

Rationale and Significance of Peer Review

Signature

Date

AGENDA



Agenda

- ❑ Introduction
- ❑ Rationale of Peer Review
- ❑ Significance of Peer Review
- ❑ Peer Review Guidelines 2022
- ❑ Objectives
- ❑ Peer Review Board
- ❑ Coverage of Peer Review
- ❑ Salient features of Peer Review

Introduction

- ❑ It is the evaluation of work by one or more people of similar Professionals.
- ❑ examination and review of the systems and procedures put to use for ensuring the quality of attestation services



Rationale of Peer Review

- ❑ The process is an endeavor to enhance the quality of services rendered by CA's.
- ❑ It helps in reassuring the stakeholders, the society and ensures highest standards are used for services rendered.



What is peer review?

- A peer review means an examination and review of the **systems and procedures** to determine whether they have been put in place by the practice unit for ensuring the quality of **attestation services**.
- Therefore, it is a review done by a member to ensure that the Technical, Professional and Ethical standards are being followed by the practice unit.
- The Council of the Institute of Chartered Accountants of India has issued a Peer Review Guidelines on Peer Review, 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 this Guidelines is vested in the Board.



Significance of Peer Review

- ❑ The introduction of the peer review has brought an overall improvement in the quality and assurance rendered by the members.
- ❑ Peer review also ensures that a member has in place proper systems to amply (to show, to prove) demonstrate the quality of assurance services

Peer Review Guidelines 2022

- In exercise of the powers conferred by Section 15(2) (fa) of the Chartered Accountants (Amendment) Act, 2022, the Council of the Institute of Chartered Accountants of India has prescribed the following Guidelines, namely
 - 1) These guidelines are called the Peer Review Guidelines, 2022. They shall come into force from 1st October 2022.
 2. Assurance Engagement - 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:**

- a. Management Consultancy Engagements;
- b. Representation before various Authorities;
- c. Engagements to prepare tax returns or advising clients in taxation matters;
- d. Engagements for the compilation of financial statements;
- e. Engagements solely to assist the client in preparing, compiling or collating information other than financial statements;

- f. Testifying as an expert witness;
- g. 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;
- h. Engagement for Due Diligence and
- i. Any other service rendered, or function performed by practitioner not prescribed by the Council to be 'Assurance Engagement'.

Phase	Category of firms covered	Date of implementation
I	Firms which have undertaken Statutory Audit of enterprises whose equity or debt securities are listed in India or abroad as defined under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.	1st April 2023
II	<p>Firms which have undertaken Statutory Audit of unlisted public companies having `paid-up capital of not less than rupees 500 crores` or having annual turnover of not less than rupees 1000 crores or having, in aggregate, outstanding loans, debentures and deposits of not less than rupees 500 crores as on the 31st March of immediately preceding financial year</p> <p>OR</p> <p>Firms having 5 or more partners anytime during the immediately preceding financial year.</p>	1.7.2024 (Grace period allowed upto 30.06.2024)

Phase	Category of firms covered	Date of implementation
III	<p>Practice Units which propose to undertake the Statutory Audit of entities which have raised funds from public or banks or financial institutions of over 50 Crores rupees during the period under review or of any body 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;">OR</p> <p>Practice Units rendering attestation services and having 4 or more partners: For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit.</p>	01.07.2025
IV	<p>Practice Units which propose to undertake audits of branches of Public Sector banks: For these Practice Units, there is a pre-requisite of having Peer Review Certificate.</p> <p style="text-align: center;">OR</p> <p>Practice Units rendering attestation services and having 3 or more partners: For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit.</p>	31.12.2026

Objectives of Peer Review



- ❑ To ensure that the assurance services carried by members comply with the Technical, Professional and Ethical standards issued.
- ❑ To ensure adherence to various Statutory and Other Regulatory Requirements
- ❑ To enhance the reliance of users on financial statements for economic decision making.

PEER REVIEW THEN VS NOW

- Procedure of Peer review has gone through number of changes. The same has contributed the Institute to keep the manual upto date and relevant in present working environment.

First Edition	Second Edition	Third Edition	Fourth Revised Edition
March' 2003	October' 2004	January' 2014	June' 2020

PEER REVIEW THEN VS NOW

Particulars	Peer Review THEN	Peer Review NOW
Mechanism of choosing Peer Reviewer	Manually chosen by the empanelment of members of Board	More robust and considering the professional experience of the Reviewer.
Geographical Considerations	Was one of the primary criteria for selection of reviewers	Owing to digitalization of records and documentations, this is a secondary criterion for selection of Peer reviewers
Samples selection	List of attestation functions would be obtained by the PU	The Board/Institute has access for the entire list of services based on UDIN portal
Level of Automation	Around the computer	Through the computer
Review Procedures	Predominantly procedures are conducted onsite.	Due to virtual working environment, off site procedures to be performed more.
Documentation	Reliance on manual documentations	Reliance on automation of procedures and soft copies.

MINDSET OF A PEER REVIEWER

- Peer Reviewer should not seek to redefine the scope and authority of the Technical, Professional and Ethical Standards specified by the Council but seeks to enforce them within the parameters prescribed.
- Reviewer should not sit on judgment of the Practice Unit while rendering assurance services but to evaluate the procedures followed by the Practice Unit in rendering such a service.
- Reviewer should ensure to maintain and enhance the quality of assurance services rendered from PU by providing appropriate guidance rather than simply pointing out deficiencies of the Practice Unit.
- The job of the peer reviewer is not to identify isolated cases of engagement failure, but to identify weaknesses that are pervasive and chronic in nature

Overall Peer review process

Planning Stage- Selection of reviewer and initial sample selection (No of sample as per ICAI)

Execution Stage- Review of the sample records

Reporting Stage

For firms in existence for more than 5 financial years: The minimum sample size to be selected is based on Average annual gross receipts/ Revenue from assurance services Clients of Practice Unit during the period under review is as per following table: Average annual gross receipts/ Revenue from assurance service clients of Practice Unit for the period under review Minimum sample size (number)

Less than Rs.5 crore	10
From Rs.5 crore to less than Rs.10 crore	15
From Rs.10 crore to less than Rs.20 crore	20
From Rs.20 crore to less than Rs.30 crore	25
From Rs.30 crore to less than Rs.50 crore	30
From Rs.50 crore to less than Rs.50 crore	50

Peer Review Board



The Institute of Chartered Accountants of India
(Setup by an Act of Parliament)

Peer Review Board

The Peer Review Board has been established in terms of the Statement on Peer Review issued by the ICAI in March 2021.

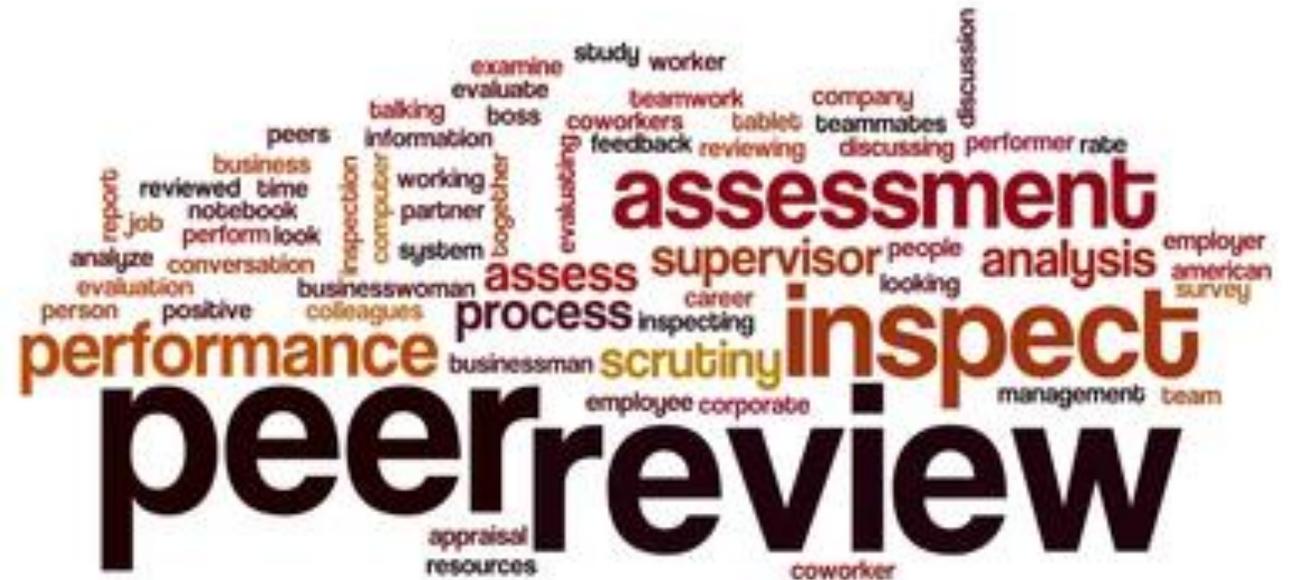
The board shall consist of 12 members of which 6 shall be amongst the members of the council.

The Chairman and the Vice-Chairman to the Board are appointed within the elected members of the Council.

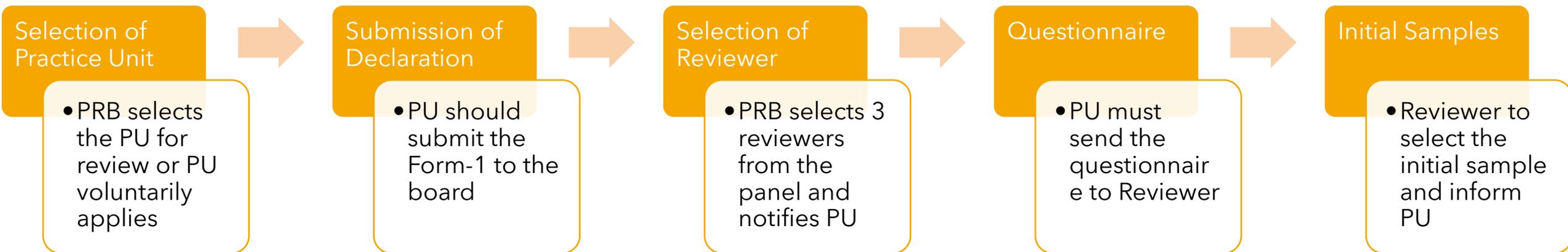
Coverage of Peer Review

The peer review shall cover:

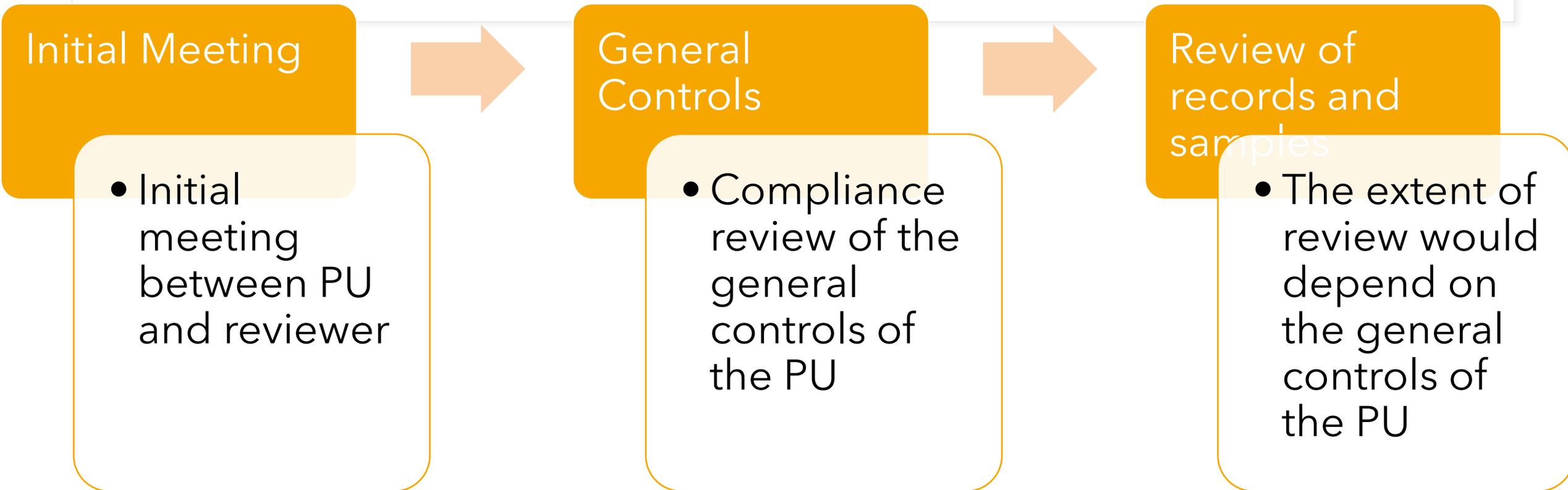
- ❑ Technical, ethical and professional compliance.
- ❑ Quality of reporting.
- ❑ Procedures for carrying out assurance services
- ❑ Training programs for staff and many more



PLANNING STAGE



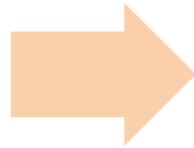
EXECUTION STAGE



REPORTING STAGE

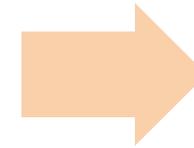
Preliminary Report

- Issued to PU in case of any non-compliance/deficiencies



Representations from PU

- A reply is received from the PU for the preliminary report issued



Final Report

- Final report is issued to PRB, after considering the representations from PU

Who can be a Peer Reviewer?



Ineligibility

- Any disciplinary action / proceeding is pending against him.
- He has been found guilty of professional or other misconduct by the Council or the Board of Discipline or the Disciplinary Committee at any time.
- He has been convicted by a competent court whether within or outside India, of an offence involving moral turpitude and punishable with imprisonment.

Eligibility

- He is a member in practice having at least seven years of assurance practice experience. Or
- A member in employment who has subsequently obtained a Certificate of Practice, having at least ten years of experience in employment and at least three years audit experience in practice and is in whole time practice at the time of enrolment and appointment as Peer Reviewer.

Peer Review Manual

- The board in order to guide the members introduced a peer review manual that gives and insight to various aspects of peer review process.
- The peer review manual is intended to assist both reviewers and practice units
- The peer review manual is intended to provide updated reporting formats for the Reviewer as well as the Practice Unit.
- The manual contains Six chapters and twelve Appendices

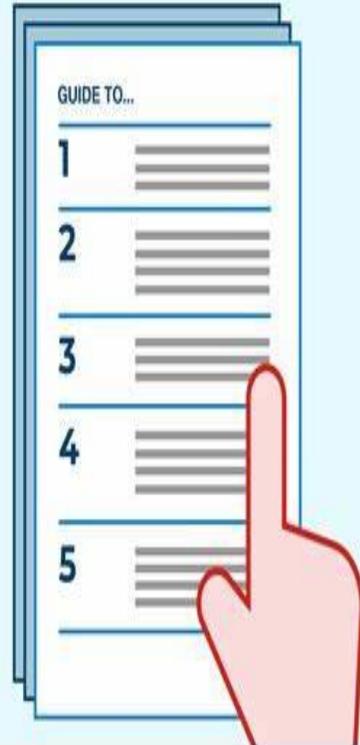


Peer review Manual



Introduction

- It outlines the concept, scope and objective of Peer review.
- The Peer Review process shall apply to all the assurance engagements of a Practice Unit.



Peer Review Process

- A panel of reviewers is maintained by the Peer Review Board.
- Intimation of Board on selection of PU
- Level to be confirmed by the PU.
- Fees of Peer review is indicated in the manual.

Peer review Manual



Questionnaire(PU)

- PU to submit Form-1(Application cum Questionnaire) same as submitted to board, to the reviewer with 1 day after receiving of Form-2 from the Reviewer.
- Part A - states the Profile of Practice Unit (PU)
- Part B – stated about the general controls(Based on SQC-1)

Review Procedure

Review procedures basically comprise of the compliance and substantive procedures based on the information and explanation obtained during Review.

On site and Off-site procedures to be followed.

Comparison of audit procedures with the actual workflow.

Peer review Procedure and Compliance review procedure are used to obtain sufficient and appropriate audit evidences.

Criteria for sample selections are deliberated to assess the sample size based on the risk factor of the assurance functions.

A checklist to illustrate the contents of the audit programme of a reviewee Practice Unit is provided in the manual.

Peer review Manual



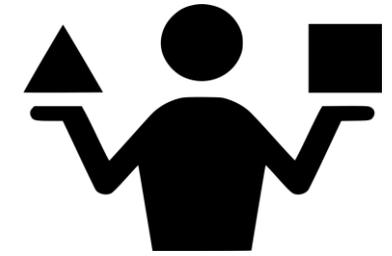
Documentation

- SA 230 – “Audit Documentation” refers to the records or documentation of procedures that auditors performed, the audit evidence that they obtained and the conclusion that is made by them based on the evidence obtained.
- The nature, form, content and purpose of audit documentation is discussed in the manual.
- An illustrative checklist for the documentation aspect is present in the manual.
- The definition and importance of Audit documentation is discussed here.

Reporting

- In deciding on the type of report to be issued, a reviewer should
 - consider the evidence obtained and
 - should document the overall conclusions with reasons.
- General grounds for modification of the audit report is discussed in this chapter
- Preliminary report with initial findings are issued for comments and representation from PU.
- Post that a final report is issued to the PU.
- The content of the Peer Review Report is prescribed

Differences



Financial Reporting Regional Board

- **Objective** To bring improvements in financial reporting practices and promote investors' confidence in audited financial statements.
- **Board Members** - Central Council of the ICAI, Government of India nominee with representations from the office of the Securities and Exchange Board of India, Comptroller and Auditor General of India, Insurance Regulatory and Development Authority, Central Board of Direct Taxes.

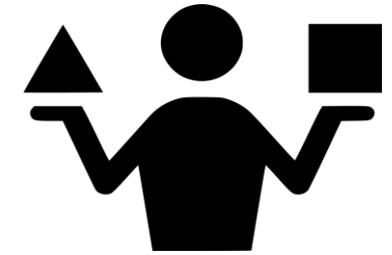
Peer Review Board

- **Objective:** To ensure that in carrying out the assurance service assignments, the members of the Institute (a) comply with Technical, Professional and Ethical Standards.
- **Board Members-** Minimum of six and a maximum of twelve members to be appointed by the Council, of whom not less than fifty per cent shall be from amongst the members of the Council.

Quality Review Board

- **Objective:** To make recommendations to the Council with regard to the quality of services, to review the quality of services provided by the members of Institute and to guide the members of the Institute to improve the quality of services and adherence to the regulations.
- **Board Members:** The Central Government is empowered to constitute a Quality Review Board consisting of a Chairperson and ten other members.

Differences



Financial Reporting Regional Board

Review Process

- Preliminary review by an independent Technical Reviewer
- FRRG's will review the report submitted by Technical Reviewer
- The report of FRRG's and technical reviewer is reviewed finally by Financial Reporting Review Board

Peer Review Board

Review Process

- Selection of Practice Unit (PU)
- Selection of Peer Reviewer out of the Panel
- Questionnaire to be filled by PU within 15 days
- Review procedures basically comprise of the compliance and substantive procedures
- Comparison of audit procedures with the actual workflow
- Review of Documentation
- Preliminary report with initial findings are issued for comments and representation from PU
- Post that a final report is issued to the PU.
- PRB to issue Peer review certificate to PU

Quality Review Board

Review Process

- Selection of Audit Firm and the audit file for review
- Technical Reviewer(TR) identification to conduct Quality Review
- QRB to send questionnaire to the AFUR
- After review, preliminary report to AFUR
- Representation to be done by AFUR
- The final report along with representation and replies to be sent to QRB
- QRB to consider the facts and representation and send the final report to the QRB

DO'S AND DON'TS FOR PEER REVIEWER

- Shall not carry any extracts of the records examined by him.
- Shall be bound by the code of ethics.
- Shall be bound by the “Secrecy provision” as mentioned in the statement on peer review.
- Cannot, under any circumstances, communicate with or visit the client(s) of the PU.
- Cannot challenge the professional judgement exercised by a PU in conducting the audit
- The reviewer must document the working papers to substantiate the review performed and his/her findings.

DO'S AND DON'TS FOR PEER REVIEWER

- Peer reviewer should attend the peer review training programs and clear the requisite test for peer review at least once in every 5 years.
- The reviewer should study in detail, the peer review manual before commencing the review.
- The reviewer must submit the declaration to the board.
- Take note of the clause 10 of the statement of peer review i.e “Eligibility to be a reviewer”
- Adhere to the statements and guidelines issued by the board
- The peer reviewer is appointed in individual capacity, and all communications to be done in individual capacity



Thank you



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