

## CHAPTER 7 - PEER REVIEW

### 1. What is Peer Review?

It is a regulatory mechanism for monitoring the performances of professionals for maintaining quality of services expected by them for enhancing reliance placed by users of F/S for economic decision making.

Peer means a person of similar standing.

In general, for a profession, the term peer review would mean review of work done by a professional, by another professional of similar standing.

Review means conduct of re-examination of subject matter.

### 2. Objectives of Peer Review.

- ☞ Objective is to ensure compliance by Practice unit of Various Technical, professional and ethical Standards Issued by ICAI, Proper documentation, Quality Control Policies in respect of Attestation services and Training Program for Staff.
- ☞ Technical Standards includes-FRF, AS, GN, Engagement & Quality Control Standards, Code of Ethics, Standards on Internal Audit, Notifications, including audit quality maturity model whenever applicable or any other regulatory requirements as may be prescribed by the council or any committee and have in place proper system including documentation thereof to amply demonstrate the quality of the assurance service, Provisions of statutes etc.
- ☞ The primary objective of Peer Review is not to find out deficiencies but to improve quality of services rendered by members.
- ☞ Where a practice unit is not following technical standards, reviewers are expected to recommend measures to improve procedures.
- ☞ The key objective of Peer Review Exercise is not to identify isolated cases of engagement failure, but to identify weakness that are pervasive and chronic in nature.

**NOTE:** The word "Statement" or statement on Peer Review used throughout the chapter shall be substituted as "Guidelines" or Peer Review Guidelines, 2022" respectively.



**Peer Review Definitions:**

Meaning of Peer Review as defined in Peer Review Guidelines, 2022 – An examination and review of the systems and procedures to determine whether the same have been put in place by the Practice Unit for ensuring the quality of assurance services as envisaged by the Technical, Professional and Ethical Standards as applicable including Audit Quality Maturity Model wherever applicable or any other regulatory requirements as may be prescribed by the Council or any Committee and whether the same were consistently applied during the period under review.

**Key points of Peer Review as per ICAI SM**

- ☞ Meaning of Peer Review as defined in Peer Review Guidelines, 2022 – An examination and review of the systems and procedures to determine whether the same have been put in place by the Practice Unit for ensuring the quality of assurance services as envisaged by the Technical, Professional and Ethical Standards as applicable including Audit Quality Maturity Model wherever applicable or any other regulatory requirements as may be prescribed by the Council or any Committee and whether the same were consistently applied during the period under review."
- ☞ **"Reviewer"** means a member duly approved and empaneled by the Board on fulfilling the qualifications prescribed for a Reviewer as per guideline 26 of these guidelines.
- ☞ **"Practice Unit"** means a firm of Chartered Accountants or a member in Practice, practicing whether in an individual name or a trade name or such other entity as recognized by the Institute of Chartered Accountants of India from time to time.
- ☞ **Peer Review Board** means the Board constituted by the Council in terms of these guidelines from time to time. The expression "Peer Review Board" is hereinafter referred to as "Board". **The Peer Review Board (the Board) was established in March 2002.**
- ☞ **Branch Peer Reviewer:** means a Reviewer appointed to conduct the Peer Review of the Branch of a Practice Unit. The qualifications and other obligations and duties of the Branch Peer Reviewer shall be the same as that of the Reviewer.

**Note: Authority of Peer Review Guidelines, 2022**

"The Peer Review Guidelines, 2022 issued by Council are covered under clause (1) of Part II of Second Schedule to the Act and it is obligatory for the Practice Unit to comply with the provisions contained in this Guidelines."

**PEER REVIEW OF AUDITORS****Peer review of attest function has a special significance.**

- ☞ First of all, the nature of work is such that it can be easily subjected to peer review. It is possible to review the work subsequent to its completion; which means that one does not get disturbed while doing the work because of the peer review.
- ☞ Secondly, the business environment is changing so fast that it is necessary for an auditor to keep improving his audit techniques and seek a stamp of approval about his competence.
- ☞ And thirdly, the question of whether an auditor has performed his function satisfactorily or not is arising more frequently now. There is a considerable gap between what the society as a whole expects the auditors to do and what the auditors are actually required to perform; by law and as per the terms of their engagement. Therefore, if the work of any auditor is questioned, the auditor's **first line of defense** would be that the work has happened as per auditing practices which have been peer reviewed.

**It is important to note that in spite of the advantages of peer review, not many professional bodies have implemented the concept effectively. In this background, it is very creditable that ICAI has, over a period, made peer review compulsory for all auditors.**

### 3. Eligibility for Peer Reviewers. (Revised )

1. A Peer Reviewer shall: –
  - a) Shall be a member in practice with at least 7 years of *assurance practice experience*.
  - b) In case a member has moved from industry to practice and is currently in practice he should have at least 10 years of audit experience in industry and at least 3 year's audit experience in practice.
  - c) Should have undergone the requisite training and cleared the requisite test for Peer Review as prescribed by the Board.
2. A member on being appointed as a Reviewer shall be required to furnish–
  - a) A declaration as prescribed by the Board, at the time of empanelment as a Peer Reviewer.
  - b) A declaration of confidentiality as per Annexure A to this statement while giving consent for appointment as a peer reviewer.
3. A member shall not be eligible for being appointed as a Reviewer, if –
  - (i) any disciplinary action / proceeding is pending against him
  - (ii) 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.
  - (iii) he has been convicted by a competent court whether within or outside India, of an offence involving moral turpitude and punishable with imprisonment.
  - (iv) he or his partners or personnel has any obligation or conflict of interest in the Practice Unit.
  - (v) He has undergone training/article ship under any of the partner of Practice unit.
4. A Reviewer shall not accept any professional assignment from the Practice Unit for a period two years from the date of appointment. Further, he should not have accepted any professional assignment from the Practice Unit for a period of two years before the date of appointment as reviewer of that Practice Unit.

### Confidentiality

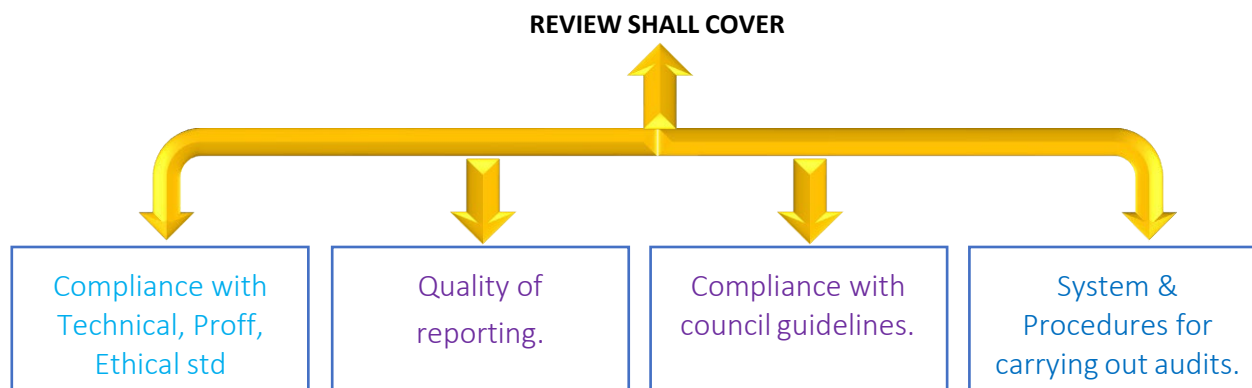
- ☛ Strict confidentiality shall be maintained by all those involved in the Peer Review Process, namely, Reviewer, members of the board, any qualified Assistance of Practice unit.
- ☛ All persons governed by the secrecy provisions shall at all times preserve and aid in preserving secrecy with regard 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 Review.
- ☛ Reviewer shall not make use of or disclose the contents of Review report or any confidential information about the process of Review except as required by the Board of the Council.
- ☛ Non-compliance with the secrecy provisions shall amount to professional misconduct as defined u/s 22 of the Chartered Accountants Act, 1949.
- ☛ A Declaration of Confidentiality (Form 4) shall be signed by all members of the Board and the Board's Secretariat.

#### 4. METHODS OF COLLECTING AUDIT EVIDENCE BY PEER REVIEWER.

1	2	3	4
<ul style="list-style-type: none"><li>• Inspection- Examination of documents, working papers &amp; other records maintained by the Practice Unit. Considered as most significant method of all 3.</li></ul>	<ul style="list-style-type: none"><li>• Observation- Witnessing a procedure or performance being performed by others.</li></ul>	<ul style="list-style-type: none"><li>• Inquiry-Seeking appropriate information from concerned partner/sole proprietor/other knowledgeable person within Practise Unit.</li></ul>	<ul style="list-style-type: none"><li>• Observation &amp; Inquiry are considered as external sources of review evidence.</li></ul>

## 5. FOCUS/SCOPE OF PEER REVIEW.

Applies to all assurance/attestation services.



### Branch Peer Reviewer

Means a Reviewer appointed to conduct the Peer Review of the Branch of a Practice Unit. The qualifications and other obligations and duties of the Branch Peer Reviewer shall be the same as that of the Reviewer.

### New Unit:

- ☛ means a firm whose date of establishment is less than 12 months immediately preceding the date of receipt of application of Peer Review and which may or may not have rendered any assurance service during the said period or
- ☛ a PU in existence for a period exceeding 12 months but not rendering any assurance services.

### SCOPE OF PEER REVIEW (IMP)

The Statement of Peer Review aims to confine the scope of review **to preceding three years** since this would establish the consistency or deviations, if any, in respect of procedures followed by the practice unit. It also covers Self-evaluation under Audit quality Maturity Model or any other guideline issued by the Center of Audit Quality.

### Revised Scope of Technical, Professional and Ethical Standards

As per the Statement, Technical, Professional and Ethical Standards – means

- (i) Accounting Standards issued by ICAI that are applicable for entities other than companies under the Companies Act, 2013;
- (ii) Accounting Standards prescribed under **section 133** of the Companies Act; 2013 by the Central Government based on the recommendation of ICAI and in consultation with the National Financial Reporting Authority (NFRA) and notified as Accounting Standards Rules 2006, as amended from time to time;
- (iii) Indian Accounting Standards prescribed under section 133 of the Companies Act

2013 by the Central Government based on the recommendation of ICAI and in consultation with NFRA and notified as Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time;

(iv) Standards:

Standards issued by the Institute of Chartered Accountants of India including-	
(a) Engagement standards	(d) Standards on Internal Audit.
(b) Statements	(e) <b>Guidelines/ Notifications / Directions / Announcements / Pronouncements / Professional Standards issued from time to time by the Council or any of its Committees.</b>
(c) Guidance notes	

- (v) **Framework for the preparation and presentation of financial statements, Preface to the Standards on Quality Control, Auditing, Review, Other Assurance and Related Services and Framework for Assurance engagements;**
- (vi) **Provisions of the relevant statutes and / or rules or regulations which are applicable in the context of the specific engagements being reviewed including instructions, guidelines, notifications, directions issued by regulatory bodies as covered in the scope of assurance engagements.**
- (vii) **Any other Technical, Professional, Ethical Standards and other Standards issued by any authority governing the profession of Chartered Accountancy.**
- (viii) **Definition of Assurance Engagement**

An engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria but does not include:

- (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;
- (viii) Engagement for Due diligence; and
- (ix) **Any other service rendered or function performed by practitioner not prescribed by the Council to be 'Assurance Engagement';**

The phrase 'Assurance Services' is used in this Statement interchangeably with Audit Services, Attestation Functions, and Audit Functions.

## 6. Mandatory requirement for Peer Review/Applicability (IMP)

### Applicability of Peer Review

"Practice Units subject to Review: Earlier practice units were classified under Level -I and Level-II category. However, under Peer Review Guidelines this has been replaced with Peer Review Mandate implementation. As per Clause 5 of Peer Review Guidelines, 2022, criteria of peer Review are defined on following basis: -

- i. Mandatory - Peer Review can be mandated for such Practice Units as may be decided by the council. Or
- ii. Voluntary - Any Practice Unit may, Suo motu, apply to the Board for the conduct of its Peer Review. Or
- iii. Special Case - The Board, based on specific information received from Secretary, ICAI or Disciplinary directorate or any other Regulator, which in the opinion of the Board requires a special Peer Review of the Practice Unit, may conduct a special Peer Review of the Practice Unit for such a period by the board.

### Peer Review Mandate

It was clarified that holding a valid Peer Review certificate by Practice Units should be a prerequisite for undertaking audit of all entities falling under phase I; II; III and IV of the mandate from respective dates of mandate becoming operative.

Accordingly, the Peer Review Mandate (Revised), operative from April 1, 2022, has been made in following four stages:

Phase	Category of firm covers for mandatory Peer Review	Date from which Peer Review is Mandatory
I (*)	Practice Units which propose to undertake Statutory Audit of enterprises <b>whose equity or debt securities are listed in India or abroad</b> as defined under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:	1 <sup>st</sup> April 2022
II	Practice Units which propose to undertake Statutory Audit of unlisted public companies having <ul style="list-style-type: none"> <li>☞ paid-up capital of <b>not less than rupees five hundred crores</b> or</li> <li>☞ having annual turnover of <b>not less than rupees one thousand crores</b> or</li> <li>☞ having, in aggregate, outstanding loans, debentures and deposits of <b>not less than rupees five hundred crores</b></li> </ul> <b>as on the 31st March of immediately preceding financial year:</b> -OR- Practice Units rendering attestation services and	1 <sup>st</sup> April 2023



	<b>having 5 or more partners:</b>	
III	Practice Units which propose to undertake the Statutory Audit of entities <b>which have raised funds from public or banks or financial institutions of over Fifty Crores rupees</b> during the period under review or of anybody corporate including trusts which are covered under public interest entities: -OR- Practice Units rendering attestation services and <b>having 4 or more partners:</b>	1 <sup>st</sup> April 2024
IV	Practice Units which propose to undertake <b>audits of branches of Public Sector banks</b> -OR- Practice Units rendering attestation services and <b>having 3 or more partners:</b>	1 <sup>st</sup> April 2025

**(\*) for auditors from this category, Peer Review is already mandatory by SEBI; this mandate is a further requirement stipulated by the ICAI.**

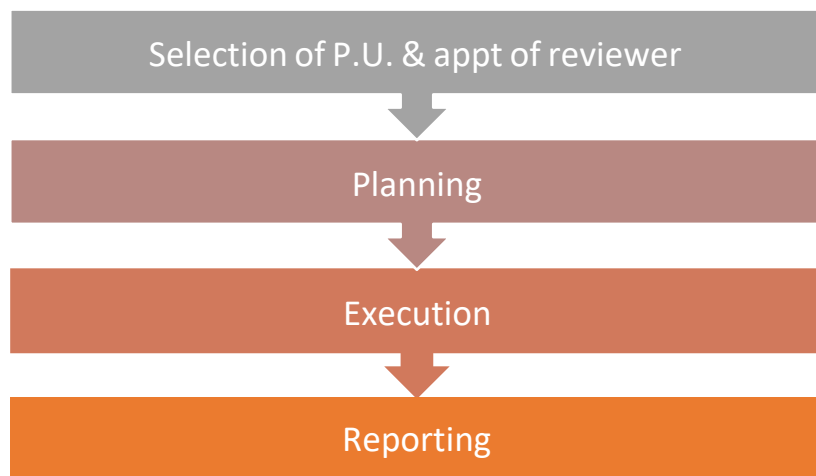
Thus, at each phase, before undertaking statutory audit, the concerned Practice Unit should possess Peer Review Certificate.

#### **Note for better understanding**

- I. **for the Practice Units, from 1st April, 2023**, there is a pre-requisite of having Peer Review Certificate for undertaking 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 or
- II. From 1st April, 2024, Practice Units rendering attestation services and having 4 or more partners should have a Peer Review Certificate before undertaking any statutory audit.
- III. On the date, Peer Review becoming mandatory for a Practice Unit, if it is in possession of Peer Review Certificate, there is no need of once again subjecting the Practice Unit to Peer Review, till conclusion of the validity period of the said Certificate. It is necessary for such a Practice Unit to possess a new Peer Review Certificate on conclusion of validity of Peer Review Certificate that was available at the time Peer Review becoming mandatory."



## 7. PEER REVIEW PROCESS



### Peer Review Process

#### Procedure for initiating Peer Review: (New)

- (1) Practice Units which desire to get Peer Reviewed shall make an application for Peer Review in the Application cum Questionnaire in Form 1.
- (2) In case the Peer Review is initiated by the Board, the Application cum Questionnaire in Form 1 should be submitted by the PU on the request of the PRB Secretary.
- (3) The Application mentioned above received by the Board shall be duly numbered.
- (4) On receipt of the said Application cum Questionnaire, names of 3 Reviewers shall be recommended by the Board to the PU within 3 working days.
- (5) PU shall select 1 out of the 3 recommended Reviewers and intimate to the Board within 1 working day of receipt of the names.
- (6) Board shall appoint the Peer Reviewer selected by the PU in accordance with these Guidelines.
- (7) Board shall intimate the Reviewer so selected to submit a Declaration of Confidentiality in Form 2 to the PU within 2 working days from the receipt of choice of name of the Reviewer from the PU.
- (8) PU shall also provide a copy of the Application cum Questionnaire in Form 1 submitted to the Board to the Reviewer within 2 working days of the appointment of the Reviewer.

#### Peer Review Procedure to be followed by the Peer Reviewer: (New)

- ☼ **Declaration of confidentiality** - Before commencement of Peer Review, the Peer Reviewer shall ensure that the Declaration of confidentiality is furnished to the PU and acknowledgement of receipt thereof is obtained by him.
- ☼ **Intimation of proposed Visit** - On receiving the Application cum Questionnaire in Form 1 from the PU, the Peer Reviewer shall initiate the Peer Review by intimating the PU of proposed visit and the proposed samples selected to be kept ready by the Practice Unit. The proposed samples selected are to be intimated by the Peer Reviewer in Form 5 prescribed by the Board.
- ☼ **Further Information-** The Reviewer may seek further/additional clarification in Form 6 from the PU on the information furnished/not furnished by the PU in the Questionnaire.

The PU shall provide this additional information to the Reviewer within 1 working day.

- ☼ **Selection of Assurance Service Engagements-** The Reviewer shall, within 2 working days of receiving the information from the PU, select assurance service engagements that he would like to review and intimate the same to the Practice Unit and the Peer Review Board in Form 5.
- ☼ **Plan for On-Site Review-** The Reviewer shall plan for an "on-site review" visit for initial meeting in consultation with the PU. The Reviewer shall give the PU at least 2 working days to keep ready necessary records of the selected assurance services in Form 5.
- ☼ **Completion of Review Process-** Reviewer and PU shall mutually co-operate and ensure that the entire review process is completed **within 20 working** days from the date of receipt of application from the PU for being Peer Reviewed or from the date of notifying the PU about its selection for Review as the case may be.
- ☼ In case of Peer Review of a New Unit, Reviewer and PU shall mutually co-operate and ensure that the entire review process is completed **within 7 working days** from date of receipt of application cum questionnaire from the Practice Unit for being Peer Reviewed.

### Execution

#### Peer Review Visit-

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 6 working days (it was 7 days earlier) based on the size of the Practice Unit.

#### "Procedure for Peer Review of a New Unit

Peer Review of a New Unit is to be conducted based on the antecedents of partners and policy parameters announced by the Practice Unit for conduct of attest function. The Reviewer has to verify the same from the Application cum Questionnaire submitted by the Practice Unit in Form 1 as well as an onsite visit to the Practice Unit which shall be restricted to one day-

The Reviewer shall thereafter submit a Report to the Board in the formats as prescribed by it."

#### Reporting by the Peer Reviewer (Modified)

Submission of report to PRB - After completing on-site review, the Reviewer, shall submit the Peer Review Report to the Board along with Form 9 if in his opinion, the PU has adequate systems and procedures in compliance with the Technical, Professional and Ethical Standards. A copy of the report shall also be forwarded to the Practice Unit.

Issue of Preliminary report in case of deficiencies-

- (1) In case, in the opinion of the Peer Reviewer,
  - ☛ the systems and procedures of the PU 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, he shall communicate his findings to the Practice Unit, in a Preliminary Report issued by him.

- (2) PU shall, within 2 working days of the date of receipt of the findings, make its submissions or representations, in writing to the Reviewer.
- (3) If the Reviewer is satisfied with the reply received from PU, he shall submit an unqualified Peer Review Report to the Board along with Form 9. A copy of the report shall also be forwarded to the PU.

**Modified Report** – In case the Reviewer is of the opinion that the response submitted by the PU is not satisfactory, the Reviewer shall submit a Qualified Report to the Board incorporating his reasons for the same along with Form 9. A copy of the report shall also be forwarded to the Practice Unit.

**Peer Review Report**– Peer Review Report should state that the system of quality control for the assurance services of the PU 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.

**The Peer Reviewer shall ensure to submit the following documents along with the Peer Review Report:**

- (i) Annexures to the Report as prescribed by the Board.
- (ii) Copy of Questionnaire as received from the Practice Unit.
- (iii) List of samples selected by him in accordance with the criteria prescribed by the Board.
- (iv) Preliminary Report, if issued, along with Practice Unit's submissions on the same.

**PU as well as the Reviewer shall ensure that all documents submitted to the Board are duly dated, signed and complete in all aspects.**

- ☞ The Reviewer and Practice Unit shall mutually co-operate and ensure that the entire review process is completed within twenty working days from the date of receipt of application from the Practice Unit for being Peer Reviewed or from the date of notifying the Practice Unit about its selection for Review as the case may be.
- ☞ In case of Peer Review of a New Unit, the Reviewer and Practice Unit shall mutually co-operate and ensure that the entire review process is completed within seven working days from the date of receipt of application cum questionnaire from the Practice Unit for being Peer Reviewed.

**Review of report by the Peer Review Secretariat under the supervision and directions of Peer Review Board Secretary (Newly added)**

- ☞ PRB Secretary shall ensure that the Peer Review report is accompanied by all the required documents and shall also ensure that the documents are complete in all aspects.
- ☞ All reports shall be placed before the Board or its Sub-Committee for its consideration and issuance of Peer Review Certificate.
- ☞ In case of a qualified report, the PRB Secretary shall place the report before the Board for consideration. The Board may decide for a "Follow On" Review after a period of 1 year from the date of issue of report by the Peer Reviewer.

- ☞ If the Board so decides, the period of one year may be reduced but shall not be less than 6 months from the date of issue of the report.

## 7. Illustrative Qualifications in Reporting by the Reviewer: -

1) It was observed during examination of engagement files that the staff deployed lacked industry expertise and was, in general, inexperienced. The PU does not have a system of supporting and encouraging its resources to undergo relevant professional education necessary to execute audits of entities in specialised industries. Moreover, there was no evidence in the working papers prepared by articled assistants of any review performed by a senior resource.

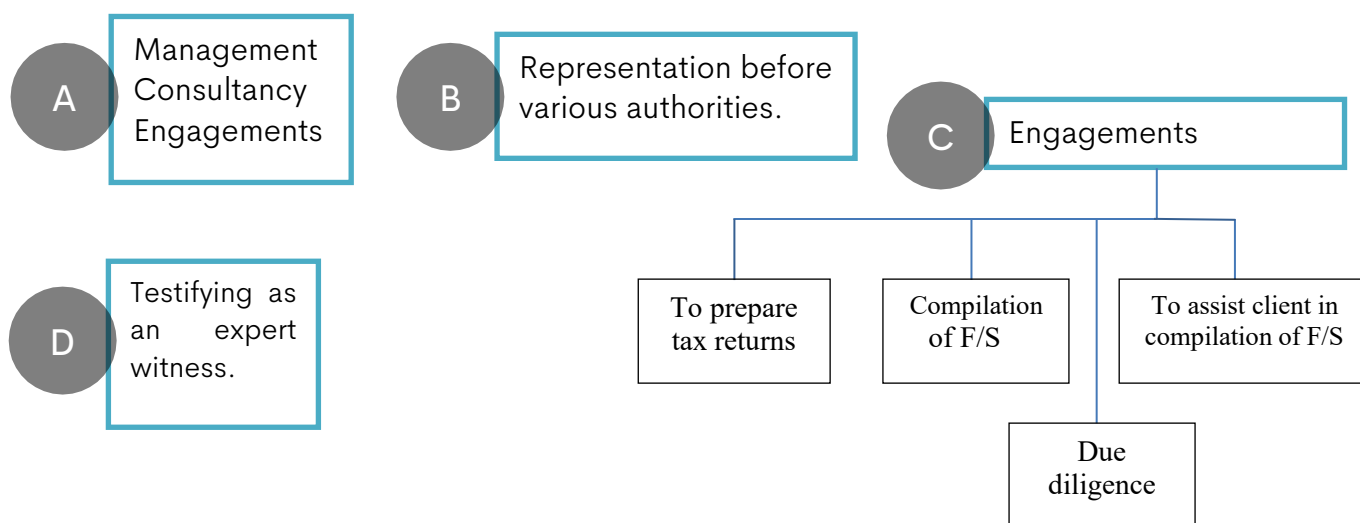
2) No evaluation of the control environment of the entities audited was seen to have been done to identify risks due to deficiencies or weaknesses in the audited entities internal control in accordance with SA 315, Identifying and Assessing the Risk of Material Misstatement through Understanding of the Entity and its Environment.

Moreover, no attempt was made to test internal control over financial reporting in order to determine if the controls are implemented and operating effectively in accordance with SA 330, The Auditor's Response to Assessed Risks.

3) The PU does not have any documented policies for its system of quality control in accordance with SQC 1, Standard on Quality Control. In view of this it was not possible for us to evaluate compliance with the PU's quality controls. We did, however make specific inquiries of the managing partner of the PU with regard to policies implemented with regard to the various elements given in the Standard. On an overall basis, it was found that policies implemented were rudimentary and not commensurate with the size of the PU and the nature of its practice.

4) During review of one of the audit files it was found that the entity's current liabilities were in excess of its current assets by several multiples, the entity had made cash losses during the last three years and its accumulated losses were five times its share capital. In spite of this, there was no evidence in the audit file of the engagement team's evaluation of the management's assessment of going concern in accordance with SA 570, Going Concern, while the financial statements were prepared on a going concern basis.

## 8. Areas excluded from Scope of Peer Reviewer



## 9. Peer Review Board

The Board shall consist of a minimum of 6 and a maximum of 12 members to be appointed by the Council, of whom not less than 50% shall be from amongst the members of the Council.

Meetings of the Board- Provisions related to the time, place and quorum of Meetings of the

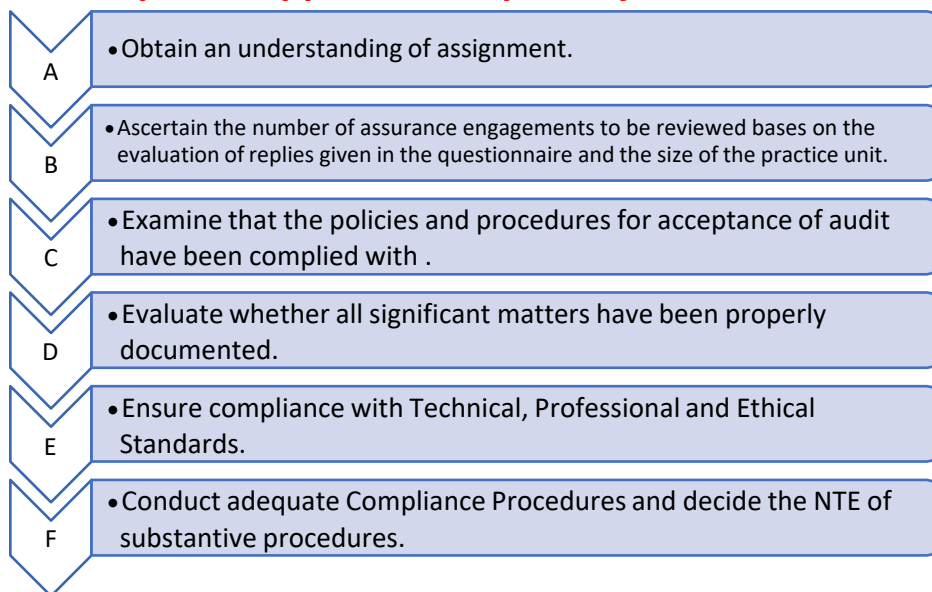
Peer Review Board as well as procedure for transaction of business shall be governed by the Chartered Accountants Regulation, 1988.

- 1) **Term of the members** - The term of **two third members** shall be for **three years** or **end of the term of the member in the Council whichever is earlier**, or such other period as may be prescribed by the Council from time to time. The Chairman and the Vice-Chairman of the Board may be **rotated every year** by the Council of the Institute.
- 2) Casual vacancies on the Board shall be filled by the Council. A Member of the Disciplinary Committee or the Disciplinary Board of the Institute of Chartered Accountants of India shall not be a member of the Board.
- 3) Provisions related to the time, place and quorum of meeting of the Peer Review Board as well as procedure of transaction of business shall be governed by the Chartered Accountants Regulation, 1988.
- 4) **Reporting:** The Board shall submit a report to the Council prior to the date of every meeting of the Council.

#### Difference between Peer Review of New units and Existing units

Basis of difference	New Units	Existing units
Completion of Review Process	7 Working Days	20 Working Days
Onsite visit time limit	1 Day	6 Working Days
Validity of Peer Review Certificate	3 Years	To be Decided by the Peer Review Board.

### 10. **Step wise approach adopted by the Peer Reviewer:**



### **11. Areas to be reviewed in the assessment of Independence of the practicing unit, while conducting peer review.**

A. Does the PU have a policy to ensure independence, objectivity and integrity, on the part of partners and staff? Who is responsible for this policy?

B. Does the PU communicate these policies and the expected standards of professional behaviour to all staff?

C. Does the PU monitor compliance with policies and procedures relating to independence?

D. Does the PU periodically review its association with clients to ensure objectivity and independence?

### **Other important points**

1. The reviewer may take the help of a qualified assistant while carrying out peer review. The qualified assistant shall be a CA, not disqualified under Section 8 or Section 21 of the Chartered Accountants ACT 1949 and should sign the declaration of confidentiality.
2. There are certain inherent limitation of review and the review would not necessarily disclose all weaknesses in compliance of technical, professional and ethical standards.
3. As per the Statement of Peer review, scope of review is confined to preceding three years (important for MCQ).

### **4. 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 comply with the following.

- (i) Produce to the Reviewer or allow access to, any record, document or prescribed register maintained by the Practice Unit.
- (ii) Provide to the Reviewer such explanation or further particulars/ information if asked.
- (iii) Provide to the Reviewer all assistance in connection with Peer Review
- (iv) 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 in English or Hindi, if the matter is in any other language, and if such translation is requested for by the Reviewer. The Practice Unit shall be responsible and accountable for the accuracy and truthfulness of the translation so provided.

#### **Obligations of the Peer Reviewer**

- (i) 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.
- (ii) **The Reviewer shall complete the Review within the prescribed time frame and submit the report to the Board.**

- (iii) **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 18 months of submission of Review Report.**

## 5. **DIFFERENCE BETWEEN PEER REVIEW AND QUALITY REVIEW**

Peer review is a review of the systems and procedures of an audit firm. Although sample audit files are inspected by the peer reviewer, **it is done for the purpose of testing the effectiveness of the systems and procedures. The intention is to not to find faults but to help the firm develop effective systems.** It is a kind of mentoring process. Peer review is a part of the activities of ICAI aimed at improving the quality of service.

In contrast, **a quality review is supposed to act as a deterrent. Quality Review Board (QRB) is constituted by the Central Government and is independent of ICAI.** As per Section 28A of the Chartered Accountant's Act, the Central Government has the authority to constitute a Quality Review Board. QRB carries out **supervisory and disciplinary functions.** A quality review normally **pertains to one particular audit conducted by an audit firm.** The main objective quality review is to find errors or inadequacies, if any, committed by the auditor while conducting the audit. Serious errors detected in quality review led to disciplinary action against the member.

## 6. **Peer Review Certificate**

1. In case of an unqualified report issued by the Peer Reviewer, the Peer Review Board Secretary shall place the report before the Board or its Sub-Committee for consideration and issuance of Peer Review Certificate to the Practice Unit, but only after the Peer Reviewer confirms the fee receipt from the Practice Unit by him.
2. A Peer Review Certificate shall be issued to New Units subject to the Procedures followed by the reviewer as prescribed under Clause 8 of these Guidelines and other clauses of these Guidelines, as the case may be.
3. The Certificates so issued by the Board or the Sub-Committee shall be noted by the Board at its meeting.
4. The Certificate shall be duly signed by the Chairman, Vice Chairman and Secretary of the Board mentioning the validity period.
5. The Peer Review Board Secretary shall serve the Peer Review Certificate upon the Practice Unit.
6. The Peer Review Board Secretary shall update the List of Practice Units having a valid Peer Review certificate incorporating the names of Practice Units to whom the Peer Review certificates have been issued on the ICAI website.
7. In cases where a Qualified Report has been issued by the Reviewer and has been considered by the Board, the Peer Review Board Secretary shall inform the Practice Unit that a Peer Review certificate cannot be issued along with the reasons therefor as well as inform about the due date for conducting a follow-on review as may be decided by the Board.

### ➤ **Validity of Peer Review Certificate**

**A Practice Unit cannot continue with the existing certificate, whose validity has expired. All documents signed by the Practice Unit during the intervening period (i.e., expiry of previous**



**certificate and issuance of new certificate) will be invalid.** Therefore, it is the responsibility of the Practice Unit to complete the Peer Review of the firm and submit all necessary documents **at least one month before the date of expiry of the previous certificate.**

"The Peer Review Certificate issued to a Practice Unit shall be valid for a period of three years or such other period as may be decided by the Board commencing from the date of receipt of Peer Review report by the Board. The validity of the Peer Review Certificate issued to New Units shall be decided by the Board.

The Council may for such reasons as may be prescribed by it extend the validity of existing Peer Review certificate granted to a Practice Unit. The Practice Unit shall make an Application in Form 8 requesting for extension of validity".