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

December 2011
Revised

Statement on Peer Review
STATEMENT ON PEER REVIEW

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

The peer review mechanism introduced by the Council of the Institute, with setting up of the Peer Review Board in March, 2002 is progressing satisfactorily with the objective of providing guidance to its members and to maintain as well as enhance the quality of attestation functions. Peer Review Board with a modest start has achieved some impressive statistics which shows that the concept of Peer Review has been well understood amongst the fraternity. Practice Units where final Peer Review reports have been received have been issued the Peer ReviewCertificates, in terms of the Statement on Peer Review. There are instances also where the Reviewers have noticed deficiencies during the course of review and sent Qualified Reports. Follow on review has also been directed in all such cases.

The Peer Review Board’s mandate does not include setting any new standards, guidance notes, opinions, statements, procedures etc. However, peer review entails a review of attestation engagement records and related financial and other statements to ascertain that the Practice Unit is adhering to Technical Standards already issued by the institute. Where a practice unit is not following Technical Standards already in certain situations, suggestions and recommendations for improvement may be made, and possibly followed by further review, in keeping with the primary thrust of peer review.

The Securities and Exchange Board of India (SEBI) vide its circular dated April, 5, 2010 has 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.

I would like to place on records, on behalf of council, my deep appreciation for the efforts put in by the Chairman of the Board, CA. Pankaj I Jain, together with all members and his team of officers assisting the Board in bringing out this Revised Statement on Peer Review.

New Delhi  
8, December 2011

CA G Ramaswamy  
President
Preface

The ICAI is forever committed to the goal of enabling the accountancy profession in India to provide services of highest quality in the public interest and which are appreciated worldwide. For enhancing the quality of 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 concept of Peer Review for the Indian accountancy profession, the first of its kind in any profession in India, conceived in 1998 took shape in 2002 when the Council of the Institute 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. The system has successfully matured and is gaining wider acceptance.

The Board has published Peer Review Manual, Training Modules and FAQs for the benefit of both the reviewers and the Practice units. This Statement, not only details out the process and modalities of Peer Review but also provides guidelines to the Board, Reviewers & Practice Unit to cater to the needs of the profession and meet the challenges of the ever changing environment. It also addresses the deficiencies reported by the Reviewer thereby making the Peer Review Process an improvement tool.

The level of awareness created during the last nine years of the Peer Review concept has indeed brought about an overall improvement in the quality of attest services rendered by our Members.

The second edition of this Statement envisages disciplinary action in certain cases apart from partially revising the Coverage of Practice units, Scope of Peer Review, Powers of the Peer Review Board, Reviewer's role, Practice Unit's responsibilities etc. The three stages of implementation has already been achieved and substantial number of Peer Review Reports have been received and considered by the Peer Review Board on continuous basis in respect of Practice units under Level I, II & III for issuing Peer Review Certificates.

I wish to place on record my gratitude to the President CA G. Ramaswamy and the immediate Past President CA Amarjit Chopra for their continuous support and guidance. I would be failing in my duty if I do not acknowledge & thank the tremendous efforts put in by CA Rajendra Kumar, Central Council Member and the convener of the Study Group alongwith CA Uttamchand P Jain, Co-convener and other learned members of the study
group entrusted with the task of revision of the Statement. I also appreciate the Secretariat of the Peer Review Board who have provided inputs, devoted their valuable time and put in efforts to bring the Statement in revised form.

It is my privilege to place before you on behalf of the board, the revised Statement on Peer Review which, I am sure, will serve the desired purpose and am confident that this will prove to be of immense use to Practice Units and Reviewers.

30 November, 2011

Mumbai

CA Pankaj I.C. Jain
Chairman
Peer Review Board
Foreword to the First Edition

If there is one aspect of his life that makes every professional proud it is that he is forever ready to show the quality of his work to the world. Professionalism relies heavily on the professionals following the methods and rules laid down for them. This is not a regulatory matter, rather, it is one of the creeds that professionals live by. And the world at large has to be continually satisfied that this creed is embedded and entrenched in everything that professionals do.

It is in explicit recognition of this aspect of professionalism that the Council of the Institute of Chartered Accountants of India decided, in 1998, that a system of review of the work of professionals must be introduced. The Council opined that such reviews would serve to further bolster the confidence of the society at large in the quality of work of Chartered Accountants in India. Following these views of the Council, the Institute thereafter devoted itself to further developing the concept and preparing a framework for such reviews.

The Council, in adopting this Statement on Peer Review, in this year of 2002, has 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.

Gratitude is owed to Mr. Vinod Jain, FCA, who first steered the whole concept of Peer Review in 1998 as Chairman of the Professional Development Committee, and to Mr. S.L. Daga, FCA, Chairman of the Professional Development Committee during 2001, and Mr. Pankaj I. Jain, the current Chairman of that Committee, whose energetic pursuance of the objectives has resulted in this Statement being brought out in its present format, as also, of course, to the various members of that committee during the named years. It is primarily due to their efforts that this Statement is now being published as a clear expression of the direction that the Council wants the profession to take in the future.
I would also like to thank Dr. B. Chakravarty, Director (CPE) and Secretary PDC and other officer and staff who have made this Statement an exemplary expression of excellent Staff work.

New Delhi
30th March, 2002

Ashok Chandak
President
Preface to the First Edition

As professionals, our lives are bound by our creed – a creed that defines our approach, our methods, our values, and our relationships with our clients for the different kinds of engagements that we take up. Naturally, given the enormous amount of changes that pervade the business world – a world with which we as professionals are in very close interaction – it behooves us also as responsible persons, to upgrade our skills, to devise appropriate systems of work, and to apply methods that ultimately result in value addition to our clients. This way of looking at professional life not only increases our own standards of performance but also continuously reinforces the credibility of our profession in the eyes of the society at large.

In this kind of career environment, we are our own teachers. But since that is a very limited expression as far as potential for standards enhancement is concerned (since knowledge grows exponentially with interactions), the Institute of Chartered Accountants of India has decided to aid professional firms in their quest for enhancement of quality of work through the implementation of the system of peer review which this Statement embodies. The Council has been debating upon it for some time and has now adopted the Statement as it appears here.

The major thrust of the Statement, apart from its insistence on quality and distantiation from regulatory aspects of the profession, lies in the very concept of firms being reviewed by their peers. Clearly, such reviews will not only bring about a change in set ways of professional working, they will also increase interactions between firms in order to adopt ‘best practices’ in the different areas of professional work that firms engage in.

We hope that the membership at large will welcome this very progressive step taken by the Council and will respond to this initiative in the ways that it deserves to be.

I am grateful to the members of my Committee, who have unhesitatingly and unstintingly provided their time and efforts in bringing out this Statement, My very special thanks are due to Mr Vinod Jain, FCA, and Mr S L Daga, FCA, past Chairmen of this Committee who pioneered the matter and left me with
little to do except to capitalize on their wisdom which was their legacy to me and my Committee members.

I am also thankful to Dr. B. Chakravarty, Director and Secretary PDC, Mrs. Seema Gerotra, Mr. T. Paramasivan, Mr. Mohit Baijal and other Officers and staff of the secretariat of the Professional Development Committee who have put in excellent Staff work to aid the Committee in its endeavours.

Pankaj I. Jain
Mumbai
28th March, 2002

Chairman,
Professional Development Committee
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Statement on Peer Review

1.0 Introduction

1.1 The Institute of Chartered Accountants of India (hereinafter referred to as “the Institute”) has been constituted under the Chartered Accountants Act, 1949 (hereinafter referred to as “the Act”) for discharging the functions assigned to the Institute under the Act. Section 15 of the Act provides that “the duties of carrying out the provisions of this Act shall be vested in the Council” and enumerates various duties of the Council. With a view to regulate the profession of Chartered Accountants and in terms of the powers vested, the Council is issuing this Statement on Peer Review.

Peer Review process is based on the principle of systematic monitoring of the procedures adopted and records maintained while carrying out audit & assurance services in the course of one's professional responsibility to ensure and sustain quality. Peer Review is primarily directed towards ensuring as well as enhancing the quality of audit and assurance services of Chartered Accountants in Practice. The Peer Review is conducted of a Practice Unit by an independent evaluator known as a Peer Reviewer.

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

In this statement the framework under which Peer Review is to be conducted has been specified.

Peer Review assumes further significance in the light of ever increasing public interest in auditing and assurance services provided by Chartered Accountants in Practice.

2.0 Objectives

2.1 The purpose of the Peer Review statement is to provide a framework for planning, performing, reporting and administration of the Peer Review process.

Peer Review process is intended to Review the quality control framework of the Practice Unit as well as proper and consistent
Statement on Peer Review

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.

3.0 Definitions

For the purpose of this statement,

3.1 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, Attestation Functions, and Audit Functions.

3.2 Member - means a member as stated in section 2 (2) of the Chartered Accountants Act, 1949,

3.3 Peer Review period – means 3 years preceding the year in which the Practice Unit is selected or such other period or any period as may be prescribed by the Peer Review Board for conducting a Peer Review.

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

3.5 **Peer Review** - means an examination and Review of the systems and procedures to determine whether the same have been put in place by the Practice Unit for ensuring the quality of assurance services as envisaged by the Technical, Professional and Ethical Standards and whether the same were consistently applied in the period under review.

3.6 **Peer Review Board** - means the Board Constituted by the Council in terms of this statement from time to time. The expression “Peer Review Board” is hereinafter referred to as “Board”.

3.7 **Reviewer** - means a member duly approved and empanelled by the Board on fulfilling the qualifications prescribed for a Reviewer as per Para 10.0 of this Statement.

3.8 **Qualified Assistant** - means a member who is an associate of the Reviewer either as a partner or as a paid assistant as per the records of the Institute of Chartered Accountants of India.

3.9 **Technical, Professional and Ethical Standards** - means

(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;
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(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;

3.10 Year – means the period of twelve months commencing on the 1st day of April every year.

3.11 Words and expressions used and not defined in this Statement shall have the meanings assigned to them under the Chartered Accountants Act, 1949, as amended from time to time and the Chartered Accountants Regulations, 1988, as amended from time to time, framed there under.

4.0 Authority of the statement on Peer Review

4.1 The Statement on Peer Review applies to all Practice Units and Peer Reviewers.

4.2 The statement on Peer Review issued in relation to conduct of members in performance of assurance services and intends to:

   (i) Promulgate a structured framework for ensuring the quality of assurance services and for conducting Peer Review;

   (ii) Provide framework in relation to roles and responsibilities with respect to the parties involved in Peer Review Process including the Peer Review Board; and

   (iii) Prescribe the scope of Peer Review and the procedures to be adopted for the conduct of a Peer Review

5.0 Powers of the Council

5.1 To constitute and empower the Board and to fill the vacancies arising in the Board from time to time.

5.2 To amend this statement governing the framework of the Peer Review process and the procedures framed there under including the roles of the Board and / or Reviewer.

5.3 To authorise the Board to decide upon the scope and procedures governing the Peer Review process.

5.4 To refer such matters to the Board in relation to Peer Review as the Council may deem fit.

5.5 To approve the Annual Budget of the Board.
5.6 To call for such information from the Board relating to the Practice Units / Reviewers as it may deem fit.

6.0 Peer Review Board

6.1 Establishment and Appointment

(a) The Board shall be constituted by the Council.

(b) The Board shall consist of a maximum of twelve members to be appointed by the Council, of whom not less than 50% shall be from amongst the members of the Council as defined in Section 9 of the Chartered Accountants Act, 1949, as amended from time to time.

(c) The Council may nominate members to the Board from outside bodies and from amongst prominent individuals of high integrity and reputation, including but not limited to, regulatory authorities, bankers, academicians economists, legal professionals and business executives.

(d) The Council shall appoint the Chairman and the Vice-Chairman from amongst its elected Council members appointed on the Board.

(e) The term of a member shall be for one year, or such other period as may be prescribed by the Council from time to time.

(f) Casual vacancies on the Board shall be filled by the Council.

(g) A Member of the Disciplinary Committee or the Disciplinary Board or the Committee on Ethical Standards or the Committee on Financial Reporting and Review Board of the Institute of Chartered Accountants of India shall not be a member of the Board.

6.2 Meetings

(a) No business shall be transacted at a meeting of the Board unless there are present at least four members, including the Chairman or, in his absence, the Vice-Chairman.

(b) If there is no quorum within half an hour of the time fixed for the meeting, the meeting shall stand adjourned to a date, time and place fixed by the Chairman or, in this absence, the Vice-Chairman.

(c) The Board shall meet not less than four times in a year.
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6.3 Reporting
The Board shall submit a report to the Council within 30 days of its meeting.

7.0 Scope of Peer Review
7.1 The Peer Review process shall apply to all the assurance services provided by a Practice Unit.
7.2 Once a Practice Unit is selected for Review, its assurance engagement records pertaining to the Peer Review Period shall be subjected to Review.
7.3 The Review shall cover:
   (i) Compliance with Technical, Professional and Ethical Standards.
   (ii) Quality of reporting.
   (iii) Systems and procedures for carrying out assurance services.
   (iv) Training programmes for staff (including articled and audit assistants) concerned with assurance functions, including availability of appropriate infrastructure.
   (v) Compliance with directions and / or guidelines issued by the Council to the Members, including Fees to be charged, Number of audits undertaken, register for Assurance Engagements conducted during the year and such other related records.
   (vi) Compliance with directions and / or guidelines issued by the Council in relating to article assistants and / or audit assistants, including attendance register, work diaries, stipend payments, and such other related records.

8.0 Functions of the Board
8.1 The Board shall be vested with the powers to ensure compliance of the statement.
8.2 The powers and duties of the Board shall include:
   (a) To call for information and / or records from Practice Units / Reviewers in such form and manner as may be prescribed;
   (b) To arrange for orientation and periodic training programmes for Reviewers and/ or Practice Units;
   (c) To prescribe the procedures to be followed in relation to Peer Review;
Statement on Peer Review

(d) To maintain a panel of Reviewers;
(e) To define the terms of appointment of the Reviewers;
(f) To prescribe formats for maintenance of records by Peer Reviewers and to examine the same.
(g) To Review the work performed by a Reviewer;
(h) To collect information to determine the level of a Practice Unit as referred to in Para 11 of this Statement.
(i) To define the scope of selection of Practice unit for Peer Review as the Board may deem fit;
(j) To select and notify the Practice Unit for Peer Review to be conducted during the year;
(k) To select three Reviewers and intimate their names to the Practice Unit and allow the Practice Unit to choose any one Reviewer there-from within 30 days or such other period as may be prescribed from time to time by the Board;
Provided that, the Board shall, for reasons to be recorded in writing, appoint a Reviewer for the Practice Unit if: -
   (i) the Practice Unit does not select Reviewer within a period of 30 days or such other period as may be prescribed, from the date of service of the intimation; or
   (ii) all the three Reviewer have declined the assignment; or
   (iii) The Reviewer selected by the Practice Unit does not give his confirmation within 30 days of being intimated by the Peer Review Board.
   (iv) The Practice Unit on its own requests the Board to appoint a Reviewer.
(l) To prescribe a register to be maintained by the Practice Unit for assurance services rendered during the year.
(m) On considering the report of a Reviewer:
   (i) Issue recommendations to the Practice Unit; or
   (ii) Order a “Follow On” Peer Review to be carried out; or
   (iii) Issue Peer Review Certificate in the format as the Board may decide.
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(n) To form such sub groups of the Board, as may be necessary to discharge its various functions.

8.3 Where deemed appropriate, after the conclusion of a cycle of Reviews or at the end of each such period as may be determined, the Board shall have the powers to make a Special Report to the Council on:

(i) The level of implementation and adherence to Technical, Professional and Ethical Standards amongst Practice Units and

(ii) Its suggestions for further improvement in quality of Peer Review.

(iii) Such other related matters and or informations it may deem fit.

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

The sub group shall give its findings to the Board about the nature and materiality of the deficiencies which the Board after due deliberations may either accept or reject for reasons to be recorded in writing. 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.

8.5 The provisions contained in Clause 8.4 of this Statement shall be applicable to Peer Reviews initiated or ordered after April 1, 2014.

8.6 The Board shall Review composition of the panel of Reviewer periodically.

8.7 The Board may perform such other function or act as may be incidental to, or, which it considers necessary or expedient for the performance of its functions, or exercise of its powers as delegated to it by the Council, including the formation of sub-committees and regional benches of the Board for specific tasks.

9.0 Compliance with the Statement on Peer Review

All Practice Units and Reviewers shall comply with the provisions of this Statement. The Board, subject to the procedure stated in clause
Statement on Peer Review

8.4 and 8.5 of this statement, is empowered to forward the name of a practice unit or practice units to the Council for initiating Disciplinary action.

10.0 Eligibility to be a Reviewer

10.1 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.

10.2 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.

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

11.0 Practice Units subject to Review

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

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.

(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 Crores 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
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(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 hereinafore.

11.2 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.

11.3 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.

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

12.0 Obligations of the Practice Unit/ Peer Reviewer

Obligations of the Practice Unit
Any Practice Unit, in addition to the prescribed information to be furnished including the questionnaire, statements and such other particulars as the Board may deem fit, shall

12.1 Produce to the Reviewer or allow access to, any record, document or prescribed register maintained by the Practice Unit or any other record or document which is of a class or description so specified, and which is in the possession or under the control of the Practice Unit;

12.2 Provide to the Reviewer such explanation or further particulars in respect of anything produced in compliance with a requirement under sub clause (i) above, as the Reviewer shall specify; and

12.3 Provide to the Reviewer all assistance in connection with Peer Review;

12.4 Where any information or matter relevant to a Practice Unit is recorded otherwise than in a legible form, the Practice Unit shall provide and present to the Reviewer a reproduction of any such information or matter, or of the relevant part of it in a legible form, with a translation
Statement on Peer Review

in English or Hindi if the matter is in any other language, and if such translation is requested for by the Reviewer.

Obligations of the Peer Reviewer

12.5 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.

12.6 The Reviewer shall complete the Review within the prescribed time frame.

13.0 Periodicity of Peer Review

13.1 The Periodicity of Peer Review will be

(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.

14.0 Cost of Peer Review

14.1 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.

15.0 Review Framework

The Peer Review process will include

- Selection of Practice Unit and appointment of Reviewer,
- Planning
- Execution and
- Reporting.

15.1 Selection of Practice Unit & appointment of Reviewer:

(i) Notification to the Practice Unit: A Practice Unit which has been selected for a Peer Review shall be notified by the Board.
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(ii) Name of three Reviewers shall be recommended by the Board to the Practice Unit so selected.

(iii) The Practice Unit shall select one out of the three Reviewers & intimate to the Board within seven days of receipt of the names.

(iv) The Board shall intimate the Reviewer so selected and seek his consent within seven days.

15.2 Planning :

(i) Information to be furnished by Practice Unit

On intimation by the Board, of the Reviewer’s consent, the Practice Unit shall within 15 days furnish the following information to the Reviewer:

- Duly filled-in Questionnaire sent by the Board.
- Complete list of assurance service clients indicating the nature of service provided and the fees charged for the period under Review.
- A note on the policies and procedures adopted by the Practice Unit in relation to Independence, Staff Supervision and Development, ‘Second Person’ Review and the process generally followed in carrying out assurance services.
- Details of any proceedings against the Practice Unit or any of its partners or qualified assistants taken by any regulatory, monitoring or enforcement bodies relating to investigation or allegation of deficiency in the conduct of Attest function by them during the period of three years preceding the period of Review or at any time thereafter i.e. till the date of submission of the duly filled-in Questionnaire.

(ii) Selection of Sample by the Reviewer:

(a) The Reviewer shall within 15 days of receiving the information from the Practice Unit select a sample of the assurance services that he would like to Review and intimate the same to the Practice Unit.

(b) The Reviewer may also seek further / additional clarification from the Practice Unit on the information furnished / not furnished as mentioned in clause 15. 2(i) above.
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(c) The Reviewer shall plan for an on-site Review visit or initial meeting in consultation with the Practice Unit. The Reviewer shall give the Practice Unit at least fifteen days time to keep ready the necessary records of the selected assurance services.

(d) The Reviewer and Practice Unit shall mutually cooperate and ensure that the entire Review process is completed within 90 days from the date of notifying the Practice Unit about its selection for Review.

15.3 Execution

(i) Peer Review visits will be conducted at the Practice Unit's head office or /and branch(es) or any other locations. This on-site Review should not extend beyond seven working days.

(ii) Compliance Review-General Controls

(a) The Reviewer is required to carry out a compliance Review of the following General Controls for evaluating the degree of reliance to be placed upon them for effective Review:
   - Independence
   - Maintenance of Professional Skills and Standards
   - Outside Consultation
   - Staff recruitment, Supervision and Development
   - Office Administration

(iii) Selection of Assurance Service Engagements for Review

The number of assurance service engagements to be reviewed shall depend upon:
   - Standard of quality controls generally prevailing;
   - The size and nature of assurance service engagements undertaken by the Practice Unit.
   - The methodology generally adopted by the Practice Unit in providing assurance services.
   - The number of partners / members involved in assurance service engagements in the Practice Unit;
   - The number of locations / branch offices of the practice Unit;
Statement on Peer Review

- The Fees charged / received / service tax paid by the Practice unit.

(a) From the initial sample selected at the planning stage, the Reviewer, in consultation with the Practice Unit, may reduce or enlarge the initial sample size of assurance service engagements for Review.

(iv) Review of Records

The Reviewer is required to adopt a combination of compliance approach and substantive approach in the Review process.

(A) Compliance Approach – Assurance Service Engagements

The compliance approach is to assess whether proper control procedures have been established / followed by the Practice Unit to ensure that assurance services are being performed in accordance with Technical, Professional and Ethical Standards.

The following areas shall be considered:
- Assurance services records for Administration
- Review and Evaluation of System of Internal controls
- Substantive Tests
- Financial Statements Presentation and
- Assurance Services Conclusions
- Assurance Services Reporting

(B) Substantive Approach - Assurance Service Engagements

This approach requires a Review of the assurance working papers in order to establish the extent of compliance, whether the assurance work has been carried out as per the Technical, Ethical, and Professional Standards.

15.4 Reporting

The Peer Review Report should state that the system of quality control for the assurance services of the Practice Unit for the period under Review has been designed so as to carry out the assurance services in a manner that ensures compliance with Technical, Professional and Ethical standards.
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The Peer Reviewer shall address his report of compliance or otherwise on the following areas of controls:

a) Independence
b) Maintenance of Professional skills and standards.
c) Outside Consultation
d) Staff recruitment, Supervision and Development.
e) Office Administration.

(i) Discussion/Communication of Findings

(a) After completing the on-site Review, the Reviewer, before making his Report to the Board, shall communicate his findings to the Practice Unit if in his opinion, the systems and procedures are deficient or non-compliant with reference to any matter that has been noticed by him or if there are other matters where he wants to seek clarification.

(b) The Practice Unit shall within 15 days after the date of receipt of the findings, make any submissions or representations, in writing to the Reviewer.

(ii) Peer Review Report of Reviewer

(a) At the end of an on-site Review if the Reviewer is satisfied with the reply received from the Practice Unit, he shall submit a Peer Review Report to the Board along with his initial findings, response by the Practice Unit and the manner in which the responses have been dealt with. A copy of the report shall also be forwarded to the Practice Unit.

(b) In case the Reviewer is of the opinion that the response by the Practice Unit is not satisfactory, the Reviewer shall accordingly submit a modified Report to the Board incorporating his reasons for the same. The Reviewer shall also submit initial findings, response by the Practice Unit and the manner in which the responses have been dealt with. A copy of the report shall also be forwarded to the Practice Unit.

(c) In case of a modified report, The Board shall order for a “Follow on” Review after a period of one year from the
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date of issue of report as mentioned in (b) above. If the Board so decides, the period of one year may be reduced but shall not be less than six months from the date of issue of the report.

15.5 Working Papers

The Reviewer shall document all his working papers and submit a copy of his working papers to the Board, if called for by the Board within 12 months of completion of Review / submission of Review Report.

15.6 Peer Review Certificate

On receipt of the Peer Review Report, the Board shall within three months,

a) Issue a Peer Review Certificate to the Practice Unit mentioning the next due date for Review.

b) Inform the Practice Unit that a Peer Review certificate cannot be issued along with the reasons therefore as well inform the Practice Unit about the due date for conducting a follow on review.

16.0 Referral of Disputes and Appeal

16.1 Where a dispute arises over the powers of Reviewer or the process of the Review or the conclusions reached therein or for any particular matter related to Review, the Practice Unit or the Reviewer or both may refer the dispute to the Board in prescribed Form, in duplicate, duly verified and signed by the Reviewer or Practice Unit or the partner / proprietor of the Practice Unit within 30 days from such event.

16.2 Where a dispute is referred to the Board, the same shall be disposed off within 60 days, after an opportunity of being heard is provided or receipt of written submission from the parties to the dispute and the Board shall communicate such decision to each of the parties to the dispute within 30 days of the Board meeting.

16.3 Where the Practice Unit or the Reviewer or both are not satisfied with the decision of the Board, it may refer the matter to the Council, in writing, in duplicate, within 60 days from the date of receipt of the decision of the Board. It should be duly verified and signed by the Reviewer or Practice Unit or the partner / proprietor of the Practice Unit.
Statement on Peer Review

17.0 Immunity

17.1 A Practice Unit, which makes available records or documents to a Reviewer, shall not be held liable under the Code of Ethics or under the Chartered Accountants Act, 1949 and the Regulations framed there under, by reason of compliance with this Statement except as provided under Clause 8.4 of this Statement.

17.2 The Reviewer, by virtue of conducting the Peer Review shall not be held liable except for the liability arising out of his own conduct under the Code of Ethics under the Chartered Accountants Act, 1949 and Regulations framed there under as well as under the relevant clauses of this Statement.

17.3 The members of the Board shall not be held liable by virtue of their having discharged the responsibilities as given in this Statement or as may be directed by the Council, other than the liability arising out of their own conduct under the Code of Ethics under the Chartered Accountants Act, 1949 and Regulations framed there under as well as under the relevant clauses of this Statement.

18.0 Confidentiality

18.1 Strict confidentiality shall be maintained by all those involved in the Peer Review process, namely, Reviewers, members of the Board, any Qualified Assistants or Practice Unit.

18.2 All persons governed by the secrecy provisions:

(a) shall at all times preserve and aid in preserving secrecy with regard to any matter arising in the performance or in assisting in the performance of any function, directly or indirectly related to the process and conduct of Peer Reviews;

(b) Reviewer shall not make use of or disclose the contents of Review report or any confidential information about the process of Review unless as required by the Board or the Council.

18.3 Non-compliance with the secrecy provisions in the above clause shall amount to professional misconduct as defined under Section 22 of the Chartered Accountants Act, 1949.

18.4 A Declaration of Confidentiality (appended as Annexure 'A') shall be signed by the persons who are responsible for the conduct of Peer Review i.e., Reviewers, and his Qualified Assistants and be filed with
the Board. All members of the Board shall also sign a declaration of Confidentiality in a manner as may be prescribed by the Board.

19.0 Procedural Departures

19.1 Wherever the Reviewer, his qualified assistant or any member of the Board have not followed the prescribed procedures, they shall have to justify significant departures and such justification shall have to be mandatorily made known to the Board within a reasonable period of time.

20.0 Budget and Finance

20.1 The Council shall approve the Annual Budget of the Board.

20.2 The Board shall have the autonomy to administer its budget after the approval as above. For this purpose, the Secretary to the Board shall be the authorized officer.

21.0 Secretariat

21.1 The Council shall cause to be set up an appropriate and independent Secretariat to assist the Board in the discharge of its functions.

21.2 All persons working in the Secretariat shall be subject to the same norms of confidentiality as the Board Members and Reviewer(s).

21.3 Appropriate arrangements for training of personnel of the Secretariat shall be made from time to time.
Annexure 'A'

Declaration of Confidentiality

[In accordance with the Statement on Peer Review, this statement of confidentiality is to be individually filled in by each of the persons who are responsible for the conduct of Peer Review i.e., Reviewer and his qualified assistants. The Reviewer shall be responsible for taking this undertaking from all those persons who assist him or are likely to assist him in conducting Peer Reviews, and shall send the same to the Board. This statement of Confidentiality shall be filed by the Reviewer and his qualified assistants for each Review undertaken by them.

To

The Chairman,
Peer Review Board,
The Institute of Chartered Accountants of India
New Delhi

Sir,

I, hereby declare that I am aware of the need for confidentiality in the conduct of Peer Reviews. I undertake and promise that in so far as any or all of the following relate to me or are brought to my knowledge/attention, in any manner whatsoever and when so ever, I shall ensure that:

- Full Confidentiality of the Working papers shall always be maintained at all times so that unauthorized access is not gained by anyone.

- The Practice Unit's assurance services procedures shall not be disclosed to any third party except as provided under this Statement.

- Any information with regard to any matter coming to my knowledge in the performance or in assisting in the performance of any function during the conduct of Peer Reviews shall not be disclosed to any person except as provided under this Statement.

- Access shall not be given to any person other than as required under the Peer Review Statement, to any record, document or any other material, in any form which is in my possession, or under my control, by virtue of my being or having been so appointed or my having performed or having assisted any other person in the performance of such a function.
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- I have no direct or indirect conflict, of interest with the Practice Unit.

I understand that any breach of the provisions regarding confidentiality as contained in the Statement on Peer Review will be considered as gross negligence and make me liable to appropriate disciplinary action.

Signature:

Name:

Designation:

Membership No.

Name of Practice Unit Reviewed:

Date:

Place: