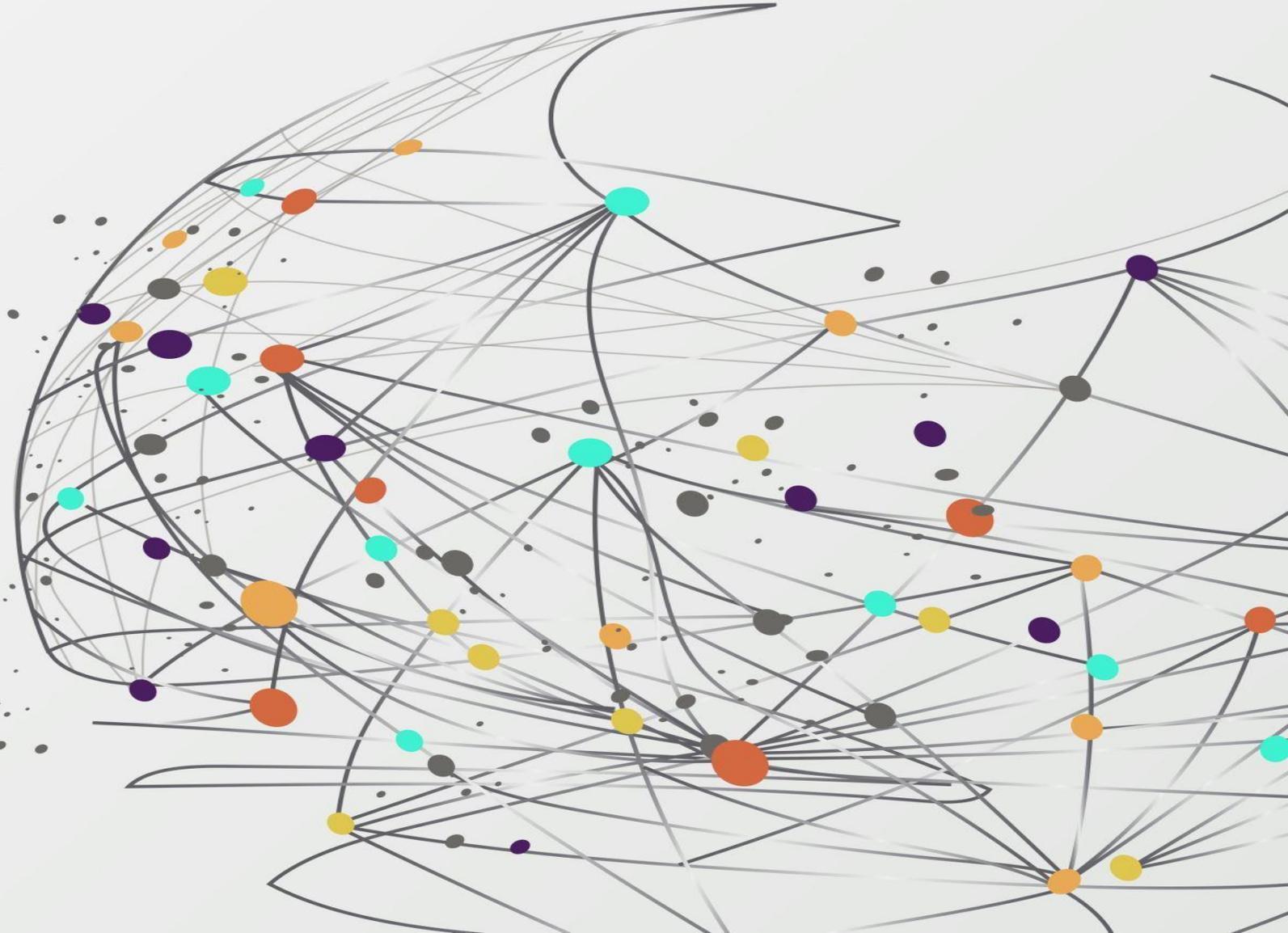


# PEER REVIEW

14<sup>TH</sup> MARCH 2024- EIRC ICAI

*CA PAWAN KUMAR AGARWAL*

*madanllassociates@gmail.com*





# 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)]

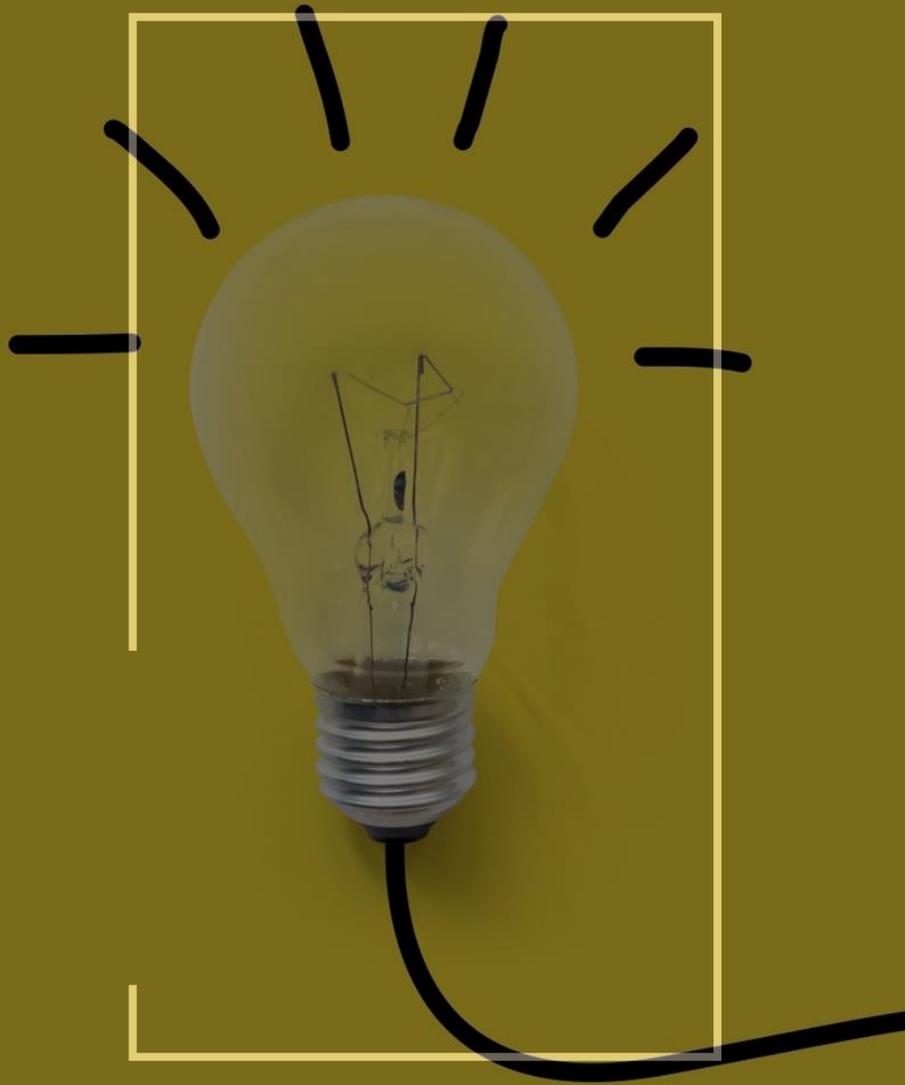


## OBJECTIVE

- The main objective of Peer Review is to ensure that in carrying out the assurance service assignments, the members of the Institute –
  - a) comply with Technical, Professional and Ethical Standards as applicable including other regulatory requirements thereto and
  - b) have in place proper systems including documentation thereof, to amply demonstrate the quality of the assurance services. [Clause 3(3)]
- 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.

*CA PAWAN KUMAR AGARWAL*

*madanlalassociates@gmail.com*



- Who issued the Peer Review Guideline, 2022?

The **Council** of the ICAI has issued the Peer Review Guideline, 2022

- From when the Peer Review Guidelines have come into force?
- The Peer Review Guideline, 2022 came into force w.e.f. 1<sup>st</sup> October, 2022
- Under what authority the Council issued the Peer review Guidelines?
- Under Section 15(2)(fa) of the Chartered Accountants Act (as amended w.e.f. 10<sup>th</sup> May 2022)
- Whether PU to apply for Peer Review or Board to select the PU for review?
- Mandatory, Voluntary, Special case, New Unit, other prescribed criteria

**CA PAWAN KUMAR AGARWAL**

madanlalassociates@gmail.com

## WHO IS REVIEWER

As defined in Clause 2 of the Guidelines,

**Reviewer** - means

a member duly approved and empanelled by the Board on fulfilling the qualifications prescribed for a Reviewer as per Guideline 26 of these Guidelines

*CA PAWAN KUMAR AGARWAL*

madanlassociates@gmail.com



# SCOPE OF PEER REVIEW

CA PAWAN KUMAR AGARWAL

madanlassociates@gmail.com

# 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.*

**CA PAWAN KUMAR AGARWAL**

madanlalassociates@gmail.com

## What is “Peer Review Period” ?

As per Clause 2 (15) of the Guidelines,

### Peer Review period

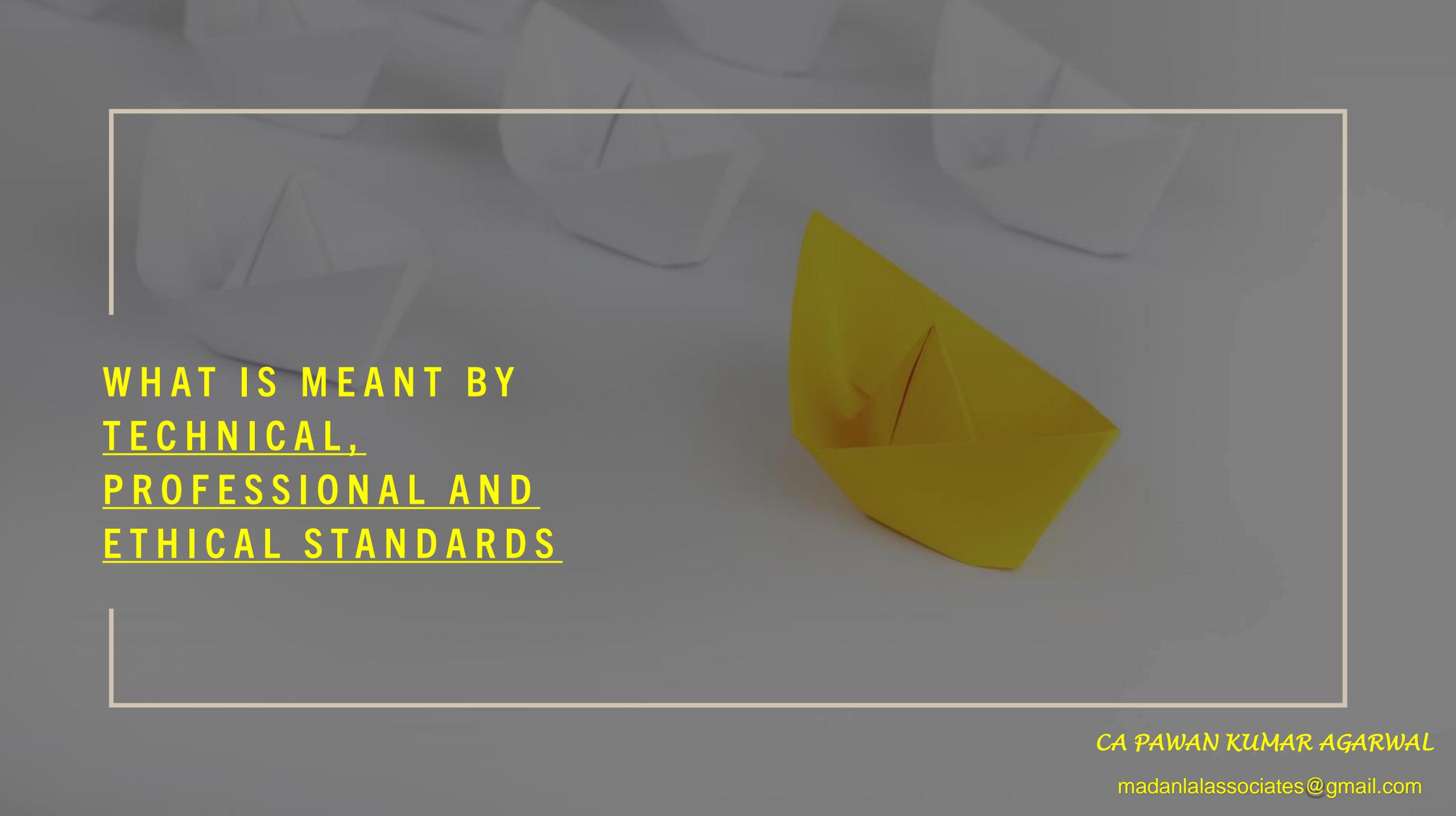
“means **three financial years** preceding the year in which the Practice Unit is selected

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”

*CA PAWAN KUMAR AGARWAL*

madanlalassociates@gmail.com



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

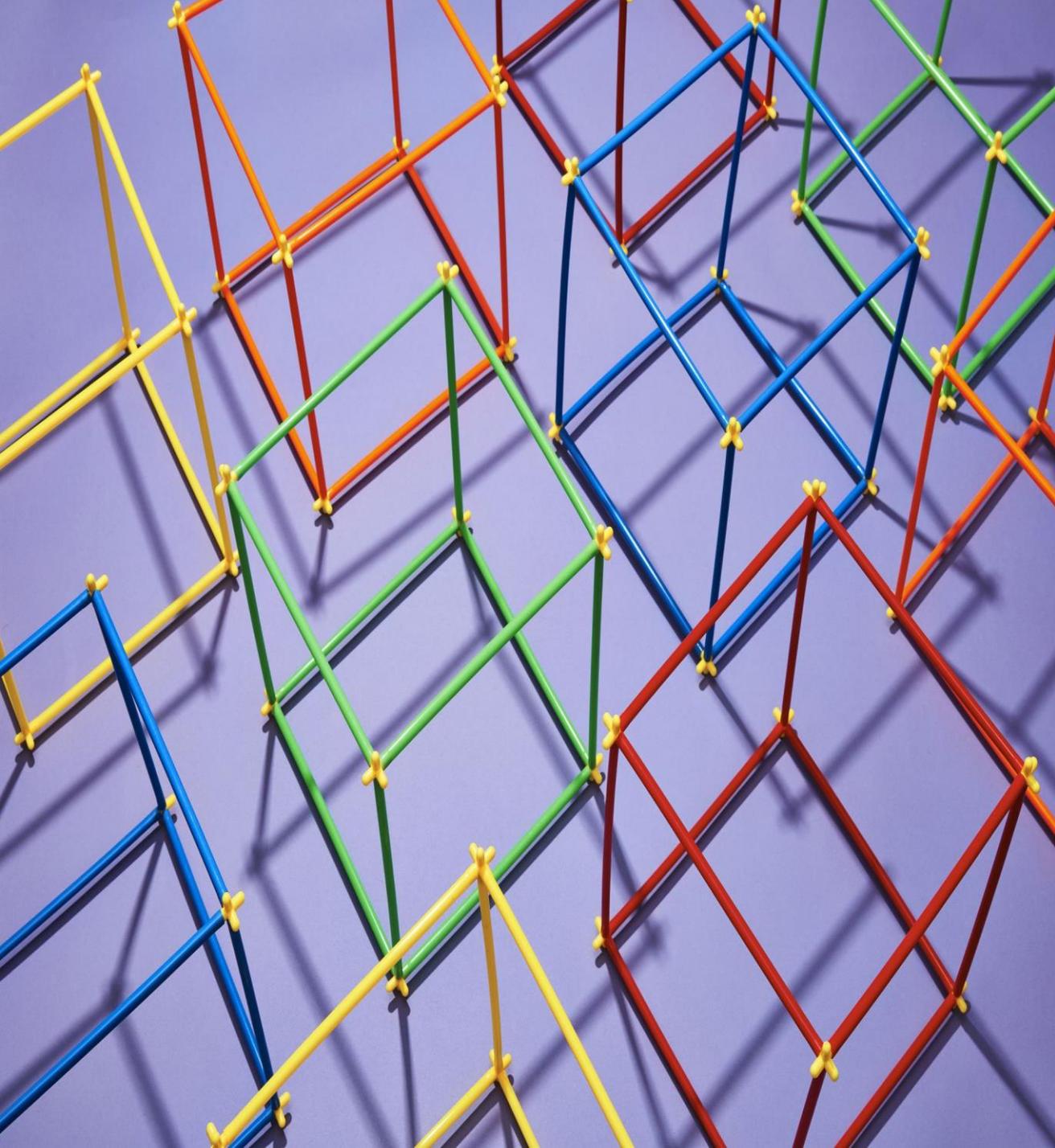
*CA PAWAN KUMAR AGARWAL*

[madanlalassociates@gmail.com](mailto:madanlalassociates@gmail.com)



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*



What is meant by Assurance  
services?

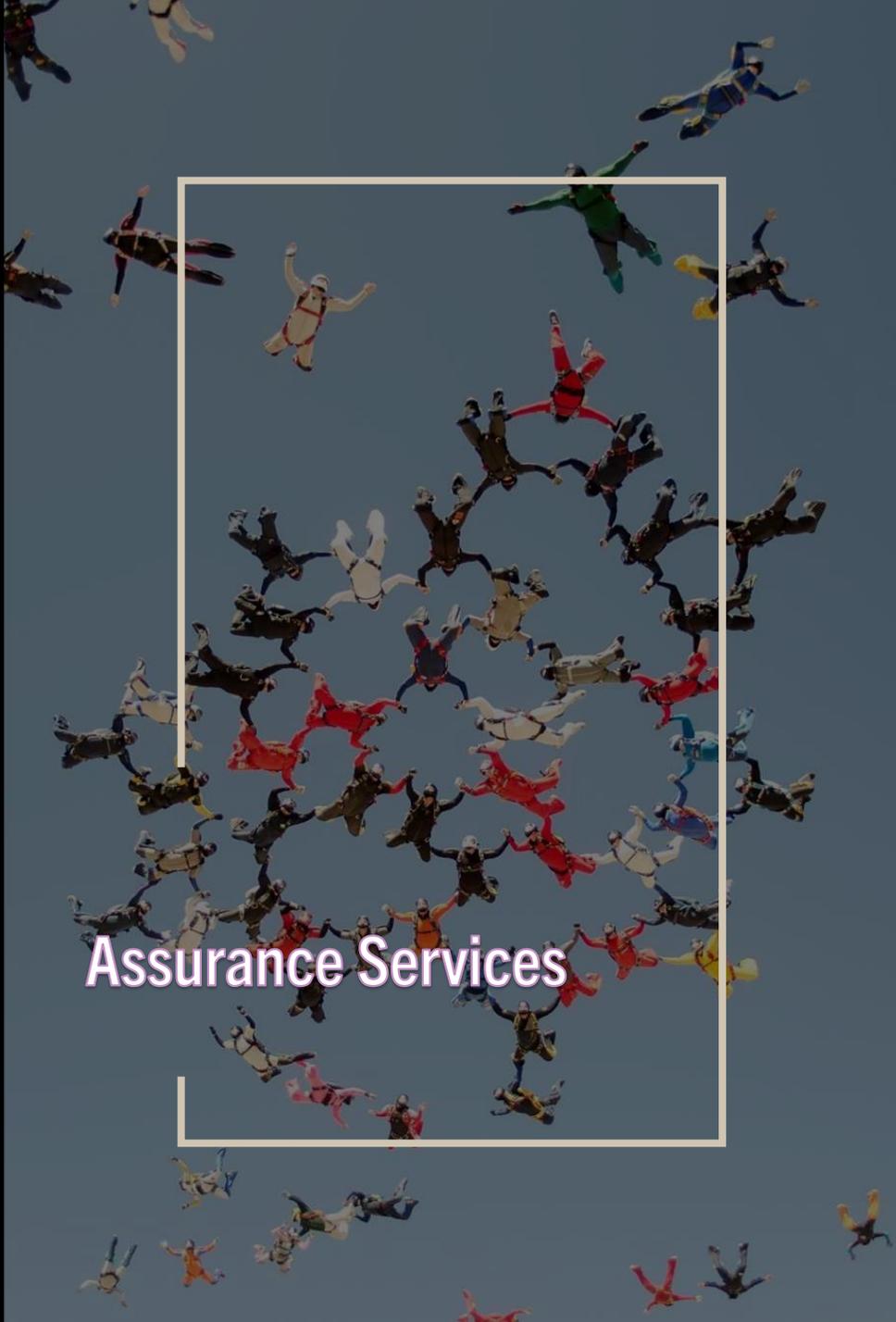
CA PAWAN KUMAR AGARWAL

madanlalassociates@gmail.com



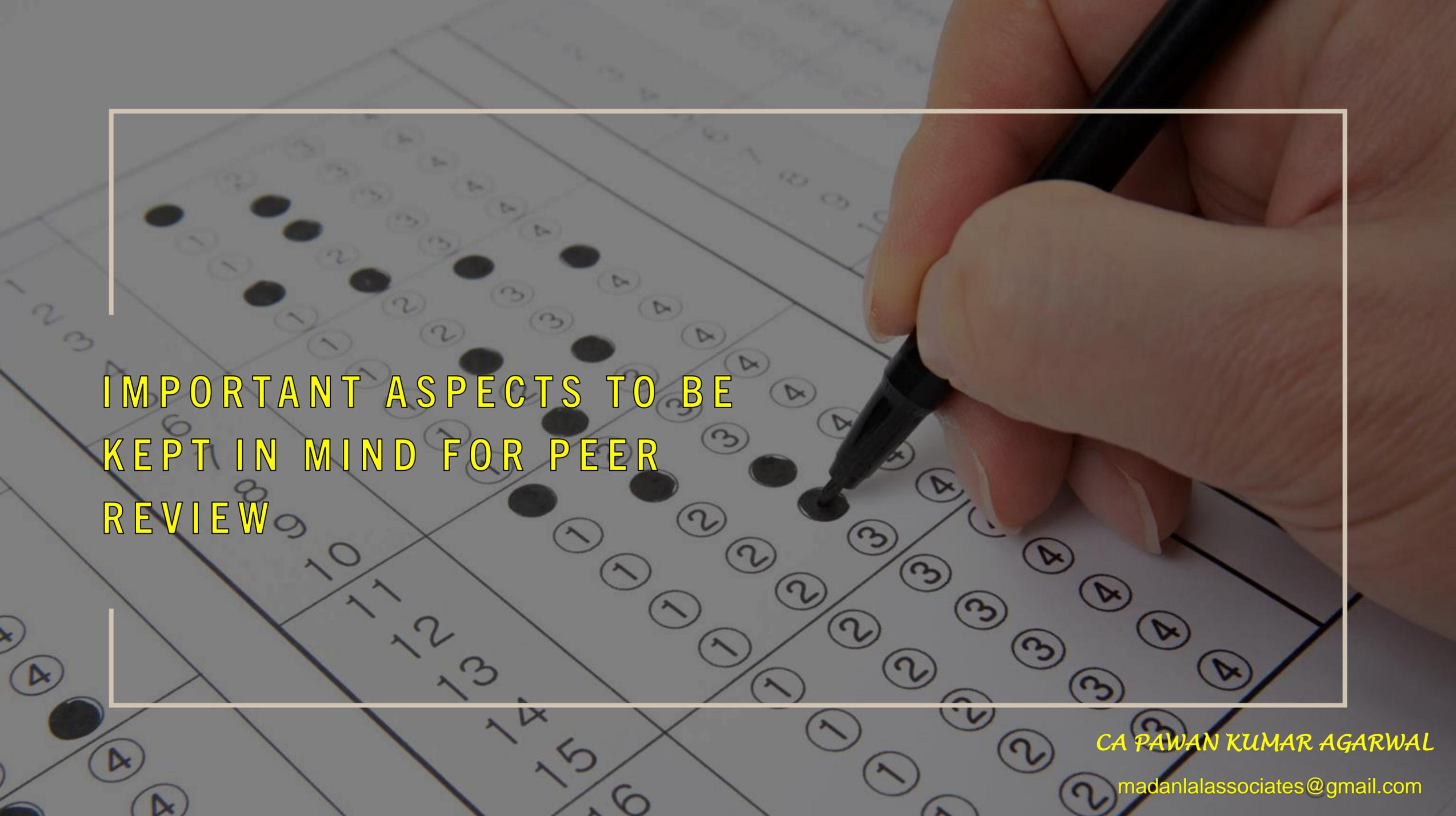
## Assurance Services

- 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:**



## Assurance Services

- Assurance services *criteria 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



IMPORTANT ASPECTS TO BE  
KEPT IN MIND FOR PEER  
REVIEW

CA PAWAN KUMAR AGARWAL

madanlassociates@gmail.com

## 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

- 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 seeks to identify and address patterns of non-compliance with quality control standards



**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-Mandaory
- 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



- 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

## 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

**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.



# 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  
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
- Any non compliance by a PU attracts initiation of disciplinary action.

## 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

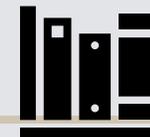
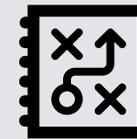
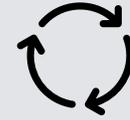


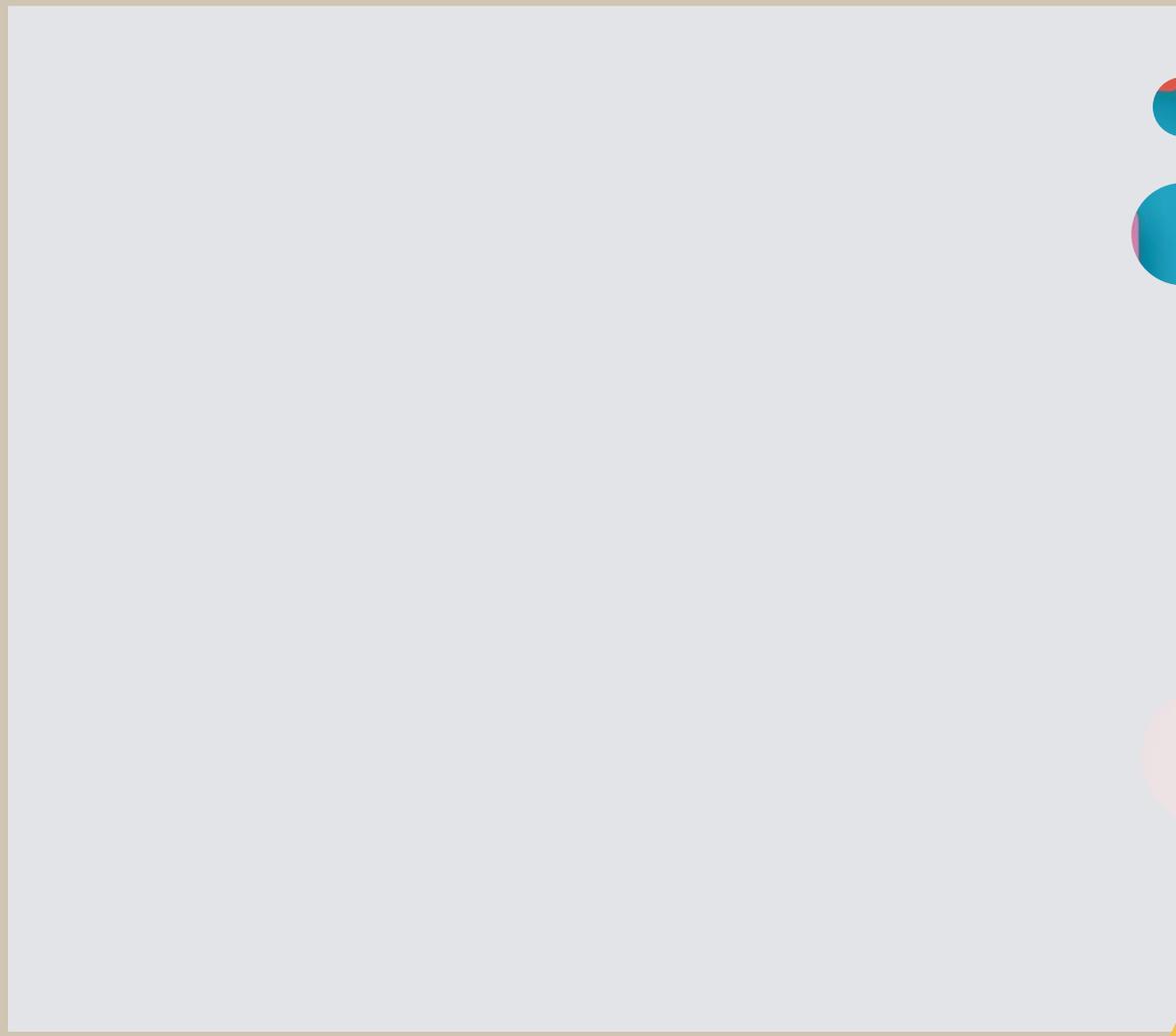
Poor management of audit files and its archival



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

?? DO YOU ??





# Thank You

CA Pawan Kumar Agarwal

[madanlalassociates@gmail.com](mailto:madanlalassociates@gmail.com)

9830262464