

Handbook on Advisories for Peer Reviewers



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

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Foreword

The Peer Review Board of ICAI had been established in 2002. Since its inception it has published the Peer Review Manual followed by the Training Modules and Frequently Asked Questions, to clarify the process of peer review and provide guidance to members, to achieve the objective of the peer review.

The enthusiasm shown by the Reviewers, empanelled by the Peer Review Board, at the Training Programmes, as per the feedback received so far, is an encouraging sign that the peer review mechanism introduced by the Institute is well accepted. Accountancy profession is the first and the only profession in the country which has taken a proactive step to ensure that its members provide their services to the users, stakeholders, regulatory authorities, in the best possible manner and comparable to global practices, by ensuring compliance with various pronouncements issued by the Institute from time to time.

The Handbook on Advisories for Reviewers is being brought out with the objective of providing a handy reference booklet to Reviewers in their efforts to provide efficient review services to the Practice Units. In the recent years there have been various changes and modifications in reporting formats and standards having significant impact on the compliances to be made by the Practice Units. The reviewers are therefore required to review whether the changed requirements have been incorporated in the audit planning and execution by the practice unit.

With the objective to provide clarity on the requirements and the procedures to be followed, the Peer Review Board has endeavored to develop this 'Handbook on Advisories for Reviewers'.

I am confident that the Reviewers will find this compilation useful and handy, and also find the answers they might be looking for, for numerous questions.

I would like to place on record the appreciation for the efforts put in by CA. Jay Chhaira, Chairman, Peer Review Board, CA. Prakash Sharma, Vice-Chairman, PRB and their team of PRB in bringing out this informative booklet.

New Delhi
January, 2018

CA. Nilesh S. Vikamsey
President

Preface

This Peer Review Board established since July, 2002 has been striving hard to ensure that the peer review process is conducted in the most efficient manner. Towards this end, it published Peer Review Manual and Training Modules for the benefit of both the Reviewers and the Practice Units. The Boards started imparting Training to empanelled Reviewers in October 2003 and more than 160 such Programmes have been held so far. In the process, more than five thousand Peer Reviewers have been imparted adequate and necessary training before embarking on peer review assignments. The participation at the Training Programmes has evoked several important questions with regard to the peer review mechanism introduced by the accountancy profession – a leader in this behalf – in the country. While the Trainers have tried to the best of their ability to respond to the queries raised, the Peer Review Board felt that there may still be several questions agitating the minds of the Reviewers, on the one hand and the Practice Units, on the other.

In this booklet, efforts have been made to provide a handy reference book for the Peer Reviewers to make the review process more efficient.

I take opportunity to thank the President CA. Nilesh Shivji Vikamsey, Vice President CA Naveen N. D. Gupta, Vice Chairman CA. Prakash Sharma and members of the Peer Review Board for their active support in bringing out this publication.

I also wish to put on record my appreciation for the efforts put in by CA Sonali Das Halder, Secretary, Peer Review Board and officers of the Peer Review Board for their excellent work in the preparation of this Handbook and also, CA. Sashi Gupta, senior Chartered Accountant, for reviewing the document, which has made this endeavor possible and brought it to fruition. It is likely that some aspects may have remained to be covered and the Board would welcome suggestions for improvements in the contents of the booklet. I am also indebted to the members of the Board for providing their whole-hearted cooperation.

January, 2018
Ahmedabad

CA. Jay Chhaira
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 of Peer Review and set up a Peer Review Board, comprising of members of the Council, representatives from regulatory bodies and industry.

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 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, Training Modules and FAQs 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 15 years has indeed brought about an overall improvement in the quality of attest services rendered by our members.

The various publications of the Peer Review Board has 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 administration of the Peer Review process.

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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 this 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 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.

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 been made mandatory with effect from April 1, 2010 for the listed entities, 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 certificates issued by the 'Peer Review Board' of the Institute.

The Comptroller & Auditor General of India (C&AG) has also recognized 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. C&AG every year make allotment of audits to the firms which are holding a valid Peer Review certificate issued by the Peer Review Board of ICAI. Furthermore from last few years the C&AG annually seeks details from the Institute of those firms which have been issued 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.

Peer Review Certificates information is regularly updated on CAG site and Trained Reviewers List is also updated on Peer Review Board page of ICAI website www.icaai.org.

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 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. The term “Peer Review” would mean review of work done by a professional, by another professional of similar standing.

Peer Review: review of work done by a professional, by another professional of similar standing. Therefore, Peer Review implies 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 in the period under review.

A **Peer Reviewer** shall: -

- (a) Be a member with at least 10 years of experience in practice;
- (b) Is in Practice as per the Chartered Accountants Act, 1949.
- (c) Should have undergone the requisite training as prescribed by the Board.
- (d) Should furnish a declaration as prescribed by the Board, at the time of acceptance of Peer Review appointment.
- (e) Should have signed the Declaration of Confidentiality as prescribed by the Board.
- (f) Should have conducted audit of Level I Entities for at least 7 years to be eligible for conducting Peer Review of Level I Entities as referred to in Para II of this Statement on Peer Review.

For being a Reviewer a member should not have: -

- (i) Disciplinary action / proceedings pending against him
- (ii) been found guilty by the Council or the Disciplinary Board or 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 transportation or imprisonment.
- (iv) any Obligation or conflict of interest in the Practice Unit or its Partners/ Personnel.

A Reviewer shall not accept any professional assignment from the Practice Unit for a period two years from the date of appointment.

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 (PU) subject to Review

Every Practice Unit, based on their category as determined below will be subject to Peer Review in accordance with this statement.

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 Entities which have raised funds from public or banks or financial institutions of over Rs. Fifty Crores during the period under Review.

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- (vii) Statutory Audit of Entities which have raised donations and / or contributions over Rs. Fifty Crores during the period under Review.
- (viii) Statutory Audit of entities having Net Worth of more than Rs. Five Hundred Crores at any time during the period under Review.;
- (ix) Statutory Audit of entities which have been funded by Central and / or State Government(s) schemes of over Rs. Fifty Cores during the period under Review.

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 or Private Sector and / or Foreign Banks;
 - (b). Insurance Companies;
 - (c). Co-operative Banks
 - (d) Statutory Audit of Regional Rural Banks,
 - (e) Statutory Audit of Non – Banking Financial Companies (NBFCs)
- (ii) Statutory Audit of entities having Net Worth of over Rs. Five Crores or an annual turnover of more than Rs. Fifty Crores during the period under Review.;

Level III

Any other Practice Unit providing assurance services not covered in Level I and Level II hereinabove.

Further,

Any Practice Unit not selected for Peer Review, may *suo moto* 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.

For Newly established PU firm:

- a. a minimum of one completed Financial Year is to be covered under Peer Review of a newly established firm ;

- b. Member should have five years of post-qualification experience (holding full time COP)
- c. Minimum sample size (Number of audit/assurance services rendered by new firm) should be 05 for issuing Peer Review Certificate carrying validity of next three years from the date of issue. (validity of certificate will be one year for Less than 5 samples)

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

Assurance services

Means assurance engagements services as specified in the “FRAMEWORK FOR ASSURANCE ENGAGEMENTS” issued by the Institute of Chartered Accountants of India and as may be amended from time to time 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

The phrase 'Assurance Services' is used in this Statement 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.

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- (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 relating to article 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 and /or prescribed and notified by the Central Government of India;
- (ii) Standards issued by the Institute of Chartered Accountants of India including
 - (a) Engagement standards
 - (b) Statements
 - (c) Guidance notes
 - (d) Standards on Internal Audit
 - (e) Statements on Quality Control
 - (f) Notifications / Directions / Announcements / Guidelines / Pronouncements / Professional standards issued from time to time by the Council or any of its committees.
- (iii) Framework for the Preparation and presentation of financial statements, framework of statements and Standard on Auditing, Standard on Assurance Engagements, Standards on Quality Control and Guidance Notes on related services issued, from time to time, by the Institute of Chartered Accountants of India and framework for assurance engagements;
- (iv) Provisions of the various relevant statutes and / 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
- (c) Level - III Practice Units – Once in 5 Years

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

Eligibility to be a Reviewer

1. A Peer Reviewer shall: -
 - (a) Be a member with at least 10 years of experience in practice;
 - (b) Is in Practice as per the Chartered Accountants Act, 1949.
 - (c) Should have undergone the requisite training as prescribed by the Board.
 - (d) Should furnish a declaration as prescribed by the Board, at the time of acceptance of Peer Review appointment.
 - (e) Should have signed the Declaration of Confidentiality as prescribed by the Board.
 - (f) Should have conducted audit of Level I Entities for at least 7 years to be eligible for conducting Peer Review of Level I Entities as referred to in Para II of this Statement.
2. For being a Reviewer a member should not have: -
 - (i) Disciplinary action / proceedings pending against him
 - (ii) been found guilty by the Council or the Disciplinary Board or 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 transportation or imprisonment.
 - (iv) any Obligation or conflict of interest in the Practice Unit or its Partners/ Personnel.
3. A Reviewer shall not accept any professional assignment from the Practice Unit for a period two years from the date of appointment.

Obligations of the Peer 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 Reviewer bound by a Code of Ethics
- 4 Reviewer bound by "secrecy provision" enshrined in the revised Statement on Peer Review

Cost of Peer Review

In exercise of power vested in the Peer Review Board by the Statement on Peer Review, the Board hereby notifies that the cost of Peer Review for **Stages-I,II,III**, including honorarium and TA/DA for reviewer and his qualified assistant, shall be as under:

Total Revenue from assurance service clients of practice unit (Per Annum)	Cost
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/-
Above Rs 5 crore p.a.	Rs 1,00,000/-

The cost of Peer Review is to calculated on the basis of 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 cost of peer review as per the table above. 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 Cost of Peer Review is paid by the Practicing Unit to the reviewer for the **total period reviewed and not for the per year basis**. In this regard, it may also be clarified that the total revenue from the assurance services for the three financial shall be clubbed and average of the same would be taken to arrive at the fee payable which shall be as per the notification.

Bill for peer review is to be raised to the Practice Unit immediately on receipt of confirmation from the Peer Review Board to the effect that all documents and information has been received. Proof of receipt of fees is to be submitted to the Peer Review Board immediately, so that the Peer Review certificate will be issued.

Objective of Peer Review

Assessing the maintenance of Quality of assurance Service Engagements performed by Practical Units through:

- Compliance with Technical Standards; 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 compliance of technical standards.
- Any system of quality control has certain inherent limitations – Departures from the system may not be detected.

The Peer Review is intended to be:

- An application of reasoned knowledge based on information, evidence, observation, experience

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- A test of adherence to standards issued and in force
- An opportunity for Quality Enhancement
- A process to achieve global standards of excellence

The Peer Review is not intended to be:

- 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 “witchhunt”

Need for Peer Review

- To fulfill 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.	<p>Peer Review Board notifies the selection of PU for Review. A Panel of three reviewers to be sent to PU, along with a. Questionnaire, b. Declaration for confirming the level of PU and c. Peer Review Cost, based on Turnover.</p> <p>PU is informed that Questionnaire, is to be sent to Reviewer selected by PU and copy of Questionnaire sent to Peer Review Board.</p>	Day-1	Day 1
2.	PU to give the choice of the reviewer.	Within 10 days	Day 11
3.	<p>Board to notify the reviewer as per the choice given by PU ; and</p> <p>Reviewer to submit his consent for accepting the Review along with submission of Declaration of Confidentiality.</p> <p>Reviewer should receive the communication from Peer Review Board and give his consent for his acceptance along with Qualified Assistant (one) and Declaration of Confidentiality within 2 weeks</p>	Within 15 days	Day 25
	<p>Peer Review Board to Issue letter (3rd letter from PRB) to Practice Unit for – Consent of Reviewer.</p> <p>Note: Review should be started only after the Board receives the Declaration, as above, alongwith 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.</p>	Within 25 days	Day 25
4.	Reviewer to call for any other information	Within 5 days	Day 30

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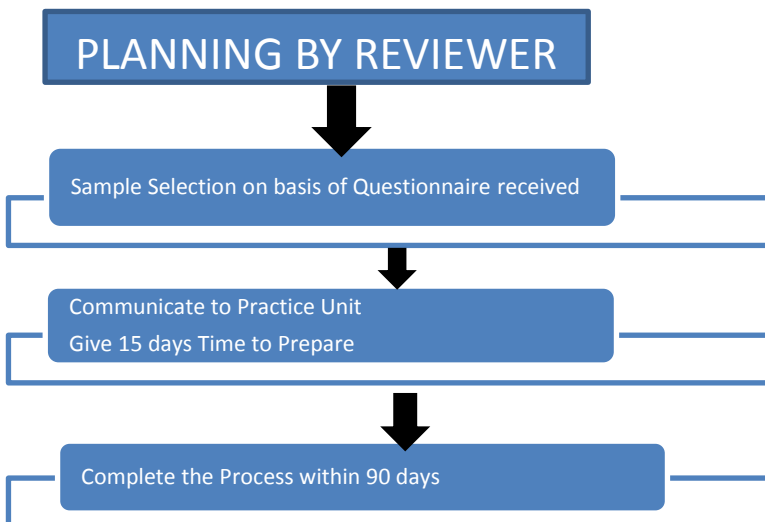
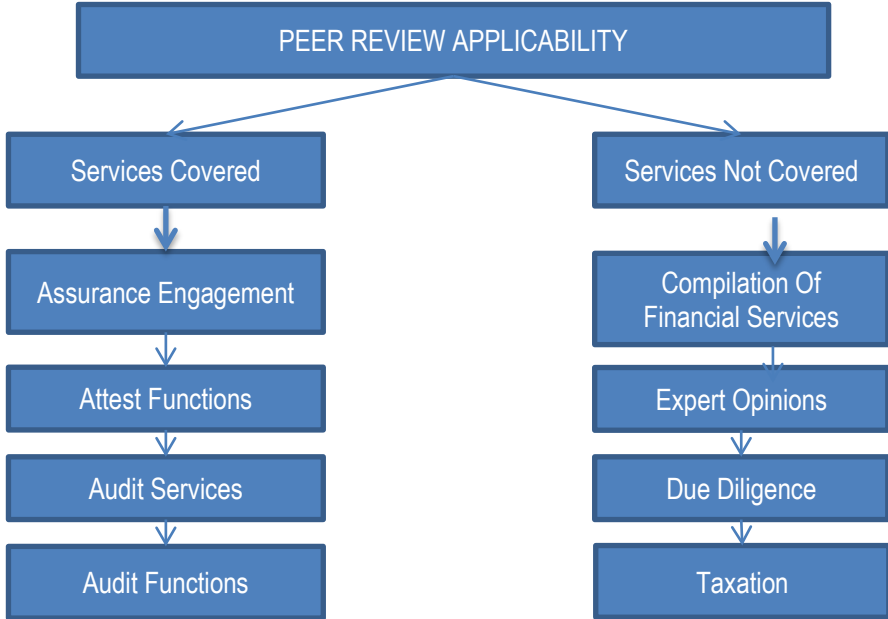
Sr. No	Review Process	Time Schedule	Cumulative Days
	if required after evaluation of the Questionnaire sent by the PU.		
5.	PU to provide the additional information asked by the reviewer	Within 5 days	Day 35
6.	Reviewer to decide on the initial sample from the client list of the PU	Within 7 days	Day 42
7.	PU to be notified about the sample selected by the reviewer	5 days advance notice before visit of reviewer to PU's office.	Day 47
8.	Reviewer to carry out the review by visiting the office of PU after fixing the date as per the mutual consent.	Within 70 days from date of notification to PU	Day -70
9.	Reviewer to send the preliminary report to PU for comments.	Within 5 days after completion of review.	Day 75
10.	Practice Unit to submit representation on preliminary report to reviewer.	Within 5 days	Day 80
11.	<p>On completion of the Review, Reviewer has to submit, the under mentioned documents alongwith reasons of delay in submission, if any:-</p> <ol style="list-style-type: none"> 1. Final Report (http://resource.cdn.icai.org/22634announ12933.pdf), alongwith Annexure I, addressed to the Chairman PRB. 2. Annexure II (mandatory for Level I & Level II firms) (http://resource.cdn.icai.org/36414annexII130115prb.pdf) 3. List of sample selected & basis of sample selection (one sample 	Within 10 days	Day- 90

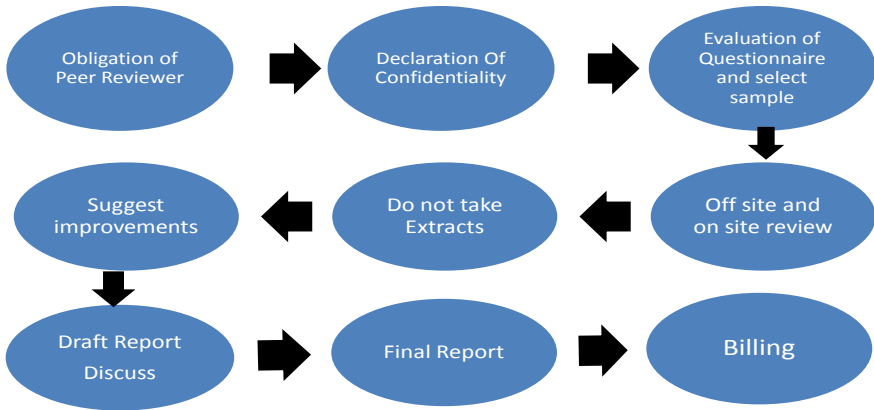
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Sr. No	Review Process	Time Schedule	Cumulative Days
	<p>mandatory of tendering services, Public Ltd./ PSU, tax audits, reports in XBRL format, assurance services provided through tendering, if applicable. Also sample having highest turnover is to be selected). 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.</p> <p>4. Preliminary Report if issued, PU's submissions & reviewer verification thereon.</p> <p>5. Basis of reaching to the conclusion in the Final Report as well as Annexure I to the Final report.</p> <p>6. Completed copy of Peer Review Questionnaire received from Practice Unit (http://resource.cdn.icai.org/28284prb17887.pdf)</p> <p>Peer Review Board reserve the right to ask for working papers as specified in the statement on Peer Review".</p> <p>A copy of the Final Report along with Annexure I may be sent to the PU also.</p>		
12.	<p>Board to consider and issuance of Peer Review certificate in case of Clean Report. In case of Qualified Report submitted, by Reviewer, Board to give the recommendation to PU for rectifying the deficiencies observed by Reviewer.</p> <p>Reviewer to submit proof of receipt of Peer Review Fees</p>	<p>In the next meeting to held in every quarter / Sub committee constituted for the purpose.</p>	

Peer Review Procedure and reporting by the Reviewer

The **Peer review process** can be spelt out, in a nutshell, as the following:





- After submission of Declaration of Confidentiality of the Reviewer and that of Qualified Assistant, if any, to the Board, the Board issues communication to start 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 alongwith 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 accordingly, alongwith date of visit.
- After on-site review, reviewer may communicate with PU and seek clarifications and consider sending a preliminary report if replies not found satisfactory
- After on-site review, in case of deficiencies in systems and procedures or non-compliances the reviewer 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 practice unit immediately. He may consider issuing such report also in case the clarifications given by the practice unit are not found 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 alongwith basis of reaching at the conclusion.
- Report should be on individual letter head of the reviewer and individual stamp only.
- 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
- Prepare report on letterhead of reviewer (individual)
- The Report is to be dated and signed (Membership no. and Reviewer code no.)
- 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 of delay in submission, if any:-**
 1. Final Report (<http://resource.cdn.icai.org/22634announ12933.pdf>), alongwith Annexure I, addressed to the Chairman PRB.
 2. Annexure II (**mandatory for Level I & Level II firms**) (<http://resource.cdn.icai.org/36414annexII130115prb.pdf>)
 3. List of sample selected & basis of sample selection (one sample mandatory of public Ltd./ PSU, tax audits, reports in XBRL format, assurance services provided through tendering, if applicable. Also sample having highest turnover is to be selected). 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.

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. **For Newly established firm:**
 - a. a minimum of one completed Financial Year is to be covered under Peer Review of a newly established firm ;
 - b. Member (i.e. partner / proprietor) should have five years of post-qualification experience (holding full time COP)
 - c. 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 next three years from the date of issue. (one year certificate will be issued if sample size is less than 5).

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

7. The Statement on Peer Review lays down the minimum sample size to be selected for review. Sample selected for review should be representative of the population. The Statement emphasises that 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 made for review.

8. Reviewer is advised to pay attention to point 2(j) to 2(s) of Part B of the Questionnaire and submit explanation received from Practice Unit, if reply is affirmative to said points.

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- Preliminary Report if issued, PU's submissions & reviewer verification thereon.
- Basis of reaching to the conclusion in the Final Report as well as Annexure I to the Final report.
- Completed copy of Peer Review Questionnaire received from Practice Unit (<http://resource.cdn.icai.org/28284prb17887.pdf>)
- 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.

- **Reviewer may issue**
 - A clean report, if 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

Major developments undertaken during the last 5 years

1. Part B was added to the Questionnaire which is required to be submitted by the Practice Unit and to be 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.

Further, Part A Point 18 and Tendering assurance services has been added to the Questionnaire.

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 1 firms from 2014. From 2017, reporting on the same has also been made applicable to Level 2 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.

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5. In 2015 the Statement on Peer Review was revised to broaden the scope of Peer review 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.

Advisories for Peer Reviewers

1. Peer reviewer should attend the Peer Review training programs at least once in every 5 years. If 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, the reviewer will be re-empanelled.
2. 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 of www.icaai.org. 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 of www.icaai.org. The Reviewer should update himself with the current decisions and requirements from the Reviewer, 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 the reviewer.
5. It is the duty of the Reviewer to submit to the Board, Declaration in prescribed format as per the decision of the Board. The Peer Review Board, may at its discretion, not assign any review to a reviewer until the declaration is not received by the Board at the beginning of each year.
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, Reviewer to take note of Clause 10 'Eligibility to be a Reviewer', as given in Statement of Peer Review (https://www.icaai.org/new_post.html?post_id=972&c_id=64)
8. While communicating with the Board, 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.

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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.icaai.org.

13. Review should be started only after the Board receives the acceptance from reviewer alongwith Declaration, and the Board approves the same. Approval of the Board should be obtained before the starting of the review.

14. In cases where the Board has permitted an assistant, the Declaration of Confidentiality of the Assistant, if any, 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).
- (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. List of sample selected & basis of sample selection (one sample mandatory of tendering services, public Ltd./ PSU, tax audits, reports in XBRL format, assurance services provided through tendering, if applicable. Also sample having highest turnover is to be selected). 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.

18. For Newly established firm:

- a. a minimum of one completed Financial Year is to be covered under Peer Review of a newly established firm ;
- b. Member (i.e. partner / proprietor) should have five years of post-qualification experience (holding full time COP)
- d. 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 next three years from the date of issue. (one year certificate will be issued if sample size is less than 5).

19. If the PU had quoted fees below the minimum prescribed fees, the same should be intimated to the Board alongwith reasons for quoting minimum fees.

20. The reviewer should verify whether the number of Tax audits and other audits assurance services provided by the PU is within the limits as prescribed by the Institute.

21. The reviewer should verify whether proper records of appointments, training and payments to staff (including Articled and Audit Clerks) are maintained.

22. An assurance engagement which is the subject matter of any disciplinary proceedings before ICAI or any other judicial body, should not be reviewed.

24. 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.

25. 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

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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.

25. 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)
26. An unqualified report may be issued only if there is reasonable compliance of the above.
27. Point out the deficiencies or non-compliance noticed during the course of review and do not give any advice/ suggestions in the Preliminary Report.
28. Review findings should be discussed with the Practice Unit before finalizing the Peer Review Report (Final –clean / qualified)
29. 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.
30. Issue the Peer Review Report (Final – Clean / Qualified) after discussing draft report with the Practice Unit.
31. Peer Review report should be issued on Reviewer's personal letter – head, alongwith 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.
32. Peer Review report should be addressed to the Board and should be dated as of the date of the conclusion of the review.
33. Peer Review report (Final – clean / qualified) should be prepared in the prescribed format (s) as given in the Peer Review Manual.
34. Peer Review report (Final – Clean / Qualified) should be clear and specific and it should also be free of any ambiguity.
35. Peer review report (Final – Clean / Qualified) may also contain suggestions.
36. 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.

37. Ensure that there is no contradiction in the information given in the Annexure to the Report and the Peer Review report.
38. 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.
39. Copy of the Peer Review Report (Final – Clean / Qualified) should also be sent to the PU, while submitting to the Board.
40. Wherever so ordered by the Board, complete the follow-on review within the stipulated time period.
41. The follow-on report should contain an attachment indicating how the PU has dealt with the deficiencies pointed out in the earlier review.
42. The cost of review should be charged as per rates approved by the Board and is inclusive of TA/DA wherever applicable.
43. 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.
44. Extracts of the client's file or records examined while conducting peer review should not be carried, as a part of the working papers.
45. 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 if the PU is a Level I or Level II firm
 - (g) List of samples selected alongwith Basis of selection of sample
 - (h) Submit explanation on Points 2(j) to 2(s) 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.

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- (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.

46. The peer review 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 of GST credit, the GST number of the reviewer and not of the firm should be used.

47. Reviewer should note that the review is to be started only after submission of Declaration of Confidentiality to the Board and receipts of confirmation from the Board of its receipt. 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.

48. Report should be submitted to the Board immediately on the completion of the review.

49. After confirmation of receipt of final report, alongwith 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.

50. 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 is Rs. 25,000/-

51. 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. alongwith the RE number, membership number, FRN number and PU number.

52. A panel of reviewers will be maintained by the Peer Review Board, satisfying the qualification requirements laid down in the Statement, i.e., 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.

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

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

53. 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 for 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.

54. 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 dis-qualifications 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 from the firm of the reviewer and should have been working with him for atleast one year as a member in practice.

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 quite a big outfit and has several branches, the reviewer may have to visit more than once.

55. 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

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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 the 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.

Frequently Asked Questions

Q1 Who is qualified to perform the functions of a Reviewer?

A Reviewer shall,

- (i) be a member of the Institute, with at least 10 years' experience in practice;
- (ii) is in practice as per the Chartered Accountants Act, 1949
- (i) Should have undergone the requisite training as prescribed by the Board
- (ii) Should furnish a declaration as prescribed by the Board, at the time of acceptance of Peer Review appointment
- (iii) Should have signed the Declaration of Confidentiality as prescribed by the Board
- (iv) Should have conducted audit of Level I Entities for at least 7 years to be eligible for conducting Peer Review of Level I Entities as referred to in Para II of this Statement

For being a Reviewer a member should not have:

- (i) Disciplinary action / proceedings pending against him
- (ii) Been found guilty by the Council or the Disciplinary Board or 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 transportation or imprisonment
- (iv) Any obligation or conflict of interest in the Practice Unit or its Partners / Personnel

Reviewer shall not accept any professional assignment from the Practice Unit for a period of two years from the date of appointment.

10 years' audit experience need not be continuous but cumulative; but any block of less than 2 years' experience in determining cumulative experience shall not be counted.

Q2 How to apply for empanelment as a Reviewer?

Members fulfilling the above criteria may empanel at any time by applying in the prescribed form. The Empanelment form may be downloaded from the Institute's website: www.ica.org, available at the

following link:

https://resource.cdn.icaai.org/8627an201_empanelment_reviewer.pdf

Or it may be obtained from the office of the Board at 'ICAI Bhawan', I.P. Marg, New Delhi-110002.

Q3 Will the information disclosed by me be kept confidential by the reviewer?

The Reviewer 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.

Q4 What are the commonly made errors while filling the empanelment form?

Commonly noticed mistakes are...

- Associate date and Fellow date not mentioned [Point Nos. 9 and 10 of the Empanelment Form].
- Audit work experience not mentioned properly with respect to the following [Point No. 13 of the Empanelment Form]:
 - ✓ Not as per the format. It is given in the form of resumé, or experience of firm, experience of the member applying for empanelment 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 Member/fellow members
 - ✓ Number of partners, number of paid chartered accountants and date of constitution of firm not mentioned
 - ✓ Industrial experience is mentioned. Only audit experience is required
 - ✓ Articleship experience is mentioned. Audit experience as a member of the Institute is required.
- Major work handled not mentioned properly with respect to the following [Point no. 14 of the Empanelment Form].
- Not as per the format.
- Work handled by the firm is given whereas major work done by the

member applying for empanelment is required in the prescribed format.

- Name of clients, level of responsibility, turnover, audit fees and type of audit not mentioned including experience in tendering services/audits whereas 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
- No. of Tax Audit reports signed

Q5 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 10.2 (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 to intimate Board if any case is initiated, otherwise Board will consider the matter as non-compliance by the Reviewer under the provisions of the statement of the Board and the Board may direct that reviewer name be removed from reviewer panel with immediate effect and no further assignments be allotted till the conclusion of the disciplinary proceedings.

Q6 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 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.

Q7 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) have been a partner or employee of the Reviewer for at least one year;
- (d) sign and submit the Declaration of Confidentiality.
- (e) shall have no direct interface either with the practice unit or the Board and should be from your firm and has been working with you for at least one year as a member in practice.

Finally, the Reviewer must send intimation 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 'Name' against point 4 of annexure-I of the Final Report for qualified assistant services used.

Q8 Can Qualified Assistant sign of behalf of Reviewer?

No, Only Reviewer under is individual capacity should sign the Report, annexure-I & annexure-II

Q9 What are the other criteria for selection of sample for review to be kept under consideration 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:

- (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.

Please note:

1. Sample chosen should compulsorily include that assurance

engagement assignment which have the highest turnover among the population

2. Sample should also have at least one Public Limited Company, if there is any such assignment.
3. If sample size is less than minimum, then 100% selection has to be done, compulsorily and the fact intimated to the Board. (If sample size is less than minimum, than certificate for validity of one year is issued by the board)
4. If the PU has provided assurance services under tender, one such sample has to be compulsorily included for review
5. Sample selected should be representative of the population.

Note: 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.

Q10 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 relating to article assistants and / or audit assistants, including attendance register, work diaries, stipend payments and such other related records.

Q11 What is the time period for which records of assurance including tendering 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 moto if Member i.e. Proprietor/Partner has at least five years of post-qualification experience (holding full time COP)

Q12. What should be the minimum sample size for various of PU firms to be selected for Peer Review by the Reviewer?

Para 7.2 of the Statement on Peer Review 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. Minimum sample size to be selected by Peer Reviewer is as under:

For Level I entities: 8 validity of certificate will be 3 years

For Level II entities: 5 validity of certificate will be 4 years

For Level III entities: 3 validity of certificate will be 5 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 minimum one completed financial year is to be covered under Peer Review of a newly established firm with minimum five sample size to be selected by reviewer, so that newly constituted firm may not lose any professional opportunity. Validity of certificate will be 3 years. In case sample size is less than 5, validity of certificate will be 1 year.

In case of newly constituted firms where constitution 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 the Declaration submitted by the PU.

Q13 What is the cost of peer review and who shall bear it?

In exercise of power vested in the Peer Review Board by the

Statement on Peer Review, the Board has notified that the cost of Peer Review for Level-I,II,III, including honorarium and TA/DA for reviewer and his qualified assistant, shall be as under:

Total Revenue from Attestation service clients of practice unit (Per Annum)	Cost
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/-
Above Rs 5 crore p.a	Rs 1,00,000/-

Please note that the cost of peer review is to be borne by your firm in terms of Notification Nos. PRB/Notfn./008/11-12, (http://resource.cdn.icai.org/24073revised_cpr_prb.pdf).

Further Consolidated Cost of Peer Review is paid by the Practicing 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 shall be clubbed and average of the same would be taken to arrive at the fee payable which shall be as per the above notification.

The cost 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 rate would apply to the follow-on review also. The amount shall be paid by the Practice Unit within 30 days of receipt of the bills from the Reviewer.

Q14 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 30 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.

Q15 Is GST applicable in case of Peer Review?

GST is payable by the Reviewer for the peer review fees received by him. 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.

Q16 On what basis does the Reviewer decide number of assurance 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.

Q17 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, 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 & basis of sample selection (one sample mandatory of tendering services, if applicable) Please note: 1.

Minimum sample size to be selected by you while carrying out Peer Review will be as prescribed by the Board. 2. Sample chosen should compulsorily include that assurance engagement assignment which have the highest turnover among the population 3. Sample should also have at least one Public Limited Company, if there is any such assignment. 4. Sample should also have at least one sample of assurance service provided on tender 5. Sample should cover the various audit assurance services provided by the PU like Statutory Audit, Internal Audit, Tax Audit, Concurrent Audit, Systems Audit, Departmental Review of Branches / Office etc. **If sample size is less than minimum, then 100% selection has to be done, compulsorily** and the fact intimated to the Board. Newly constituted firms satisfying the following two conditions, can also apply for peer review of their firm:

- (i) Member(i.e. partner / proprietor of the firm) should have five years of post-qualification experience (holding full time COP)
- (ii) 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 next three years from the date of issue.
- (iii) If sample size is less than 5, certificate with validity of 1 year will be issued.

Q18 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.

Q19 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 working days
- At 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 (audit record administration, financial statements presentation, review and evaluation of system of internal controls, substantive tests, audit conclusion and audit report).
 - ✓ 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 4.19** of the Peer Review Manual.

Q20 Are the branches of big-sized 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.

Q21 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.

Q22 Can a Reviewer take extracts of PU's client(s) file?

No. The Reviewer may have access to, or take the 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.

Q23 What are the steps involved in the Reporting Stage?

Briefly, steps involved in the Reporting Stage are:

- After visiting the PU office, if 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 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 reviewer is satisfied with the response of the PU to the preliminary report, he may issue 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.
- PU should respond to the preliminary report within 10 days.
- 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 up review after a period of one year or 6 months from the date as per the Board's direction.
- Follow-up 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, Practice Unit is required to pay requisite fees to previous reviewer who had qualified the report as well as to the follow up reviewer in such circumstances.
- 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 an 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.
- Reviewer is required to submit reason for delay in 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, Reviewer to take note of clause 10 'Eligibility to be a Reviewer', as given in statement of Peer Review.

Q24 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 (<http://resource.cdn.icaai.org/22634announ12933.pdf>), alongwith Annexure I ,to the Chairman PRB) ***The peer review assignment is assigned to an individual peer reviewer and therefore, only individual reviewer's letterhead, stamp and other stationery should only be used.***
2. Annexure II (mandatory for Level I & Level II firms) (<http://resource.cdn.icaai.org/36414annexII130115prb.pdf>)
3. List of sample selected & basis of sample selection (one sample mandatory of tendering services, if applicable)

Please **Note 1.** -minimum sample size to be selected while carrying out Peer Review will be 08, 05 and 03 for Level 1 , Level 2 and Level 3 respectively. (If sample size is less than minimum, than 100% selection has to be done, compulsory)

In case, Minimum sample as per level is not reviewed, then validity of certificate will be for One year from date of issuance of Certificate.

Note 2. Further, sample chosen should compulsorily have that assurance engagement assignment which have highest turnover among the population. Sample should also have at least one Public Limited company, if there is any such assignment.

Note 3: For Newly established firm:

- a. a minimum of one completed Financial Year is to be covered under Peer Review of a newly established firm ;
 - b. Member (i.e. proprietor / partner of the firm) should have five years of post-qualification experience (holding full time COP)
 - c. 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 next three years from the date of issue. (Validity of certificate will be one year for less than 5 samples).
4. Preliminary Report if issued, PU's submissions & reviewer verification thereon.
 5. Basis of reaching to the conclusion in the Final Report.
 6. Completed copy of Peer Review Questionnaire received from Practice Unit (<http://resource.cdn.icai.org/28284prb17887.pdf>).

Reviewer is advised to pay attention to **point 2 (j) to 2 (s) 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.

Q25 What should be the duration of Peer Review Process?

The Board has formulated an Illustrative Time Schedule of Peer Review Process which is given below:

Revised Illustrative Time Schedule of Peer Review Process

S. No.	Review Process	Time Schedule	Cumulative Days
1.	<p>Peer Review Board notifies the selection of PU for Review. A Panel of three reviewers to be sent to PU, along with a. Questionnaire, b. Declaration for confirming the level of PU and attachment for c. Peer Review Cost, based on Turnover.</p> <p>PU is informed that Questionnaire, is to be sent to Reviewer selected by PU and copy of Questionnaire sent to Peer Review Board.</p> <p>Kindly Note: PU to submit the filled in Questionnaire to the Reviewer, only after board confirms the receipt of "Declaration of Confidentiality" along with acceptance of reviewer for review. (Any report received by the Board prior to non-receipt of reviewer's acceptance and Declaration, will be considered "Void-ab-Initio and will not be accepted by the Board.</p>	Day-1	Day 1
2.	<p>PU to give the choice of the reviewer. In case of Fresh panel requested by PU, due date to be counted from date of issuance of Fresh Panel for selection of Reviewer.</p>	Within 10 days	Day 11

S. No.	Review Process	Time Schedule	Cumulative Days
3.	<p>A. a. Board to notify the reviewer as per the choice given by PU; and</p> <p>b. Reviewer to submit his consent for accepting the Review along with submission of Declaration of Confidentiality.</p> <p>1. Note: Review should be started only after the Board receives the Declaration, as above, alongwith 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.</p>	Within 1 week	
	<p>B. Peer Review Board to Issue letter (3rd letter from PRB)) to Practice Unit for – Consent of Reviewer.</p>	Within 1 week	Day 25
4.	Reviewer to call for any other information if required after evaluation of the Questionnaire sent by the PU.	Within 5 days	Day 30
5.	PU to provide the additional information asked by the reviewer	Within 5 days	Day 35
6.	Reviewer to decide on the initial sample from the client list of the PU	Within 7 days	Day 42
7.	<p>PU to be notified about the sample selected by the reviewer.</p> <p>Advance notice to be given before visit of reviewer to PU's office</p>	5 days.	Day 47

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S. No.	Review Process	Time Schedule	Cumulative Days
8.	Reviewer to carry out the review by visiting the office of PU after fixing the date as per the mutual consent.	23 days	Day 70
9.	Reviewer to send the preliminary report to PU for comments.	Within 5 days after completion of Review.	Day 75
10.	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	Within 5 days	Day 80
11.	After completion of the review, report is to be submitted alongwith all required Annexures and information (Refer Q58)	Within 10 days	Day 90
12.	Board to consider and issuance of Peer Review certificate in case of Clean Report and if in case of Qualified Report submitted, by Reviewer, Board gives recommendation to PU for rectifying the deficiencies observed by Reviewer. Reviewer to submit proof of receipt of Peer Review Fees before issuance of certificate.	In the next meeting to held in every quarter	

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

Q26 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 Q50).

During the first meeting, 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.

Q27 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.

Q28 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.

Q29 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.

Q30 What should be the basic elements of the Reviewer's report?

The report should contain

- (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 of Peer review.
- (e) a statement indicating that the review did not necessarily disclose all instances 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; and
- (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 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 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.

Q31 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.

Q32 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

Q33 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.

Q34 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.