Chapter 17 - PEER REVIEW

MEANING, OBJECTIVES & SCOPE OF PEER REVIEW

Examination & Review of systems & procedures to determine • whether they have been put in place by PU • for ensuring the quality of attestation services as envisaged and implied/mandated by the technical standards, Ethical Standards & Professional Standards and • whether these were effective or not during the period under review. (1) To ensure that members while carrying out assurance service assignments comply with Technical, Professional and Ethical Standards issued by the Institute; (2) To ensure that member has in place proper system, including documentation thereof, for maintaining the quality of assurance services: (3) To ensure adherence to various statutory & regulatory requirements. (4) To identify and address patterns of non-compliance with quality control standards. Peer Review process shall apply to all assurance services provided by PU. While carrying out review, reviewer examines assurance engagement records of PU so as to cover the following: 1. Compliance with Technical, Professional & Ethical Standards: 2. Quality of reporting. 3. Systems and procedures for carrying out assurance services. 4. Training programmes for staff concerned with assurance

functions, including availability of appropriate infrastructure.

5. Compliance with directions and/or guidelines issued by the

6. Compliance with directions and/or guidelines issued by the

during the year and such other related records.

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Council including Fees to be charged, Number of audits

undertaken, register for Assurance Engagements conducted

Council in relating to article assistants and/or audit assistants.

including attendance register, work diaries, stipend payments,

Technical. Ethical & Professional Standards

- (1) AS issued by ICAI and/or prescribed and notified by the C.G. of India:
- (2) Standards issued by the ICAI including
 - (a) Engagement standards
 - (b) Statements
 - (c) Guidance notes
 - (d) Standards on Internal Audit
 - (e) Statements on Quality Control
 - (f) Notifications/Directions/Announcements/Guide lines/Pronouncements/Professional standards issued by the Council or any of its committees.
- (3) Framework for Preparation & presentation of F.S.,
- (4) Framework of statements and SA, SAE, SQC
- (5) Guidance Notes on related services issued by ICAI;
- (6) Provisions of the various relevant statutes and/or regulations which are applicable in the context of the specific engagements.
- Assurance Services' is used interchangeably with Audit Services, Attestation Functions & Audit Functions, but shall not include the following:
- 1. Management Consultancy Engagements;
- 2. Representation before various Authorities;
- 3. Engagements to prepare tax returns or advising clients in taxation matters:
- 4. Engagements for compilation of F.S.;
- 5. Engagements solely to assist the client in preparing, compiling or collating information other than F.S.;
- 6. Testifying as an expert witness;
- 7. Providing expert opinion on points of principle, such as AS or the applicability of certain laws, on the basis of facts provided by the client; and
- 8. Engagement for Due diligence

Miscellaneous

• 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?

- Does the PU communicate these policies and the expected standards of professional behaviour to all staff?
- Does the PU monitor compliance with policies and procedures relating to independence?
- Does the PU periodically review its association with clients to ensure objectivity and independence?
- A Peer Reviewer collects evidence by applying the following methods:
- 1. Inspection: It includes scrutiny of documentation & other records of PU.
- 2. **Observation**: Of procedures/processes followed in the PU.
- 3. **Inquiries**: From responsible person of PU, even by the use of questionnaire.
- Review is conducted in accordance with Statement on Peer Review.
- Review would not necessarily disclose all weaknesses in compliance of technical standards and maintenance of quality of assurance services since it would be based on selective tests.
- As there are inherent limitations in the effectiveness of any system of quality control which happens to be subjectmatter of review, departure from the system may occur & may not be detected.

Inherent Limitations of Peer

PEER REVIEW PROCESS Stage I - Planning Stage III - Reporting Stage II - Execution START Start Start Fixation of Date of Initial Meeting PRB selects PU for Peer Review Or PU voluntary applies for undergoing Peer Review Initial Meeting between PU & Reviewer PU will be notified by PRB & will be sent a Questionnaire for completion alongwith Compliance Review of General Controls (Independence, Maintenance of Professional Skills & Panel of atleast Three Reviewers Is Reviewer Standards, Outside Consultation, Staff Supervision & Development & Office Administration Submit Final satisfied with Report to PRB Systems and Procedures of PU PU makes special Review of Records request to PRB specifying reason for the Does PU require a fresh panel or PRB may provide fresh reviewer from Which Substantive Approach panel if satisfied Compliance another city /region approach to Α Reviewer sends a Preliminary Report to PU. The PU submit its representation on N (N deficiencies/ non - compliance, if any, to Reviewer within 15 days of receipt of Proper control Determine NTE of Substantive Preliminary Report procedures Procedures - More Extensive PU selects & informs the name of reviewer to PRB within 7 days Consider Effectiveness and A completed questionnaire enclosing a complete list of assurance services clients Efficacy of Control Procedures sent to selected reviewer within 15 days Submit Final Report Is reviewer to Board alongwith satisfied with PU to provide any other information which the reviewer may seek Preliminary Report representation and PU's submissions Intend to rely on Control Perform Substantive An initial sample is selected by the reviewer, representative of PU. client portfolio Procedures more extensive Perform Substantive PU will be notified of the selection of initial sample two weeks in advance of Procedures less extensive Submit Final report to PRB with reasons for dis commencement of review satisfication alongwith Preliminary Report and PU submissions STAGE III -

REPORTING

STAGE - II EXECUTION BEGINS