report being received from the reviewer.

Accordingly, a disclaimer has been inserted on the face of the Peer Review Certificate as follows: "The Peer Review process pertains to review of assurance services independent of Disciplinary Proceedings and therefore does not provide immunity from Disciplinary / Legal proceedings or action initiated against Practice Unit firm or its partners/ employer."

Q.76. Certain PUs have asked the Board as to what they should do regarding

confidentiality issues raised by their clients on peer review when they sought to obtain letters as required under 'Standard on Auditing' SA210?

The Council of the Institute of Chartered Accountants of India has been constituted under the Chartered Accountants Act, 1949 for discharging the functions assigned to the Institute under the Act. The Council has clarified the nature of authority attached to various documents issued by the Institute. 'Statements' have been issued with a view to securing compliance by members on matters, which are critical for proper discharge of their functions. 'Statements', therefore, are mandatory. SA 210 is a Statement and is required to be followed both in letter and spirit by Members. The Reviewer is assigned the task of undertaking peer review of a PU and is not required to communicate with or visit the PU's client office under any circumstances. Thus the Reviewer will not go through the books of account of the PU's client. The reviewer will only have access to working papers of the PU that are the property of the PU. More importantly, the Reviewer cannot carry extracts of such client's working papers and records acquired by him while conducting peer review, as part of his working papers. The Statement on Peer Review contains enough safeguards which are:

- (a) Strict confidentiality/ secrecy provisions shall apply to all those involved in the peer review process, namely, Reviewers, Members of the Board, the Council, or any person who assists any of these parties.
- (b) Person(s) subjected to the confidentiality/ secrecy provisions:
 - (i) shall at all times after his/ their appointment preserve and aid in preserving secrecy with regard to any matter coming to his/ their knowledge in the performance or in assisting in the performance of any function, directly or indirectly related to the process and conduct of peer reviews
 - (ii) shall not at any time communicate information on any such matter to any other person,
 - (iii) shall not at any time permit any other person to have any access to any record, document or any other material in

any form which is in his/their possession or under his/their control been so appointed or his/their having performed or having assisted any other person in the performance of such a function.

- (c) Non-compliance with the confidentiality/ secrecy provisions shall amount to professional misconduct as defined under Section 22 of the Chartered Accountants Act, 1949.
- (d) A Statement of Confidentiality shall be filled in by the persons who are responsible for the conduct of peer review i.e., Reviewers, the Members of the Board and qualified assistant who assist him; it should be renewed every year.

Q.77. Whether the Peer Review Board has the Power to revoke the Peer Review Certificate. If yes, then under what circumstances?

Yes, as per Para 15.8 of the Revised Statement on Peer Review, the Board has the power to revoke the Peer Review Certificate of the Practice Unit under the following circumstances, subject to principle of natural justice:

- (i) the Practice Unit has not complied with the order or advisory issued by the Peer Review Board; or
- (ii) the follow on review has been initiated by the Peer Review Board on the recommendation of the Peer Reviewer and the Practice Unit has not complied with the recommendations thereof; or
- (iii) the Peer Review Board receives any directions from Secretary, ICAI, Other Committees of ICAI including Disciplinary directorate or complaint from any Regulator through secretary, ICAI or Council.

Q.78. What is a Special Review? When can a Board initiate a Special Review and what are the consequences of Special Review?

The Board based on specific information received from Secretary, ICAI or any other Committee of the Institute including Disciplinary directorate or any other Regulator, which in the opinion of the Board requires a special review of the Practice Unit, may conduct a special review of the Practice Unit.