

# Peer Review

24<sup>th</sup> May 2024

Day 02 of Run @ 75: Reskill, Upskill, Newskill  
by EIRC-ICAI

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# NEW CHANGES IN PEER REVIEW

- Introduction of Various Standardised forms
- Procedural Changes of Review
- AQMM Questionnaire – Mandated for Statutory Audit of Listed entities
- Timelines Reduced- 20 days
- Separate Branch Level Peer Reviewer Introduced
- Fees of Peer Review- Minimum criteria based
- Sample Selection Criteria also updated –  
<https://resource.cdn.icai.org/72066prb57994.pdf>
- Guidelines empower PRB to revoke Peer Review Certificate of PU under various circumstances by issuing notice to the PU in form
- Criteria of Empanelment of Peer Reviewers modified
- Concept of Level I, Level II and Level III withdrawn – with introduction of new peer review mandate – for various firms in a phased manner depending upon their size, number of partners and the nature of assurance services provided by the PU etc



# PEER REVIEW MANDATE BY ICAI

| Phase | Category of firms covered for Mandatory Peer Review   | Date from which Peer Review is Mandatory   |
|-------|---|--|
| I     | Practice Units which propose to undertake Statutory Audit of enterprises whose equity or debt securities are listed in India or abroad as defined under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: For these Practice Units, there is a pre-requisite of having Peer Review Certificate.   | 1st April 2022<br><br>for auditors from this category, Peer Review is already mandatory by SEBI, this mandate is further requirement stipulated by the ICAI  |
| II    | Practice Units which propose to undertake <b>Statutory Audit</b> of <b>unlisted public companies</b> having paid-up capital of not less than rupees five hundred crores or having annual turnover of not less than rupees one thousand crores or having, in aggregate, outstanding loans, debentures and deposits of not less than rupees five hundred crores as on the 31st March of immediately preceding financial year: For these Practice Units, there is a pre-requisite of having Peer Review Certificate.<br><br><b>OR</b><br><br>Practice Units rendering attestation services and <b>having 5 or more partners</b> : For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit. | 1st April 2023 (Old)<br><br>1 <sup>st</sup> Extension upto 30 <sup>th</sup> June 23<br><br>2 <sup>nd</sup> Extension upto 31 <sup>st</sup> March 24<br><br>3 <sup>rd</sup> Extension upto 30 <sup>th</sup> June 24 |

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# PEER REVIEW MANDATE BY ICAI

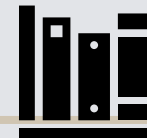
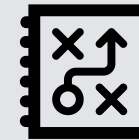
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| III   | <p>Practice Units which propose to undertake the <b>Statutory Audit</b> of <b>entities</b> which have <b>raised funds from public or banks or financial institutions of over Fifty Crores rupees</b> during the period under review or of anybody corporate including trusts which are covered under public interest entities : For these Practice Units, there is a pre-requisite of having Peer Review Certificate</p> <p style="text-align: center;"><b>OR</b></p> <p>Practice Units rendering attestation services and <b>having 4 or more partners</b>: For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit</p> | <p>1st April 2024</p> <p>Extended upto<br/>31<sup>st</sup> December 2024</p> |
| IV    | <p>Practice Units which propose to undertake <b>audits of branches of Public Sector banks</b> : For these Practice Units, there is a pre-requisite of having Peer Review Certificate</p> <p style="text-align: center;"><b>OR</b></p> <p>Practice Units rendering attestation services and <b>having 3 or more partners</b>: For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit.</p>  | <p>1st April 2025</p>  |

# MANDATE

- Thus, at each phase, before undertaking statutory audit the concerned Practice Unit should possess Peer Review Certificate
- **As per ICAI Announcement dt 19.7.23 – for extension of Time lines of Phase II period upto 31<sup>st</sup> March 2024 – It was stated that Practice Units which accept Statutory audits on or before 31 March 2024 (read now 30<sup>th</sup> June 24) should ensure that they have a Peer Review Certificate at the time of signing**



# ULTIMATE COVERAGE



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# WHAT IS PEER REVIEW

- As per Clause 2 (14) of the Peer Review Guideline, 2022
- 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 as applicable including Audit Quality Maturity Model wherever applicable or any other regulatory requirements as may be prescribed by the Council or any Committee and whether the same were consistently applied during the period under review



## DEFINITION

- Examination and review -----
    - Of the **systems and procedures**
  - To determine -----
    - whether such **systems and procedures** have been put in place by the Practice Unit (and also to see that such systems and procedures are **adhered and working properly**)
  - To ensure
    - the **Quality of the assurance services**
- Quality to be examined with what
- Various Technical Standards (as applicable)
  - Various Professional Standards (as applicable)
  - Ethical Standards (as applicable)
  - Audit Quality Maturity Model (AQMM) (wherever applicable)
  - Digital Competency Maturity Model (DCMM) (optional-but very much effective, )
  - Other regulatory requirements as may be prescribed by the
    - Council of ICAI or
    - Committee of ICAI
- Whether the same (above) were consistently applied during the period under review



## In Brief

- Therefore, in short, the term “peer review” may be construed as review of work done by a professional, by another similar professional (peer),
- Peer Review process is based on the principle of **systematic monitoring** of the procedures adopted and records maintained while carrying out audit & assurance services in the course of one’s professional responsibility to ensure and sustain quality
- Peer Review is primarily directed towards ensuring as well as enhancing the **quality of audit and assurance services of Chartered Accountants in Practice.**
- Peer Review of a Practice Unit is conducted by an independent evaluator known as a Peer Reviewer
- **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 [Clause 3(2)]**

# MAIN OBJECTIVE.....

The main objective of Peer Review is to ensure that in carrying out the assurance service assignments, the members of the Institute



comply with Technical, Professional and Ethical Standards as applicable including other regulatory requirements thereto and



have in place proper systems including documentation thereof, to amply demonstrate the quality of the assurance services



- 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.**
- Therefore, the objective is to maintain and enhance the quality of assurance services by **providing appropriate guidance** rather than simply pointing out deficiencies of the Practice Unit.
- HANDHOLDING EXERCISE ..... the need of the hour...

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

# SCOPE OF PEER REVIEW

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# SCOPE...

1. *The Peer Review process shall **apply to all the assurance engagements signed** by a Practice Unit during the period under review.*
2. *Once a Practice Unit is subjected to Peer Review, its assurance engagement records, working papers, pertaining to the Peer Review Period shall be subject to examination and review by the Peer Reviewer.*
3. *A **Practice Unit having one or more branches at various locations in India may opt to get the Peer Review of any branch or branches** conducted by a Branch Peer Reviewer. The Reviewer conducting the Peer Review of the Head Office shall consider the report of the Branch Peer Reviewer and shall issue a consolidated report for the Practice Unit*

## SCOPE...

### *4. The Peer 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. Self evaluation under Audit Quality Maturity Model or any other guideline issued by the Centre for Audit Quality*
- v. Training programmes for staff (including article and audit assistants) concerned with assurance functions, including availability of appropriate infrastructure*
- vi. Compliance with directions and / or guidelines issued by the Council to its Members, including fees to be charged, number of audits undertaken, register for assurance engagements conducted during the year and such other related records.*
- vii. Compliance with directions and / or guidelines issued by the Council in relation to article assistants and / or audit assistants, including attendance register, work diaries, stipend payments, and such other related records.*

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## What is “Peer Review Period” ?

As per Clause 2 (15) of the Guidelines,

### Peer Review period

“means **three financial years** preceding the year in which the Practice Unit is selected

or

such other period or any period as may be prescribed by the Peer Review Board for conducting a Peer Review in a specific case”

**Note 2:** All data should pertain to **PEER REVIEW PERIOD**. Peer Review Period is the **FINANCIAL YEAR** mentioned in the letter issued by Peer Review Board of The Institute of Chartered Accountants of India.

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## What is “Peer Review Period” ?

Eg: Statutory Audit Report of XYZ Pvt Ltd for the year ended 31.03.2023 was issued on 15.05.2023 – here client year will be FY 2022-23, however signing year by PU will be 2023-24.

Or say Stat Audit of ABC Ltd for year ended 31.3.24, signed on 18.07.24 – client year 23-24, signing year by PU is 24-25

-

As such peer review period suppose say is 2021-22, 2022-23 and 2023-24 – then list of assurance will include stat audit of xyz ltd since signed in fy 23-24- reported in fy 23-24 and but will exclude abc ltd- since signed after 31.3.24 – reportable under fy 24-25.

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**WHAT IS MEANT BY  
TECHNICAL,  
PROFESSIONAL AND  
ETHICAL STANDARDS**

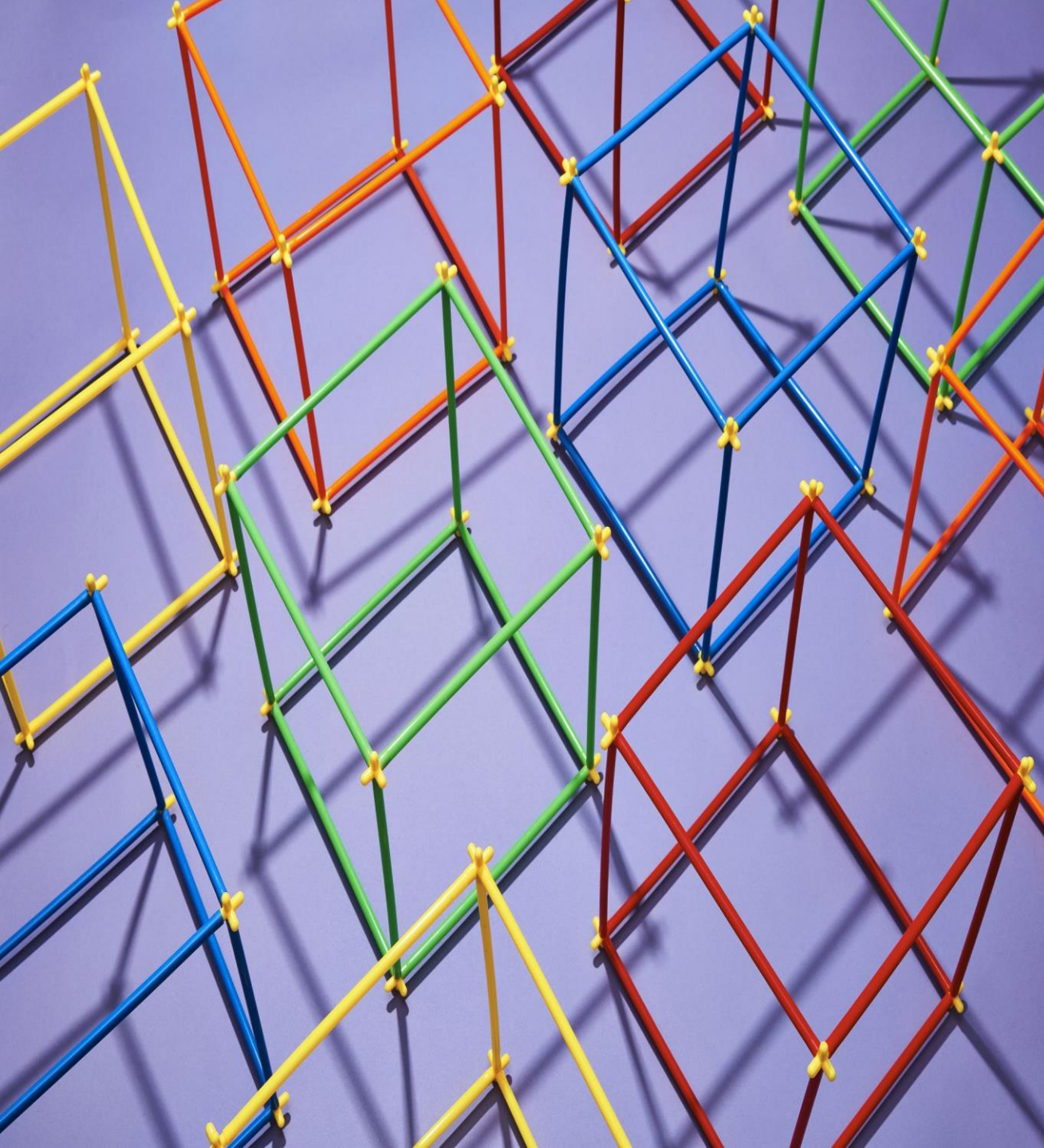
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As per Clause 2 (23) of the Guidelines, the term *Technical, Professional and Ethical Standards* mean

- (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 and after examination of the recommendations made by the National Financial Reporting Authority (NFRA);
- (iii) **Ind AS**-(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 and after examination of the recommendations made by the National Financial Reporting Authority (NFRA);
- (iv) Standards issued by the Institute of Chartered Accountants of India **including**
  - a) Engagement and Quality Control Standards (**Standard on Auditing + SQC**)
  - 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.



- As per Clause 2 (23) of the Guidelines, the term *Technical, Professional and Ethical Standards* mean..... Contd

- (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.*
- (vii) *Any other Technical, Professional, Ethical Standards and other Standards issued by any authority governing the profession of Chartered Accountancy*

- Review Process does not seek to redefine the scope and authority of the Technical, Professional and Ethical Standards
- the objective is to maintain and enhance the quality of assurance services by providing appropriate guidance rather than simply pointing out deficiencies of the Practice Unit
- **review is not to identify isolated cases of engagement failure, but to identify weaknesses that are pervasive and chronic in nature.**
- **the Peer Review process seeks to identify and address patterns of non-compliance with quality control standards**





What is meant by Assurance  
services?

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# Assurance Services

- The entire Peer Review process is directed at the assurance services which may be used interchangeably as audit services, attestation function or audit functions of a practice unit
- Assurance services which shall be subjected to peer review *means assurance engagements as defined in **the Framework For Assurance Engagements** issued by the Institute of Chartered Accountants of India and as may be amended from time to time, means an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria **but does not include:***
  - i. Management consultancy engagements;
  - ii. Representation 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; and
  - viii. Engagement for Due diligence
  - ix. Any other service rendered or function performed by practitioner not prescribed by the Council to be 'Assurance Engagement
  - x. **SEE CLAUSE 22 of Part A of Form 1- Peer Review Questionnaire**

# Criteria

## Mandatory

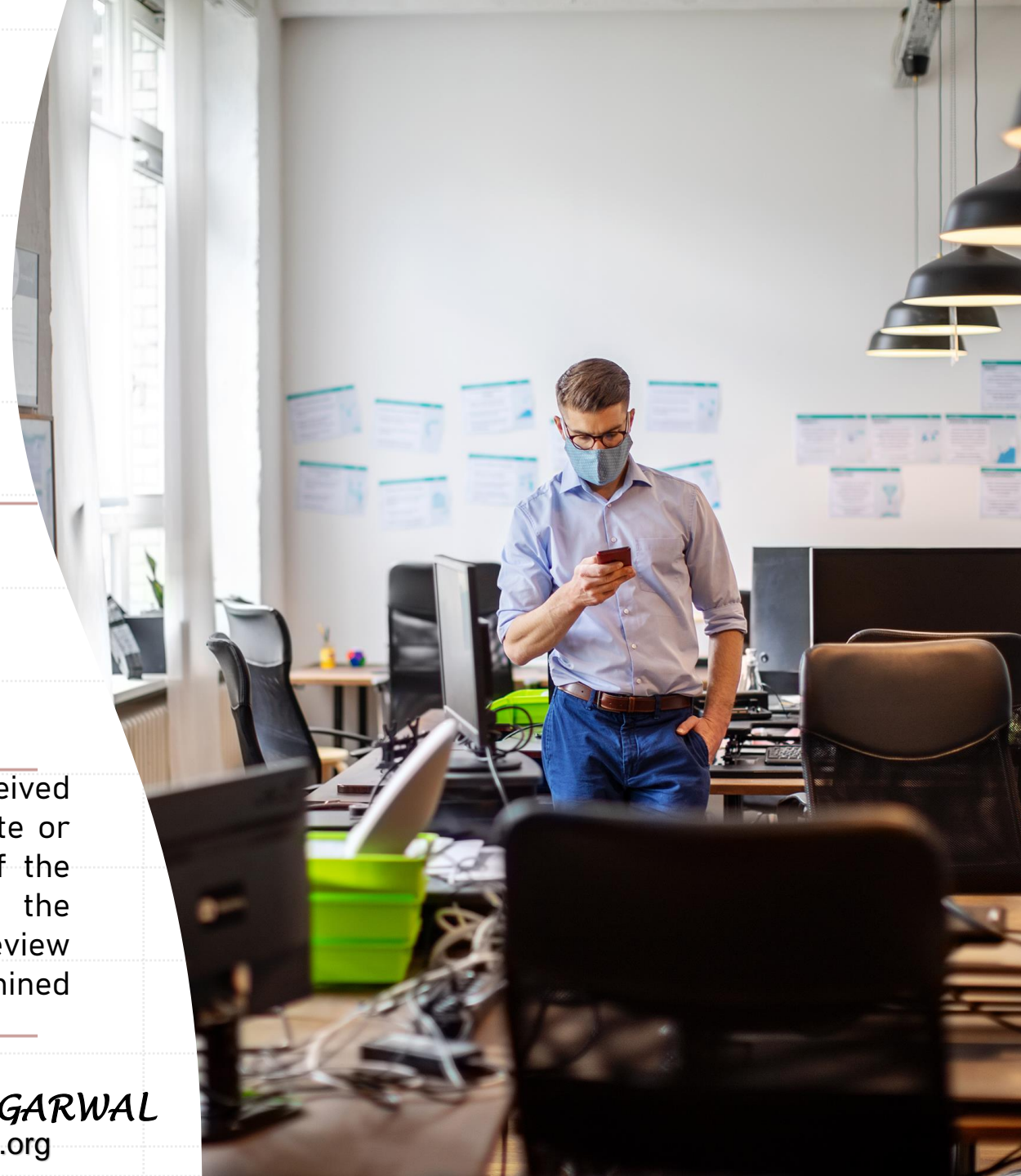
Peer Review can be mandated for such Practice Units as may be decided by the Council

## Voluntary

Any Practice Unit may, suo-motu, apply to the Board for the conduct of its Peer Review

## Special Case

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



# New Unit-

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

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



# Peer Review Mandate by ICAI

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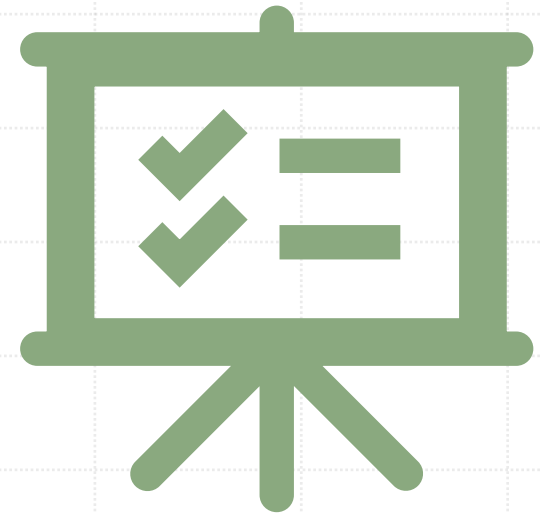
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# Validity of Peer Review Certificate

- The Peer Review Certificate issued to a PU shall be valid for a **period of three years** or such other period as may be decided by the Board commencing from the date of receipt of Peer Review report by the Board.
- Provided that if the **Peer Review Report has been received before the expiry of the earlier Peer Review Certificate**, the date of commencement of the Certificate shall be the date **following the date of expiry of the earlier Peer Review Certificate**
- The validity of the Peer Review Certificate issued to **New Units shall be decided by the Board**



# Website – PRB

- <https://icai.org/post/peer-review-board>

## Certificate Revocation

**To ensure that** the Peer Review Certificate is not **revoked**, which may be revoked in following circumstances (subject to natural justice)

- i. the Practice Unit has not complied with the order or **advisory issued** by the Peer Review Board;
- ii. the Peer Review **Board receives any Directions from** the Secretary, ICAI, **Disciplinary Directorate** or directions from any **Regulator** through \Secretary, ICAI or the Council;
- iii. on an information received from the Practice Unit or otherwise that the Practice Unit or any of its **partners are held guilty by the Disciplinary Committee or the Court within one month of the final order** issued by the DC / Court as the case may be, the Board may take such immediate action as is considered necessary, including suspending or revoking the Peer Review Certificate; or
- iv. on an information received from Practice Unit that there is a **change of one half or more of the partners**, the Certificate shall be revoked on the expiry of six months from the date of such change or shorter period in case the change has occurred during the last six months of the validity of the certificate.



# Peer Review Limitation

- 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.

# In Details



Practical  
Discussion

# New Changes in Peer Review

- Introduction of Various Standardised forms
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# AQMM

The AQMM mandatorily applies to the **firms auditing** the following entities from the 1<sup>st</sup> April 2023:

## STATUTORY AUDIT

- (a) A listed entity; or
- (b) Banks other than co-operative banks (*except multi-state co-operative banks*); or
- (c) Insurance Companies

However, firms doing only branch audits are not covered.



# Practical Discussion

- PRACTICAL DISCUSSION on
  - ❖ Peer Review Process
  - ❖ FORM 1- QUESTIONNAIRE ON PEER REVIEW – Practical Guidance on filling up the same and some caution
  - ❖ Sampling Requirements
  - ❖ Preparation of List of Assurance Engagements – annexure to Clause 22
  - ❖ Discussion on SQC policy , Implementation Guide
  - ❖ Independence Policy- Confirmation and Declaration



- Procedural Changes

W.e.f. 01st October 2022, PU has to initially on Day 1 has to fill up the application cum detailed questionnaire including AQMM questionnaire (if applicable) in form 1 and send the request to the Board for getting Peer Reviewed.

Thereafter, the PU is sent a list of three name of the reviewer by the PRB, out of which PU has to choose one reviewer and inform the PRB

W.e.f. 01<sup>st</sup> October 2022, with New Peer Review Guidelines being issued, various new forms and formats has been notified by the Council, which facilitates in standardising the correspondences between the Board and the PU, as well as the PU and the Peer Reviewer

| Form    | Nature   | Given by      |
|---------|--|---------------|
| Form 1  | Application cum Questionnaire to be submitted by the Practice Unit   | PU            |
| Form 2  | Acceptance cum Declaration of Confidentiality to be Submitted to the Practice Unit                                     | Reviewer      |
| Form 3  | Application cum Declaration for Empanelment as a Peer Reviewer   | Reviewer      |
| Form 4  | Declaration Form to be submitted by Board members and Secretariat  | PRB Members   |
| Form 5  | Notice by Peer Reviewer for visiting the office of the Practice Unit   | Reviewer      |
| Form 6  | Format for seeking additional information from the Practice Unit by the Reviewer                                       | Reviewer      |
| Form 7  | Joint application to be made by PU and Peer Reviewer for seeking additional time for completion of Peer Review process | PU & Reviewer |
| Form 8  | Letter seeking extension to the validity of Peer Review Certificate  | PU            |
| Form 9  | Letter for submission of report by the Peer Reviewer to the Peer Review Board  | Reviewer      |
| Form 10 | Notice to be given to the Practice Unit by the Board in case of revocation of Peer Review Certificate                  | PRB           |

PRB= Peer Review Board; Reviewer= Peer Reviewer; PU = Practice Unit

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# Timeline reduced

- The Revised Peer Review Guidelines stipulates that the entire peer review including submission of report by the peer reviewer to the board be completed **within a period of 20 days** from the date in which the PU send the application to the PRB in form 1 requesting for Peer Review. Further, the said 20 days schedule is further broken into various time frames- refer revised peer review timelines at <https://resource.cdn.icai.org/72016prb57960-itsrp.pdf>
- However, in case of delay in the Peer Review process beyond the timeframe prescribed under the Peer Review Guidelines, the Practice Unit and the Reviewer, shall make an intimation to the Board in Form 7 seeking extension of time giving reasons for the delay in the process and submission of report to the Secretariat
- *Erstwhile the peer review procedure had to be completed within a span of 45 days*

Illustrative Time Schedule of Peer Review Process

| Sr. No | Review Process   | Time Schedule                                  | Cumulative Days   |
|--------|--|--|---|
| 1.     | Practice Unit ( <i>falling under clause 2(17) of Peer Review Guidelines 2022</i> ) shall make an <i>Application cum Questionnaire</i> to the Board in Form 1.<br>OR<br>Peer Review Board notifies the selection of Practice Unit (PU) ( <i>falling under clause 6(2) of the Peer Review Guidelines 2022</i> ) for Peer Review. The PU is requested to submit | Counting starts after receipt of this document | Counting starts after receipt of this document<br><br>Day 1 |
| 7.     | Reviewer to carry out the review by visiting the office of PU after fixing the date as per the mutual consent.   | Within 6 Days<br>After visiting PU's office    | Day - 16  |
| 9.     | Reviewer to send the Preliminary report, if any, to the PU for comments.   | Within 1 day after completion of Review.       | Day - 17  |
| 10     | Practice Unit to submit representation on Preliminary report to the Reviewer. The 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 2 days                                  | Day- 19   |
| 11.    | On completion of the Review, the Reviewer has to submit the under mentioned documents duly signed in individual capacity   | Within 1 days                                  | Day- 20   |

Practise Unit applies to Peer Review Board for undergoing peer review  
(voluntarily or otherwise- refer New Mandate for undergoing Peer Review)

Alternatively the Peer Review Board may select the Practise Unit (PU) for undergoing Peer Review

Peer Review Board asks the PU to submit to the Board the duly filled up Application cum  
Questionnaire in Form 1 (including annexure)

Earlier the Questionnaire was prepared by the PU once the Peer Reviewer was appointed

Practice Unit:

1. Fills Form 1 'Application cum Questionnaire'
2. Attaches the List of Assurance service Clients, and
3. Sends Form 1 to the Peer Review Board

Board will send a panel of 3 Reviewers to Practice Unit to select 1  
Reviewer. Then Board will intimate to Reviewer about his selection  
and direct him to submit Form-2 to the Practice Unit.

Reviewer furnishes Form 2 'Declaration of Confidentiality' to  
Practice Unit within 2 working days of his appointment by the  
Peer Review Board

Practice Unit, on receipt of Form 2 from the Reviewer,  
will send copy of Form 1 'Application cum Questionnaire'  
to the Reviewer.

Reviewer:

1. Evaluates Form 1 'Application cum Questionnaire,
2. Determines the Samples from List of Assurance service clients,
3. Intimates to Practice Unit the List of Samples selected by him & Proposed date of visit in Form 5 within 2 working days
4. Intimates to Practice Unit in Form 6 for seeking any additional Information, if required.

### Form 5- Notice by Peer Reviewer for visiting the office of the Practice Unit

**Form 5** has to be submitted by the Reviewer to the Practice Unit pursuant to clause 7(2), 7(4) and 7(6) of the Peer Review Guidelines. In the form the reviewer should inform the Practice Unit:

1. The proposed date of visit to the PU office
2. Files to be kept ready by the PU pertaining to the samples to be reviewed by him as well as any other document maintained by the PU on the basis of information furnished by the Practice unit in Form 1- questionnaire.

### Form 6 - Format for seeking additional information from the Practice Unit by the Reviewer

**Form 6** has to be submitted by the Reviewer to the Practice Unit pursuant to clause 7(5) of the Peer Review Guidelines, in case if after going through the responses submitted by the Practice Unit to the Reviewer, the Reviewer desires to seek any additional information from the Practice Unit.

Only after receipt of satisfactory information from the PU, the date of visit will be informed by the reviewer to the PU.

The background of the slide is a close-up photograph of a hand holding a black pen, marking an OMR (Optical Mark Recognition) sheet. The sheet has a grid of circles, some of which are already filled in with black ink. The numbers 1, 2, 3, and 4 are visible in the circles, indicating a multiple-choice format. The hand is positioned on the right side of the frame, and the pen is pointing towards the center. The overall image has a soft, slightly blurred quality, emphasizing the action of marking the sheet.

# IMPORTANT ASPECTS TO BE KEPT IN MIND FOR PEER REVIEW

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# Some Suggestion- Form 1- Part A – Clause 11

11. Particulars about the constitution of the **PU during the period under review** (as per Form 18 filled with the ICAI). Is there assurance service like Statutory audit, tax audit, Taxation etc. headed by different partners, if yes details to be provided in the below table:

| Name of sole-practitioner/ sole-proprietor/ partner | Membership no. of sole-practitioner/ sole-proprietor/ partner | Association with Practice unit (in years) | Any Post Qualification or Certificate course pursued within or outside ICAI. | Professional experience in practice | Predominant function (e.g. audit, tax, consulting) | Details of Changes |             |
|---|---|---|--|-------------------------------------|--|--------------------|-------------|
|   |   |   |  |                                     |  | Joined (Year)      | Left (Year) |
|   |   |   |  |                                     |  |                    |             |
|   |   |   |  |                                     |  |                    |             |
|   |   |   |  |                                     |  |                    |             |

# Clause 12, 13 & Clause 14- Par A- Form 1

12. Particulars of Chartered Accountants / Employed / Paid Assistant or Consultants as on <\_\_\_\_>:(last date of block period of peer review)

| Name (s) | Membership no. | Association with the practice unit (in years) | Experience (in years) |
|----------|----------------|---|-----------------------|
|          |                |   |                       |
|          |                |   |                       |
|          |                |   |                       |

13. Details of Other Employees as on <\_\_\_\_>:(last date of block period of peer review)

| Particulars                   | Number |
|-------------------------------|--------|
| (a) Semi-Qualified Assistants |        |
| (b) Articled Assistants       |        |
| (c) Administrative Staff      |        |
| (d) Others                    |        |

14. If the PU has any branch offices, furnish the following details of member in charge and number of staff

| <u>S.No</u> | Member in Charge | No. of staff | Membership No | Address | Whether assurance services rendered |
|-------------|------------------|--------------|---------------|---------|-------------------------------------|
|             |                  |              |               |         |                                     |
|             |                  |              |               |         |                                     |

# Clause 16 & Fees of Peer Review

16. Gross receipts of the Practice Unit [both H.O. and branch(es)] as per books of accounts from assurance functions for the period under review. In case of centralized billing the branch turnover may be added with HO otherwise separate figures (Rs. in Lakhs) to be given:

| Financial Year | Head Office | Branch -- | Branch -- | Branch -- |
|----------------|-------------|-----------|-----------|-----------|
|                |             |           |           |           |
|                |             |           |           |           |
|                |             |           |           |           |

OR

Total Gross receipts of the Practice Unit [both H.O. and branch(es)] as per books of accounts for the period under review. In case of centralized billing the branch turnover may be added with HO otherwise separate figures (Rs. in Lakhs) to be given:

| Financial Year | Head Office | Branch -- | Branch -- | Branch -- |
|----------------|-------------|-----------|-----------|-----------|
|                |             |           |           |           |
|                |             |           |           |           |
|                |             |           |           |           |

1. Minimum fee recommended for Practice Units where the period of Review is 3 years:

| Average gross receipts/<br>Revenue from assurance<br>service Clients of Practice Unit<br>(Per Annum) for the period<br>under review <sup>1</sup> | Fees           | Fees for Practice<br>Units conducting<br>statutory audit of<br>Listed entities |
|--|----------------|--|
| Upto Rs 10 lacs p.a.   | Rs 15,000/-    | Rs. 18,000/-   |
| Over Rs 10 lacs upto Rs. 50 Lacs p.a.  | Rs 25,000/-    | Rs. 30,000/-   |
| Over Rs 50 lacs upto Rs. 1 crore p.a.  | Rs 40,000/-    | Rs. 48,000/-   |
| Over Rs 1 crore upto 3 crore p.a.  | Rs 60,000/-    | Rs. 72,000/-   |
| Over Rs 3 crore upto 5 crore p.a.  | Rs 75,000/-    | Rs. 90,000/-   |
| Over Rs 5 crore p.a. upto 10 crore p.a.  | Rs 1,50,000/-  | Rs. 1,80,000/-   |
| Over Rs. 10 crore p.a upto Rs. 20 crore p.a.   | Rs. 2,00,000/- | Rs. 2,40,000/-   |
| Over Rs. 20 crore p.a upto Rs. 30 crore p.a.   | Rs. 3,00,000/- | Rs. 3,60,000/-   |
| Over Rs. 30 crore p.a.   | Rs. 5,00,000/- | Rs. 6,00,000/-   |

# Clause 22- in Detail - (refer discussion & Excel Sheet) Most Crucial Clause

Please provide details of assurance clients where report/certificate has been signed during the period under review, financial year wise and branch wise

- Practice Unit must provide answer for all sub clauses i.e. A to K. In case of no client under any category, Practice Unit should mention NIL.
- PU to read the clause carefully to ascertain under which sub-clause the client details has to be provided.
- The PU should also mention whether services are rendered through its HO or branch; name of signing partner as well as whether EQCR has been done or not.
- The Reviewer should obtain list of all UDINs generated by each partner of the firm for each year covering the Review period
- The total number of UDINs generated should tally with the total number of all client's provided by Practice Unit to Reviewer in this Appendix.
- Reviewer should carefully verify that Practice Unit has provided separate financial year wise and partner-wise as well as BO/HO wise details of assurance clients
- Reviewer must select sample as per the Sample Selection Criteria prescribed by the Board from list provided in Clause 22
- Reviewer should ensure that whether EQCR is done or not and mentioned in respective column for all clients

# Initial Steps– for the PU –

1. Take the client register and map the list of engagements which are within the purview of Peer Review.  
The data of Peer review covered clients has to be provided for three years
2. Classify them in the format required in Form I
3. Obtain a list of all UDIN's generated by the partners of the firm and try to map with client register
4. Prepare and submit Form I
5. Ensure that work paper files for all engagements covered under the Peer review process are maintained properly and easily locatable
6. Enable the Peer review to obtain comfort on Compliance procedures
7. Get aligned with the relevant working papers for the samples listed by the Reviewer
8. Provide documents for the samples as requested by the Peer reviewer
9. Provide all records and information as requested by the Reviewer
10. YEAR IN WHICH ENGAGEMENT DONE IS THE CRUCIAL THING- NOT THE YEAR TO WHICH ENGAGEMENT IS RELATED TO -

## IMPORTANT ASPECTS



CORRECT PERIOD OF REVIEW, THE ASSIGNMENTS DONE BY PU irrespective of the financial year of the auditee – Annexure to Clause 22



UDIN Reconciliation – all Partners of the Firm ( signed on behalf of PU only cases)



ONLY Audit, Assurances & Certification under Review (income tax representation etc not covered) – See other Slide for Assurance Services Covered



No professional EGO –rather **Excellentl**y **G**overned **O**rganisation– the peer reviewer is not a hindrance but a boon for you for sharing knowledge of varied field and further improvement in profession



He is not going to question your professional judgement and skepticism but can suggest you better/ alternative ways for improvement



**LEADERSHIP**



**ETHICAL  
REQUIREMENTS**



**CLIENT  
ACCEPTANCE  
and/or  
CONTINUANCE**



**HUMAN  
RESOURCE**

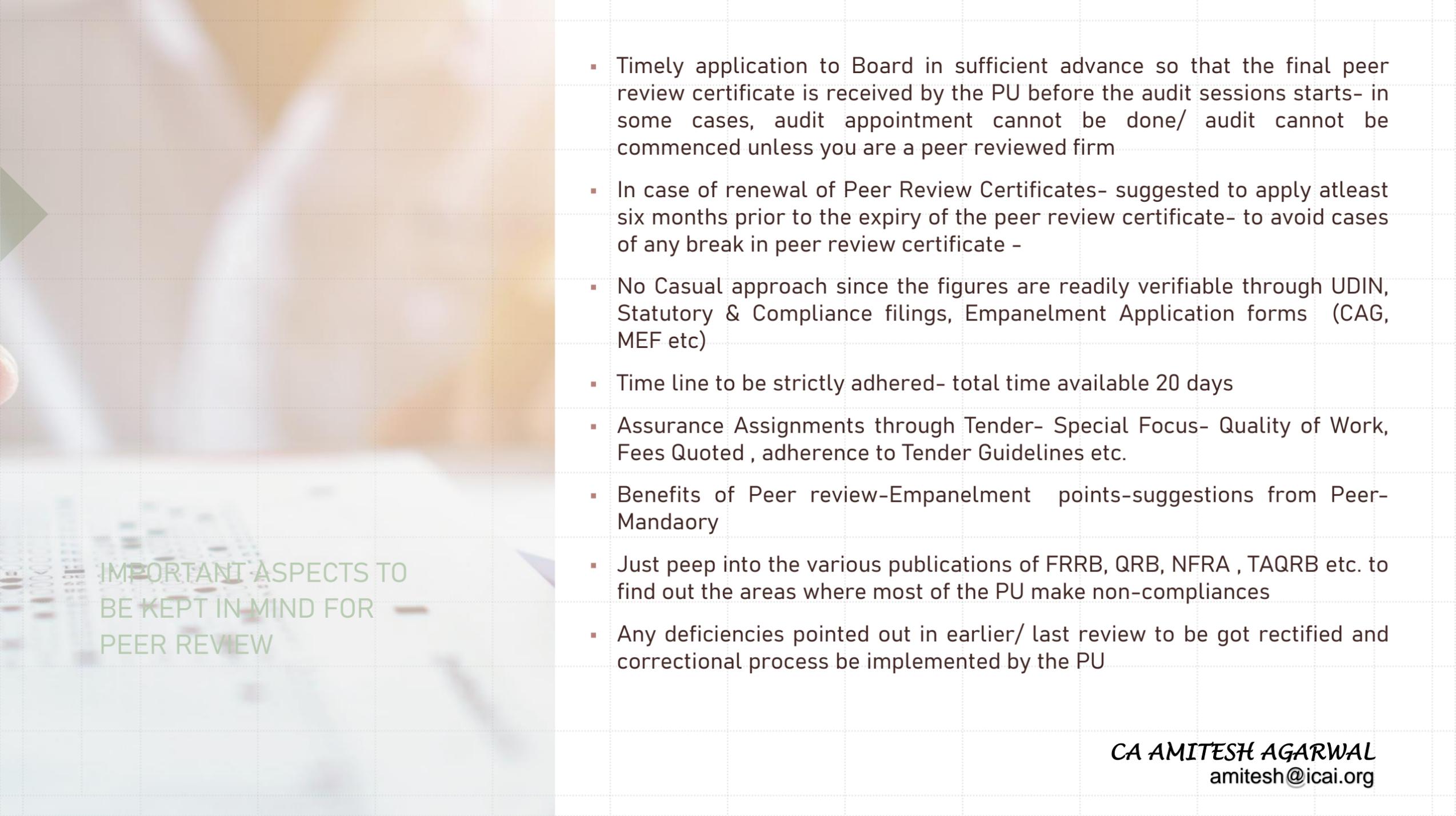


**MONITORING**

# SQC 1- Pillars & Elements

---

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IMPORTANT ASPECTS TO  
BE KEPT IN MIND FOR  
PEER REVIEW

- Timely application to Board in sufficient advance so that the final peer review certificate is received by the PU before the audit sessions starts- in some cases, audit appointment cannot be done/ audit cannot be commenced unless you are a peer reviewed firm
- In case of renewal of Peer Review Certificates- suggested to apply atleast six months prior to the expiry of the peer review certificate- to avoid cases of any break in peer review certificate -
- No Casual approach since the figures are readily verifiable through UDIN, Statutory & Compliance filings, Empanelment Application forms (CAG, MEF etc)
- Time line to be strictly adhered- total time available 20 days
- Assurance Assignments through Tender- Special Focus- Quality of Work, Fees Quoted , adherence to Tender Guidelines etc.
- Benefits of Peer review-Empanelment points-suggestions from Peer-Mandatory
- Just peep into the various publications of FRRB, QRB, NFRA , TAQRB etc. to find out the areas where most of the PU make non-compliances
- Any deficiencies pointed out in earlier/ last review to be got rectified and correctional process be implemented by the PU



## IMPORTANT ASPECTS TO BE KEPT IN MIND FOR PEER REVIEW

- An assurance engagement, which is subject matter of any disciplinary proceedings before ICAI or any other judicial authority, should not be reviewed
- Review findings are duly discussed in details between the Reviewer and PU- on site visit or thereafter- before Reporting
- The PU must provide assistance to the reviewer in connection with the peer Review – time bound exercise.
- PU to ensure that Working Paper(s) are duly tagged, referenced and Checklists used be meaningful rather than Yes/No / Not Applicable types
- PU to Answer to Questionnaire – should not contain merely the Yes/NO type of comments – but drafted properly to enable the Peer Reviewer and the Board to understand the practice and compliance by the Practice Unit.
- PU to Ensure that SQC Policy & Procedures Manual are in place and properly updated from time to time

## Working Paper Contents (Illustrative)– Permanent & Current Files

Engagement Letter

Independence Confirmation & safeguards to threats to Independence

Planning documents including resource allocation

Working Paper of Sampling and Materiality level, Risk assessment

Control questionnaires, flowcharts, checklist, narratives & audit programs

Testing plan with summary page and results of evaluations, discussions with audit team

Results of Analytical Procedures

Management Representation Letter

Working Papers of significant matters observed during the course of Audit

Correspondence and Basis of Communication with TCWG

Compliance with Accounting Standards and Standards on Auditing

Organizational data, such as organization charts and job descriptions

Analysis and tests of transactions, processes and account balances

External Confirmations, Minutes of meetings

# Mandatory Permanent File Contents

- Information about legal/organisational structure
- Extracts of legal documents, agreements, minutes
- Record of study/evaluation of internal controls
- Past audited financial statements
- Analysis of significant ratios/trends
- Record of communication with the retiring auditor
- Notes regarding significant accounting policies
- Significant past audit observations

See peer review manual-1-  
chapter 5 for more details

# Mandatory Current Files Contents

See peer review manual-1-  
chapter 5 for more details

- Acceptance of appointment letters & Engagement Letter
- Minute book extracts
- Evidence of planning process and audit program - Audit Plan, Strategy, Summary Memorandum
- Risk Assessment, Evaluation etc
- Internal Control Testing Docs
- Materiality Calculation Docs, Fraud Risk Assessment
- Analysis of transactions and balances
- Working papers containing information like groupings, audit programmes, Queries raised, and explanations received,
- Third party confirmations and other documents
- Record of nature, timing and extent of audit work performed & results thereof
- Evidence of supervision of assistants' work
- Communication with TCWG/management letter
- Communication with other auditors/component/branch auditors, experts and third parties
- Letters of representation/confirmation received from management
- Conclusions about significant audit issues, including how exceptions/unusual matters were resolved/treated
- Copies of financial information under report and related audit reports

# Other Records.....

- Profile of PU
- Partnership Deed
- Employee List and Details
- List of clients
- Independence Declarations
- Sample Checklist for SA, AS, CARO, Sch III, Ind As etc etc
- Staff files & HR polies and related docuemtns, appraisal criteria etc etc
- Manual of policies and procedures for :
  - Acceptance of engagement
  - Skill and competence required
  - Manner of assignment/delegation of authority and responsibility
  - Consultation procedure
  - Client retention policy
  - Engagement monitoring guidelines
  - Direction/supervision policies-Monitoring

# Common OBSERVATIONS





## Common observations during peer review

- NO documented policies & procedures for its System of Quality Control
- Policies implemented are just basic and does not commensurate the size of the firm
- There is a policy for independence, but No evidence that the independence policies were implemented
- No engagement specific independence review was conducted to ensure engagement team members were independent of the client
- Deficiencies in implementing independence & ethics policies; acceptance & continuance standards
- NO Acceptance/Continuation evaluation conducted/documentated
- No practice of obtaining engagement letters
- Staff deployed did not have sufficient experience, particularly industry experience
- No indication that the staff were given relevant training

# Common lapses in Audit Documentation

- working papers not properly tagged/referenced/ prepared for others to understand.
- No references to supporting documentation in the audit programme.
- Not documenting Risk assessment, materiality, fraud risk assessment, analytical procedures
- Not communicating significant deficiencies or material weaknesses to TCWG in written form.
- Performing walkthroughs at the end of an engagement rather than the beginning.
- Bulky client's documents attached in file without corresponding reference/purpose.
- Audit Notebook/rough noting being reported as only working paper.
- Reliance on management representation without applying professional skepticism.
- Testing of applicability of CARO, IFC & other compliances- no documentation

# Common lapses in Audit Documentation

- Not documenting Inputs of Manager/Partner before commencement of Audit
- Non-performance of final Review of the Audit undertaken at the time of Completion
- Not documenting study material and sources referred during the course of Audit
- Not performing walkthroughs or any other risk assessment procedures
- Going concern indicators are present but no documentation regarding substantial doubt
- Not inquiring of those charged with governance about fraud
- No documentation of Sampling & Materiality
- Not documenting basis for qualification made in Audit Report/CARO.
- Audit Methodology and sequence thereof not documented.
- No Engagement and Management Representation Letter in Audit File.
- Knowledge of Businesses-Not Documented and Evaluated.
- Skipped to generate UDIN



## Common observations during peer review

- Working papers did not indicate any review carried out by the senior or any other partner
- No standard documented policies and procedures for planning and performing audits
- No documentation policy and hence the files lacked consistency
- NO working papers to evidence risk assessment and design of responses to risk
- Controls evaluation not performed; only substantive tests performed
- No methodology was followed for audit sampling
- NO documentation regarding samples selected, the procedures performed, the outcome of those procedures and the conclusions made
- No evidence of overall conclusion on the audit
- While several queries were raised during audit, no evidence that satisfactory responses were received and the issues were closed

## Common observations during peer review



No evidence of going concern evaluation



No evidence of subsequent events review



Working papers were not linked to financial statements

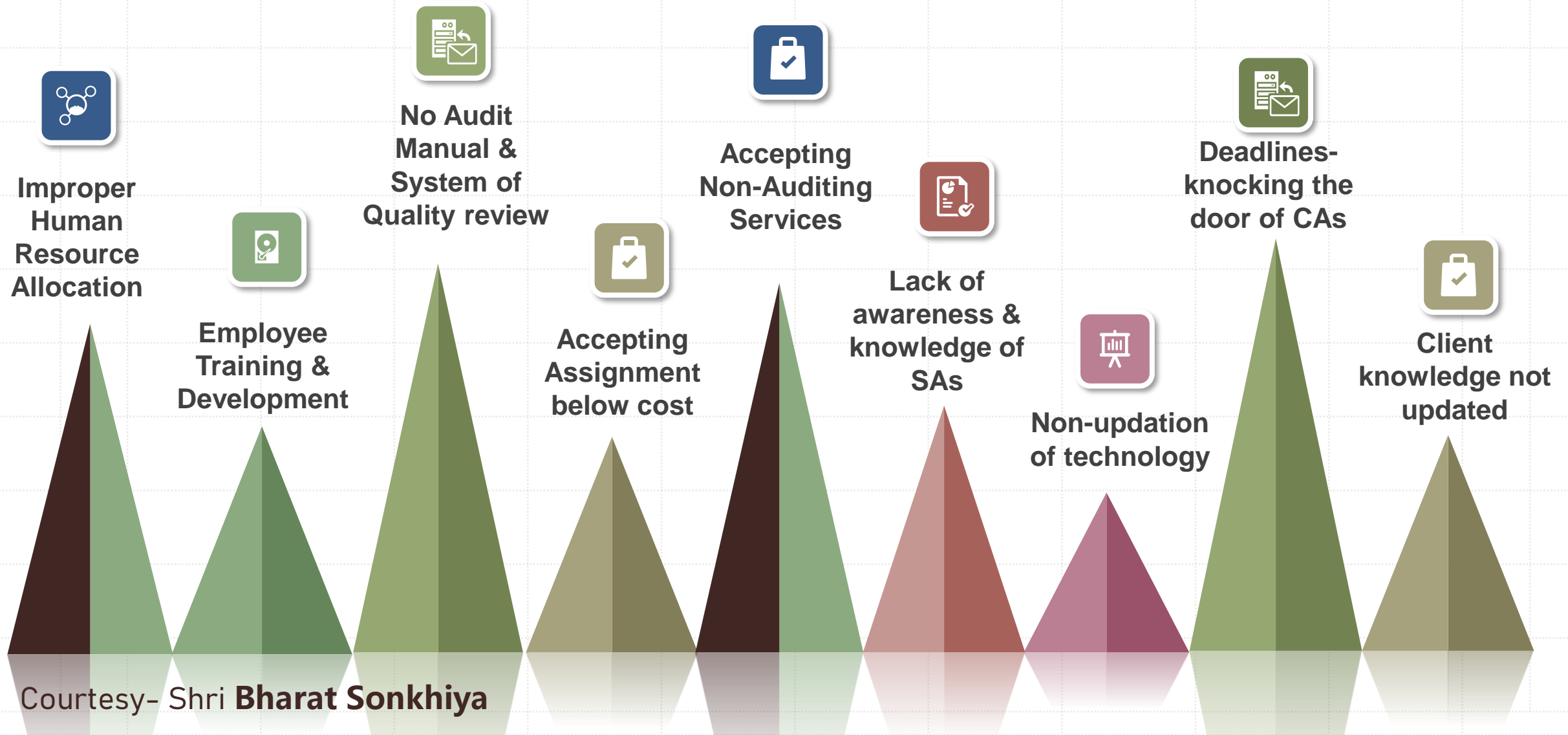


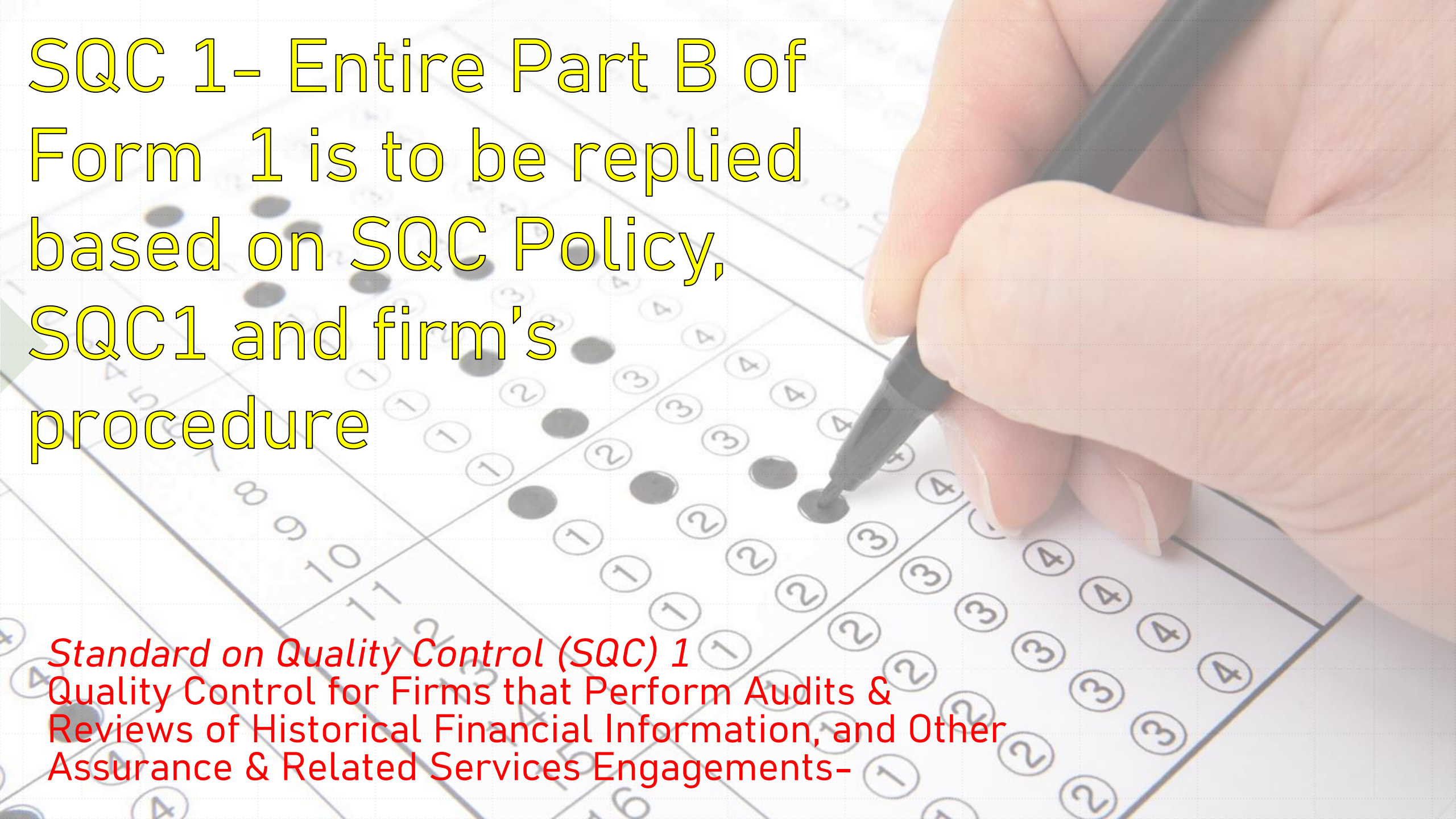
Poor management of audit files and its archival



External Confirmation- no tracker, not sought, not tagged/verified

# Lack of Documentation & Audit Quality- Key Root Cause



A hand holding a black pen is shown marking a dot on a grid of numbered circles. The grid consists of rows and columns of circles, each containing a number from 1 to 4. The hand is positioned over the grid, and the pen is touching one of the circles. The background is a light gray grid with the numbers 1, 2, 3, and 4 repeated in a pattern.

SQC 1- Entire Part B of  
Form 1 is to be replied  
based on SQC Policy,  
SQC1 and firm's  
procedure

*Standard on Quality Control (SQC) 1*  
Quality Control for Firms that Perform Audits &  
Reviews of Historical Financial Information, and Other  
Assurance & Related Services Engagements-

# Objective of SQC 1

Firm's responsibility for its system of quality of control for:

- audits and reviews of historical financial information
- Other assurance and related services engagements

*Note:*

*Quality control responsibility of firm personnel for specific engagements set out in other Standards, eg SA 220.*



**LEADERSHIP**



**ETHICAL  
REQUIREMENTS**



**CLIENT  
ACCEPTANCE  
and/or  
CONTINUANCE**



**HUMAN  
RESOURCE**



**MONITORING**

# SQC 1- Pillars & Elements

---

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# Why SQC1

All firms to have system of quality control that provides reasonable assurance that :

- Firm & personnel comply with professional standards, regulatory & legal requirements, and
- Reports issued by firm or partners are appropriate in the circumstances.

# Applicability

This standard will be applicable to all the professional firms that performs :

- ***Audit*** of Historical Financial Information.
- ***Review*** of Historical Financial Information.
- ***Assurance*** and other Related Services Engagements.

## IMPORTANT ASPECTS



Technical standards (SA, AS, SQC etc) are continuously being updated - acquire the latest information on Technical, Professional and Ethical Standards from the publications of the Institute and other regulatory bodies from time to time



**Take it as an opportunity for Improvement in Audit Quality & Control for the benefit of the PU.**



Proper Documentation & Its retention -



**The PU must remain alert while performing the assignments and not simply adopt check box approach**



The information sought in the Questionnaire is only to acquaint the Reviewer with basic knowledge about the Practice Unit and its quality controls. Its purpose is to help the Reviewer in planning his review

# Helpful Resources

- Implementation Guide SQC 1
- Firm Manual Model refernecer- SQC based policy- released by CAQ- ICAI
- Peer Review Manuals and Handbooks – including clarification – refer website Peer Review Board
- Practitioners' Guide Audit of Small Entities (Revised 2020 Edition)
- Ready Reference on Engagement & Quality Control Standards
- Implementation Guide on SA 230 (2022 edition)
- MCQ on Engagement & Quality Control Standards
- Working Paper Template ICAI
- Materiality Template
- Engagement Letter template
- SA, SA, IndAs, internal Audit, tax Audit Checklist – ICAI
- Excel – Standards on Auditing – Review
- Office Management Manual for members in Practise- (2020) – CMP of ICAI

# Further Information

- For further details and information on the peer review aspect , refer to the below mention link for New updated publication, application forms etc issued by Peer Review Board

# Further Information

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| Particulars  | Web Link  |
|--|---|
| ICAI Peer Review Board   | <a href="https://www.icai.org/post/peer-review-board">https://www.icai.org/post/peer-review-board</a>   |
| Peer Review Guidelines 2022  | <a href="https://resource.cdn.icai.org/72010prb57960-peer-review-guidelines-2022.pdf">https://resource.cdn.icai.org/72010prb57960-peer-review-guidelines-2022.pdf</a>               |
| Peer Review Manual Volume I  | <a href="https://resource.cdn.icai.org/60103prb48957peer-review-manual.pdf">https://resource.cdn.icai.org/60103prb48957peer-review-manual.pdf</a>                                   |
| Peer Review Manual Volume II   | <a href="https://resource.cdn.icai.org/73049peer-review-manual-v2.pdf">https://resource.cdn.icai.org/73049peer-review-manual-v2.pdf</a>   |
| Handbook on Peer Review Forms  | <a href="https://resource.cdn.icai.org/73050prb48957handbook-advisories-new.pdf">https://resource.cdn.icai.org/73050prb48957handbook-advisories-new.pdf</a>                         |
| Illustrative Time Schedule - Revised - 20 days time period                                       | <a href="https://resource.cdn.icai.org/72016prb57960-itsprp.pdf">https://resource.cdn.icai.org/72016prb57960-itsprp.pdf</a>   |
| Cost/Fees of Peer Review- Revised  | <a href="https://resource.cdn.icai.org/72015prb57960-cpr.pdf">https://resource.cdn.icai.org/72015prb57960-cpr.pdf</a>   |
| Sample Selection Criteria  | <a href="https://resource.cdn.icai.org/72066prb57994.pdf">https://resource.cdn.icai.org/72066prb57994.pdf</a>   |
| Peer Review of New Units   | <a href="https://www.icai.org/post/peer-review-of-new-units">https://www.icai.org/post/peer-review-of-new-units</a>   |
| Applicable forms of Peer Review- Pdf and word File version with certain clarifications           | <a href="https://www.icai.org/post/prb-applicable-forms">https://www.icai.org/post/prb-applicable-forms</a>   |
| Peer Review Mandate dt 11 <sup>th</sup> April 2022   | <a href="https://www.icai.org/post/peer-review-mandate-roll-out-revised">https://www.icai.org/post/peer-review-mandate-roll-out-revised</a>   |
| Further Deferment of 2 <sup>nd</sup> Phase of Peer Review Mandate dt 19 <sup>th</sup> July 2023- | <a href="https://www.icai.org/post/further-deferment-of-second-phase-of-peer-review-mandate">https://www.icai.org/post/further-deferment-of-second-phase-of-peer-review-mandate</a> |

# Further Information

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| Particulars   | Web Link  |
|---|---|
| <b>Peer reviewer Final Report and annexure, other than New units, (Revised) –</b> <ul style="list-style-type: none"><li>• Annexure I;</li><li>• Annexure II;</li><li>• Annexure III ; &amp;</li><li>• Model Final Report/</li></ul> | <a href="https://www.icai.org/post/prb-formats-annexures-mfr-its-cpr">https://www.icai.org/post/prb-formats-annexures-mfr-its-cpr</a> |
| <b>Implementation Guide SQC 1</b>   | <a href="#">Click Here</a>  |
| <b>AQMM Guidance Note</b>   | <a href="#">Click here</a>  |
| <b>Implementation Guide SA 230 (Revised 2022)</b>   | <a href="#">Click here</a>  |
| <b>Sample Working Paper- Illustrative Formats- ICAI</b>   | <a href="#">Click here</a>  |
| <b>Practitioners' Guide Audit of Small Entities (Revised 2020 Edition)</b>  | <a href="#">Click here</a>  |
| <b>Ready Reference on Engagement &amp; Quality Control Standards</b>  | <a href="#">Click here</a>  |
| <b>DCMM Guidance Note</b>   | <a href="#">Click here</a>  |



# Website – Peer Review Board

- <https://icai.org/post/peer-review-board>



# Thank You

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**8981272847**