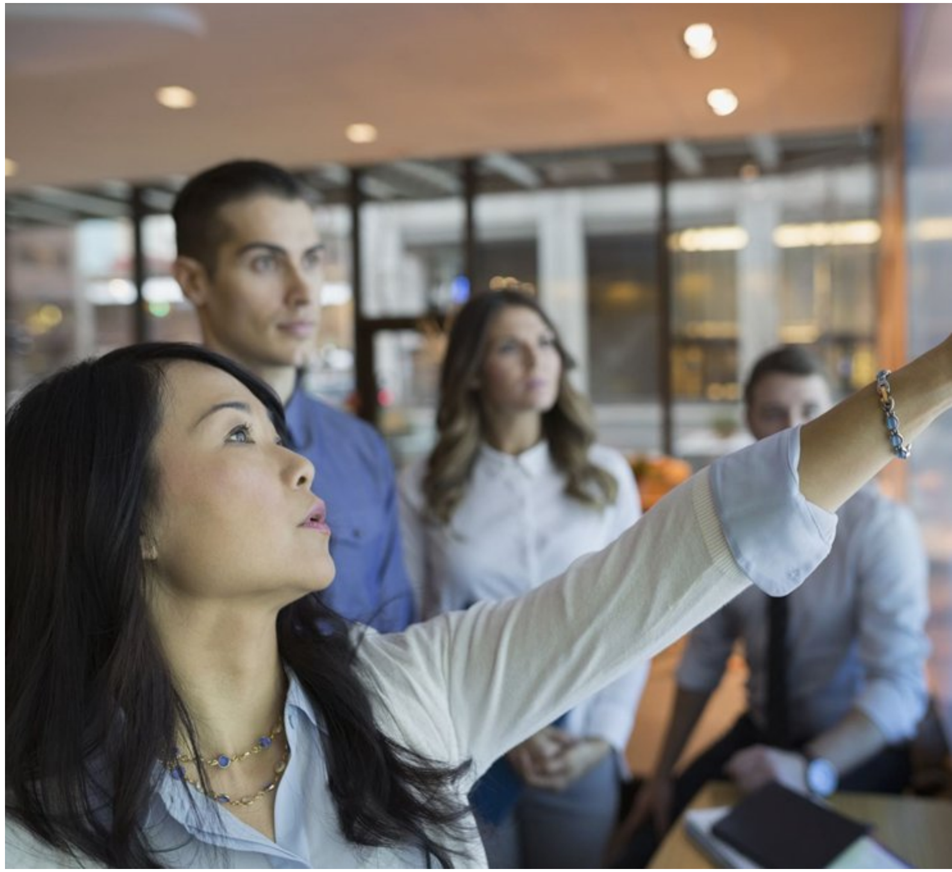
Rationale and Significance of Peer Review

Agenda

- Introduction
- Rationale of peer review
- Significance of peer review
- Objectives
- Coverage of peer review
- Salient features of peer review

Introduction

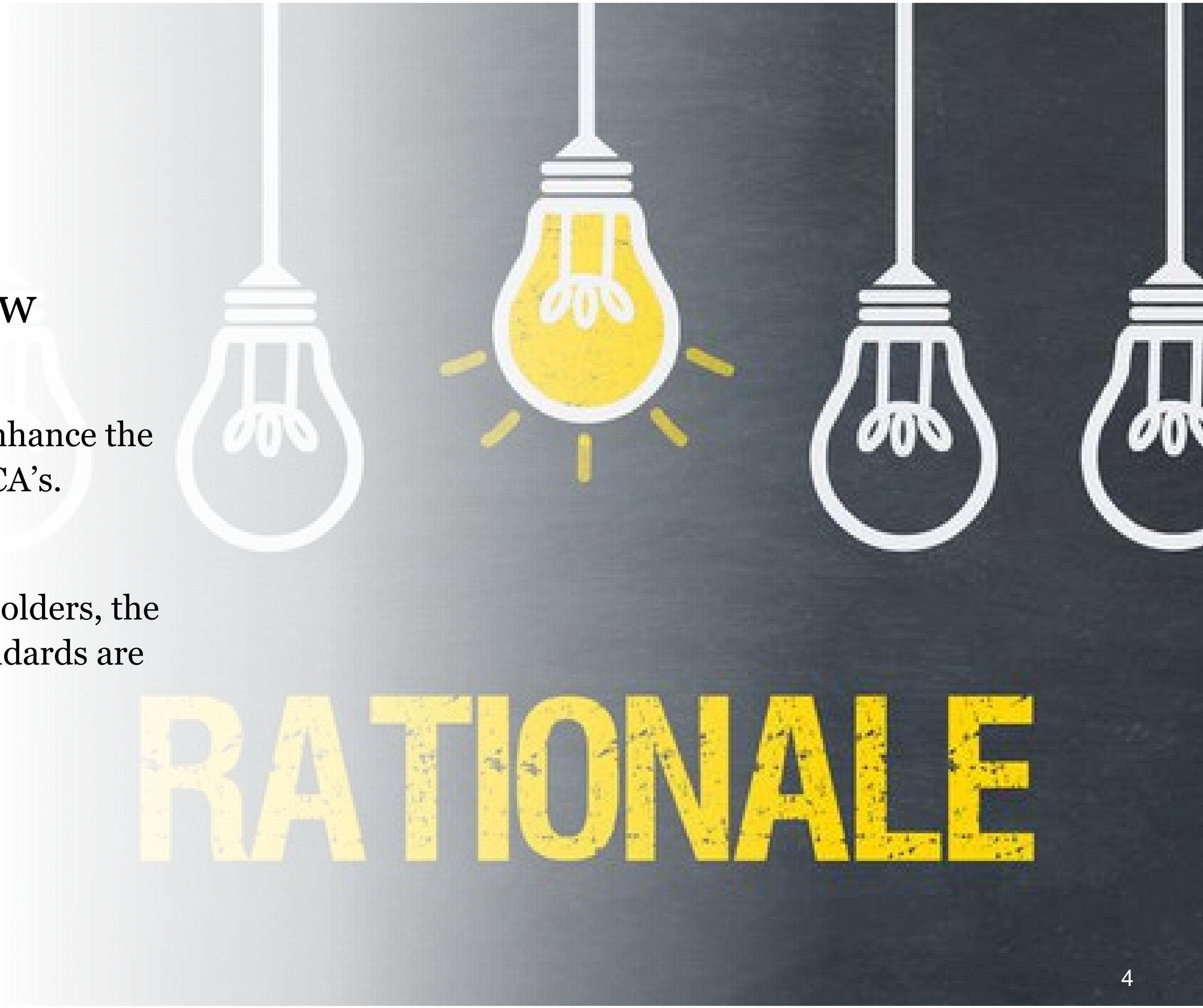
- It is the evaluation of work by one or more people of similar competence.
- examination and review of the systems and procedures put to use for ensuring the quality of attestation services



Rationale of Peer Review

- The process is an endeavor to enhance the quality of services rendered by CA’s.

- It helps in reassuring the stakeholders, the society and ensures highest standards are used for services rendered.



What is peer review?

Ref. FAQ's on Peer Review-
Pg no. 3

- A peer review means an examination and review of the **systems and procedures** to determine whether they have been put in place by the practice unit for ensuring the quality of **attestation services.**
- Therefore, it is a review done by a member to ensure that the Technical, Professional and Ethical standards are being followed by the practice unit.
- The Council of the Institute of Chartered Accountants of India has issued a Peer Review Guidelines on Peer Review, which lays down the framework for conduct of peer reviews by setting up the Peer Review Board (henceforth referred to as 'the Board'). The duty of carrying out the provisions of these Guidelines is vested in the Board.

Significance of Peer Review

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

Objectives of Peer Review

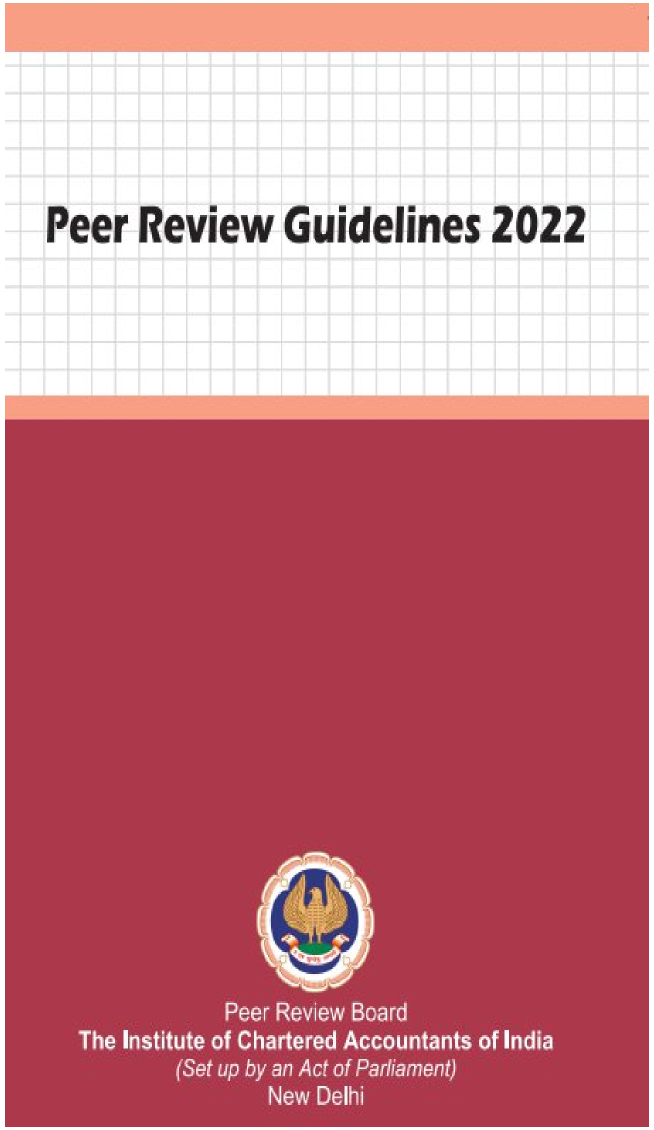
- To ensure that the assurance services carried by members comply with the Technical, Professional and Ethical standards issued.
- To ensure adherence to various Statutory and Other Regulatory Requirements
- To enhance the reliance of users on financial statements for economic decision making.

MINDSET OF A PEER REVIEWER

Ref. Peer Review Manual
Page no. 4 and 5

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

Peer Review Guidelines, 2022



- *In exercise of the powers conferred by Section 15(2)(fa) of the Chartered Accountants Act, 1949, the Council issued the Peer Review Guidelines, 2022.*
- *These Guidelines contain complete code relating to Peer Review process, including the terms of reference of such reviews, role & responsibilities of all the parties concerned, role and functions of the Board etc.*
- *The Council also introduced AQMM Review alongside peer review for statutory auditors of listed entities, banks and insurance companies.*

Peer Review Mandate-Roll Out Implementation

Peer Review Mandate Already Applicable	Phase I applicable with effect from 01.04.2022	Phase II applicable with effect from 01.07.2024	Phase III applicable with effect from 01.07.2025
	Practice Units which propose to undertake Statutory Audit of enterprises whose equity or debt securities are listed in India or abroad as defined under SEBI (Listing Obligations and Disclosure Requirements) Regulations.	Practice Units which propose to undertake Statutory Audit of unlisted public companies having paid-up capital of not less than rupees five hundred crores or having annual turnover of not less than rupees one thousand crores or having, in aggregate, outstanding loans, debentures and deposits of not less than rupees five hundred crores as on the 31st March of immediately preceding financial year: For these Practice Units, there is a pre-requisite of having Peer Review Certificate. OR Practice Units rendering attestation services and having 5 or more partners: For these Practice Units, there is a prerequisite of having Peer Review Certificate before accepting any Statutory audit.	Practice Units which propose to undertake the Statutory Audit of entities which have raised funds from public or banks or financial institutions of over Fifty Crores rupees during the period under review or of any body corporate including trusts which are covered under public interest entities: For these Practice Units, there is a pre-requisite of having Peer Review Certificate. OR Practice Units rendering attestation services and having 4 or more partners: For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit.

Peer Review Mandate-Roll Out Implementation

Peer Review Mandate to be applicable with effect from 31.12.2026

Phase IV applicable with effect from 31.12.2026

- Practice Units which propose to undertake audits of branches of Public Sector banks : For these Practice Units, there is a pre-requisite of having Peer Review Certificate.

OR

- Practice Units rendering attestation services and having 3 or more partners: For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit.

Peer Review Recognition by Regulators

Securities & Exchange Board of India (SEBI)

With effect from April 1, 2010, SEBI mandated that the Limited Review/Statutory Audit reports submitted to the concerned stock exchanges by the Listed Entities shall be given only by those auditors who have been subjected to peer review process and hold a valid certificate issued by the 'Peer Review Board' of the ICAI.

Comptroller & Auditor General of India (C&AG)

- *The Comptroller & Auditor General of India (C & AG) has revised the Policy of Empanelment of CA Firms/LLPs and appointment of auditors of Companies under Section 139(5) and 139(7) of the Companies Act 2013 and of Statutory Corporations/Autonomous Bodies as per the provisions of their respective Acts.*
- *A maximum of 25 points have been allotted to firms which hold a Peer Review Certificate for empanelment.*

Overall Peer review process

Planning Stage-
Selection of reviewer and initial sample selection

Execution Stage-
Review of the sample records

Reporting Stage

PLANNING STAGE

Selection of Practice Unit

- PRB selects the PU for review or PU voluntarily applies

Submission of Declaration

- PU should submit the Form-1 to the board

Selection of Reviewer

- PRB selects 3 reviewers from the panel and notifies PU

Questionnaire

- PU must send the questionnaire to Reviewer

Initial Samples

- Reviewer to select the initial sample and inform PU

EXECUTION STAGE

Initial Meeting

- Initial meeting between PU and reviewer

General Controls

- Compliance review of the general controls of the PU

Review of records and samples

- The extent of review would depend on the general controls of the PU

REPORTING STAGE

Preliminary Report

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

Representations from PU

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

Final Report

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

Who can be a Peer Reviewer?

Ineligibility

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

Eligibility

- He is a member in practice having at least seven years of assurance practice experience

or

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

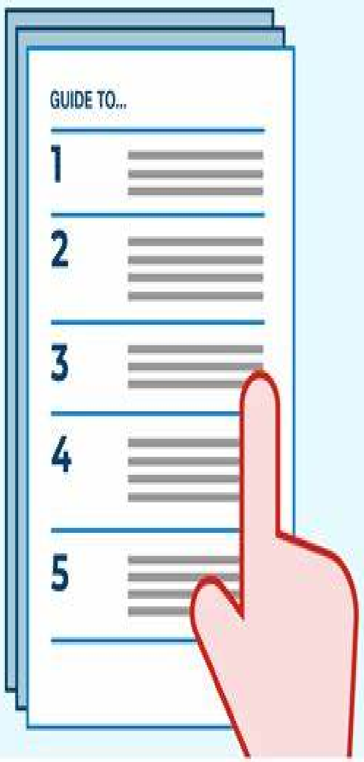
Peer Review Manual

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

Peer review Manual

Introduction

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



Peer Review Process

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

Peer review Manual

Questionnaire(PU)

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

Review Procedure

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

On site and Off-site procedures to be followed

Comparison of audit procedures with the actual workflow

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

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

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

Peer review Manual

Documentation

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

Reporting

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

DO'S AND DON'TS FOR PEER REVIEWER

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

DO'S AND DON'TS FOR PEER REVIEWER

- The reviewer should study in detail, the peer review manual before commencing the review.
- The reviewer must submit the declaration to the board.
- Adhere to the statements and guidelines issued by the board




Thank you