

Q.1	<p>CA. M appointed as a Peer Reviewer for M/s. K Associates has asked for all the compilation and the Due Diligence engagements carried out by M/s. K Associates for her peer review during the period considered for peer review purposes by the board. She has also sent out a mail to Peer Review Board regarding her selections. Mr. K, the managing partner of the firm seeks your advise on this matter.</p> <p style="text-align: right;">[Nov. 20 – Old Syllabus (5 Marks)]</p>
	<p>Ans.: Selection of Assurance Service Engagements for Review:</p> <ul style="list-style-type: none"> • The Statement on Peer Review defines the scope of peer review which revolves around compliance with technical, ethical and professional standards; quality of reporting; office systems and procedures with regard to compliance of assurance engagements; and, training programmes for staff including articled and audit assistants involved in assurance engagements. The entire peer review process is directed at the assurance services. • Assurance Services means assurance engagements services as specified in the “Framework for Assurance Engagements” issued by the ICAI and as may be amended from time to time. Assurance engagements does not include engagements for the compilation of financial statements or engagements solely to assist the client in preparing, compiling or collating information other than financial statements; or engagement for Due diligence. • In the given situation, CA. M is appointed as a peer reviewer for M/s K Associates, has asked for all the compilations and the due diligence engagements carried out by M/s K Associates for her peer review. In view of above, Peer Review of compilation and due diligence at the time of execution step by CA. M is not correct as due diligence and compilation engagements are not covered in the scope of Assurance engagement and Peer Review is directed at assurance engagement only. <p>Conclusion: Compilation and Due Diligence engagements are not covered within the meaning of assurance engagements and hence outside the scope of Peer Review.</p>
Q.2	<p>CA. Sudarshan, appointed as a Peer Reviewer for M/s. Preet Associates, has asked for all the management consultancy engagements and engagements solely to assist the client in preparing, compiling or collating information other than financial statements carried out by M/s. Preet Associates for peer review during the period considered for peer review purposes by the board. Peer Reviewer CA. Sudarshan has also sent out a mail to Peer Review Board regarding his selection. Mr. Preet, the managing partner of the firm seeks your advise on this matter. [MTP-March 21]</p>
	<p>Ans.: Selection of Assurance Service Engagements for Review:</p> <ul style="list-style-type: none"> • The Statement on Peer Review defines the scope of peer review which revolves around compliance with technical, ethical and professional standards; quality of reporting; office systems and procedures with regard to compliance of assurance engagements; and, training programmes for staff including articled and audit assistants involved in assurance engagements. The entire peer review process is directed at the assurance services. • 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. Assurance engagements <i>does not include management consultancy</i>

	<p>engagements or engagements solely to assist the client in preparing, compiling or collating information other than financial statements.</p> <ul style="list-style-type: none"> In the given situation, CA. Sudarshan is appointed as a peer reviewer for M/s Preet Associates, has asked for all management consultancy engagements and engagements solely to assist the client in preparing, compiling or collating information other than financial statements carried out by M/s Preet Associates for her peer review. In view of above, Peer Review of management consultancy engagements and engagements solely to assist the client in preparing, compiling or collating information other than financial statements at the time of execution step by CA. Sudarshan is not correct. <p>Conclusion: CA. Sudarshan is not correct as management consultancy engagements and engagements solely to assist the client in preparing, compiling or collating information other than financial statements are not covered in the scope of Assurance engagement and Peer Review is directed at assurance engagement only.</p>
Q.3	<p>CA S has been appointed as peer reviewer of Shivam & Co. LLP. Shivam & Co. LLP submitted a list of its assurance and due diligence services for the peer review. CA S is in the process of deciding as to how many assurance services should be reviewed. Guide CA S in deciding the number of assurance services engagement to be reviewed. [Jan. 2021 – New Syllabus (5 Marks)]</p> <p>Ans.: Selection of Assurance Service Engagements:</p> <p>The number of assurance service engagements to be reviewed shall depend upon:</p> <ol style="list-style-type: none"> Standard of quality controls generally prevailing; The size and nature of assurance service engagements undertaken by the PU. The methodology generally adopted by the PU in providing assurance services. The number of partners/members involved in assurance service engagements in the PU; The number of locations/branch offices of the practice Unit; The Fees charged/received/GST paid by the Practice unit.
Q.4	<p>Briefly explain difference between Peer Review and Quality Review. [MTP-April 21]</p> <p>Ans.: Difference between Peer Review and Quality Review:</p> <ul style="list-style-type: none"> 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. 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 lead to disciplinary action against the member.
Q.5	<p>What are the important areas for evaluation while conducting quality reviews in terms of SQC -1 Standard on Quality Control?</p> <p>Ans.: Significant aspects to be looked into to ensure existence of effective quality control system:</p> <p>SQC 1 “Quality Control for Firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements” requires that a practitioner firm should</p>

establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm or engagement partner(s) are appropriate in the circumstances.

Significant aspects to be looked into to ensure existence of effective quality control system are:

- (1) Whether the audit firm establishes and implements policies and procedure on all the element of system of quality control.
- (2) Whether the engagement quality control reviewer review at an appropriate time for the planning of an audit, significant audit judgement, and expressions of an audit opinion.
- (3) Whether the audit firm assigns as the person responsible for the monitoring of the system of quality control a person with appropriate experience for the role, vest the assigned person with sufficient and appropriate authority.
- (4) Whether the audit firm obtain, at least annually, a confirmation letter concerning compliance with policies and procedure for the maintenance of independence from all person required to maintain independence.
- (5) Whether the audit firm perform the independence confirmation procedure set forth in its internal rules before acceptance and continuance of an audit engagement, and when issuing the auditor's report appropriately confirms that there was no change in the status of independence.
- (6) Whether the audit firm develop and provides education/ training program that fully take into account the knowledge, experience, competence and capabilities of the professional staff.

© All rights reserved

Law stated in this publication is upto 31.10.2020 and is relevant for May 2021 Exams and onwards.

Disclaimer:

Every effort has been made to avoid errors or omissions in this publication. In spite of this, errors may creep in. Any mistake, error or discrepancy noted may be brought to our notice which shall be taken care of in the next edition. No part of this publication may be reproduced



For academic updates and related contents:

- Join telegram channel: <https://t.me/altclasses>
- Visit knowledge portal of www.altclasses.in

For books/class related queries:

- E-mail: info@altclasses.in
- Ph.: 9319805511

For academic doubts:

- E-mail: cacs.gargpankaj@gmail.com

For Online purchase of books/classes:

- Visit our web portal: www.altclasses.in