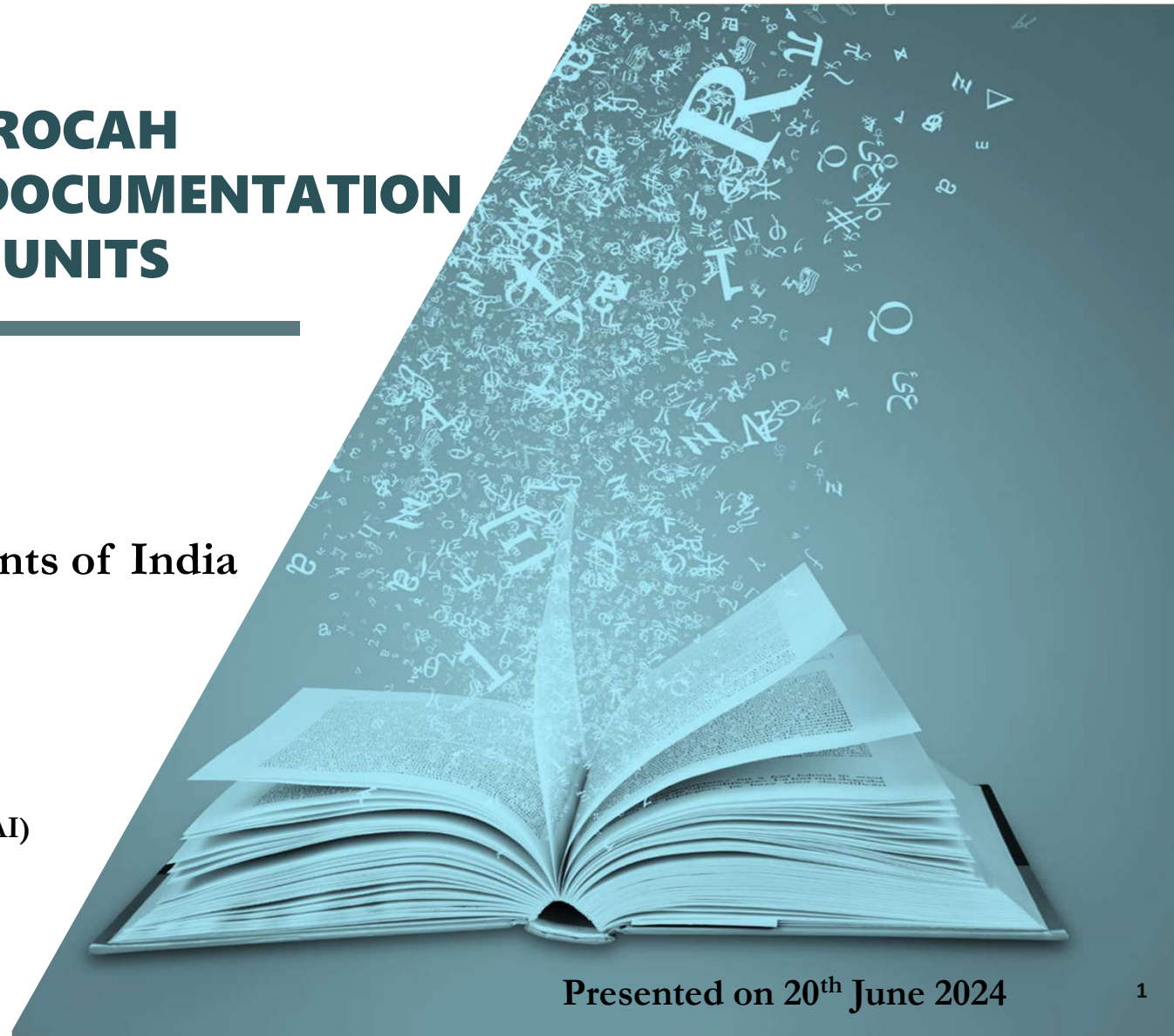


HOW TO APPROACH PEER REVIEW AND IT'S DOCUMENTATION BY PRACTICE UNITS

Organised By :
**Institute of Chartered Accountants of India
Kottayam Branch (SIRC)**

Presented By :
CA.SONY C.L. B.Sc.,LL.B.,FCA,DISA,DITL (ICAI)
Email : sonycl@yahoo.com
Mobile : 9447046952



Presented on 20th June 2024

Agenda



- ① **Over View of Peer Review**
- ② **Practice Unit – Focus Areas**
- ③ **Peer Review Certificate**

An aerial photograph of a winding dirt road through a dry, hilly landscape. The road is light brown and curves through darker, scrubby terrain. The text is overlaid in the center of the image.

Quality is never an
accident. It is
always the result of
intelligent effort.

John Ruskin

BrainyQuote®



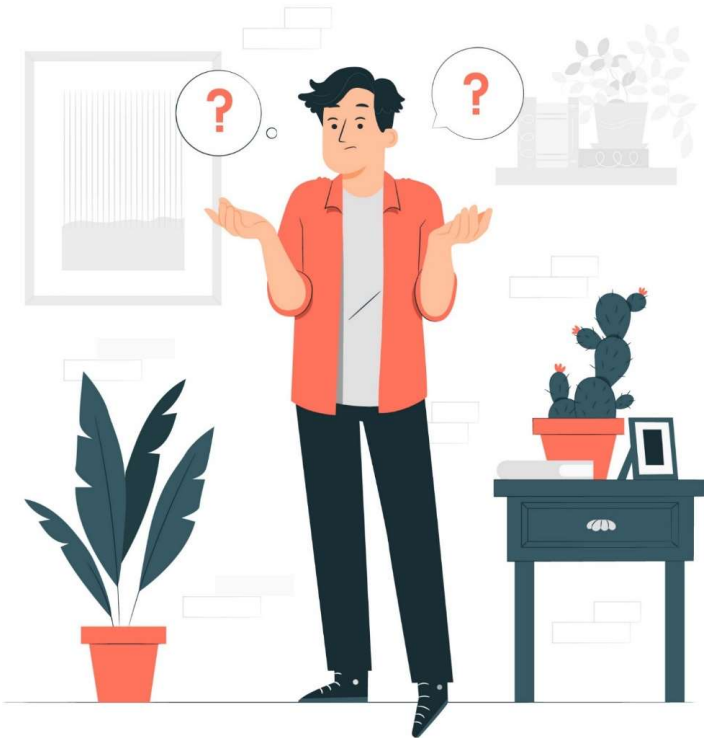
Over View of Peer Review

Over View of Peer Review



- ✓ **Peer Review - Applicability**
- ✓ **Key Definitions**
- ✓ **Peer Review – Meaning, Scope and Objective etc.**
- ✓ **Peer Review Time Line**

Why Peer Review ?



- ❖ In case of a Practice Unit to which Peer Review is applicable, there is a pre-requisite of having Peer Review Certificate before accepting any audit.
- ❖ Without Valid Peer Review Certificate, Applicable PU cannot undertake any audit



Companies Registered in India – Up to April 2024

26,79,014

Registered Companies

17,04,633

Active Companies

9,33,173

Closed Companies

2,486

Dormant Companies

10,377

Companies under Liquidation

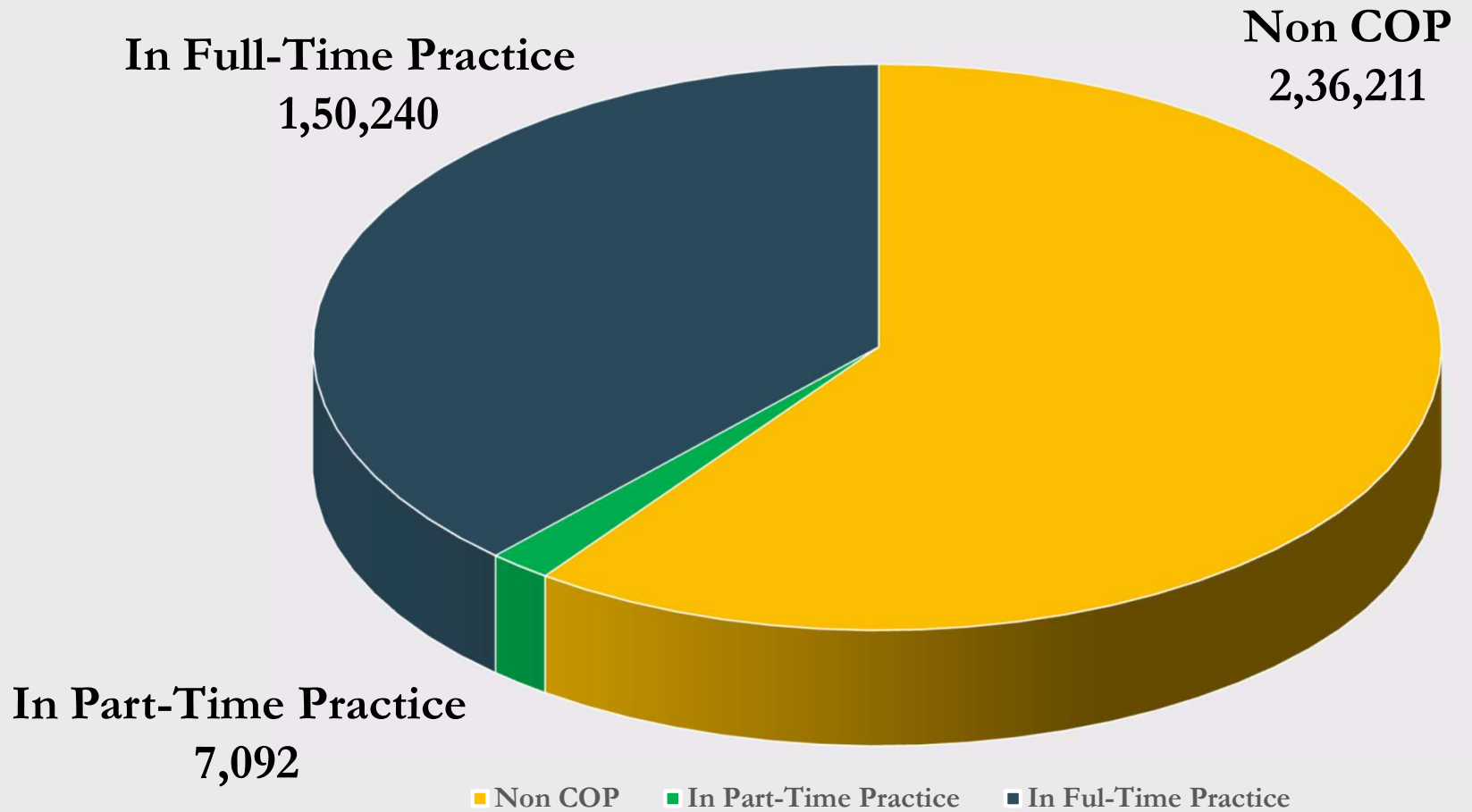
28,345

**Companies under the process
of Striking off**



ICAI Membership at a Glance [Till Jan, 2024]

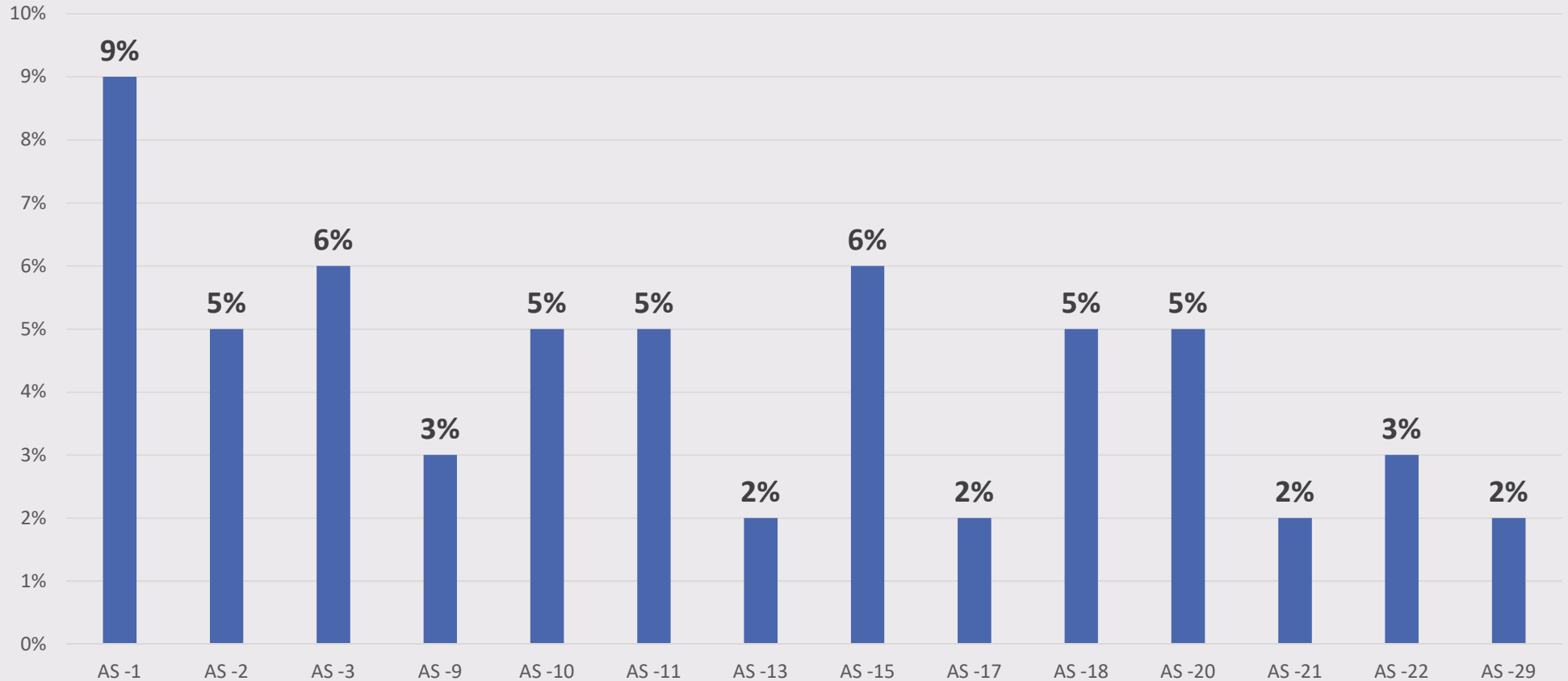
Total
3,93,543





Observation on Accounting Standards

Observation on Accounting Standards



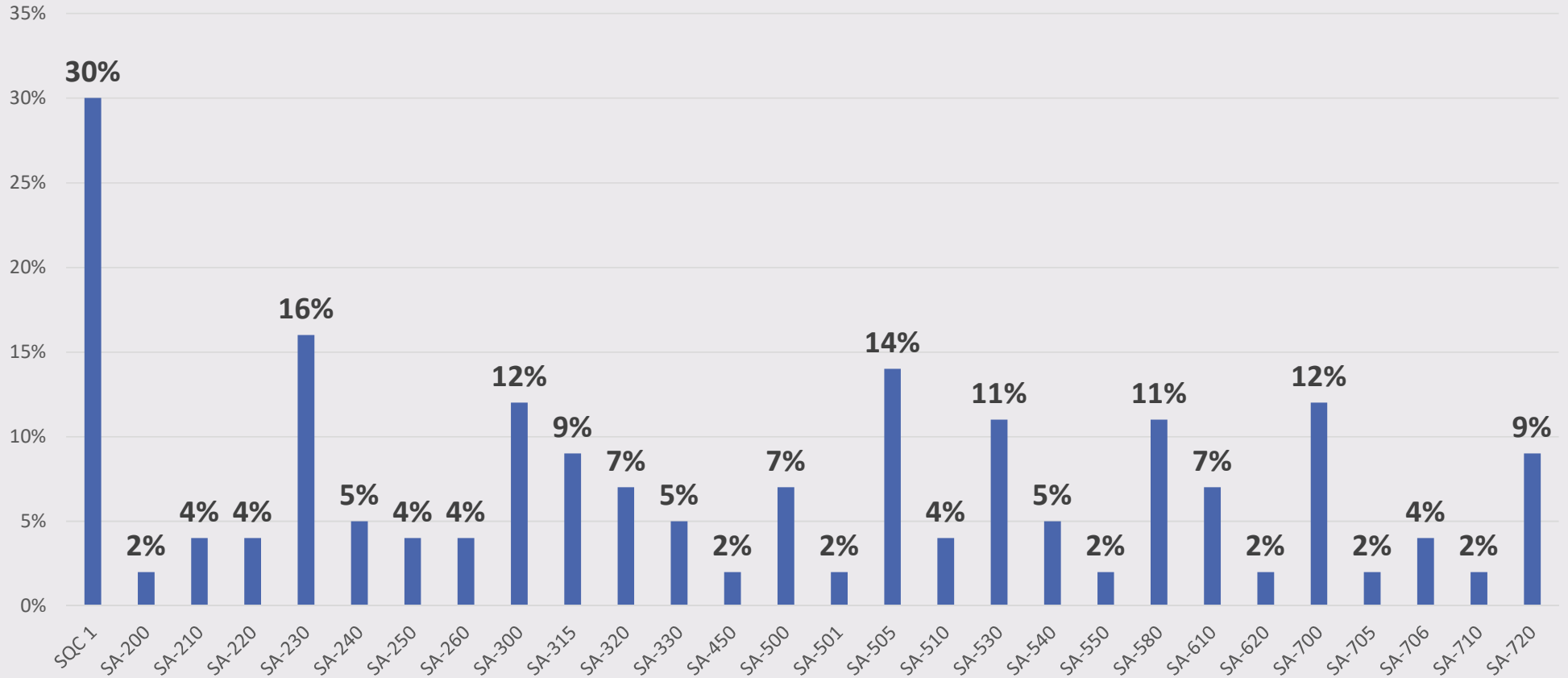
F Y 2022-23

Source – Quality Review Board Report on Audit Quality Review



Observation on Auditing Standards

Observation on Auditing Standards

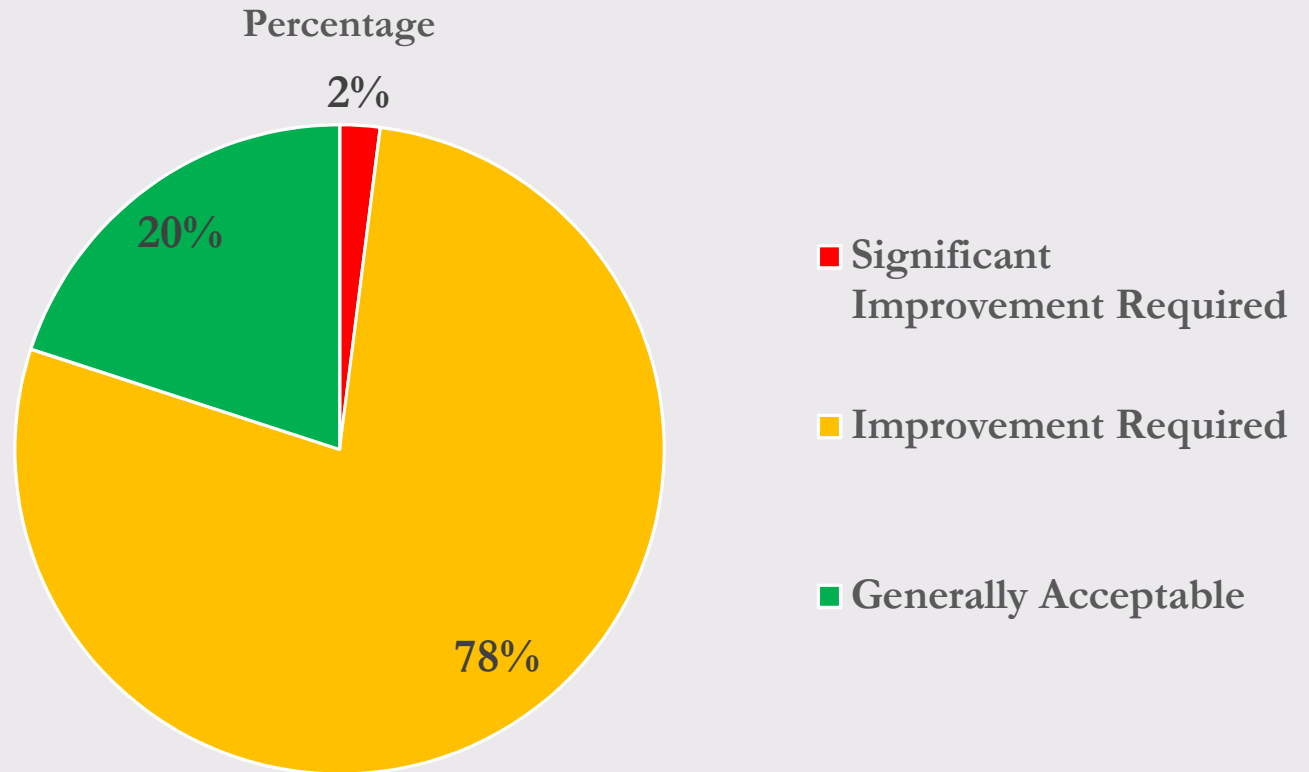


F Y 2022-23

Source – Quality Review Board Report on Audit Quality Review



Findings on Audit Engagements Reviewed – Quality Review Board



F Y 2022-23

Source – Quality Review Board Report on Audit Quality Review



Peer Review - Meaning

- ❖ Examination and review of systems and procedures
- ❖ Followed by Practice Units
- ❖ Ensure quality of assurance services in Technical, Professional and Ethical standards
- ❖ Follow in other regulatory requirements
- ❖ Consistently applied during the period of review



Mechanism for Review of Quality Control

Peer Review Board

- ✓ To review **the systems and procedures** put in place for ensuring quality of **Assurance services** by the **members of Institute (Practicing Unit)**

Peer Review - Applicability

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

 **Phase I**


Category of firms covered for Mandatory Peer Review	Date from which Peer Review is Mandatory
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, 2015:	1st April 2022



Peer Review - Applicability




Phase II

Category of firms covered for Mandatory Peer Review	Date from which Peer Review is Mandatory
<p>Practice Units which propose to undertake</p> <ol style="list-style-type: none">1. Statutory Audit of unlisted public companies<ul style="list-style-type: none">❖ having paid-up capital \geq 500 Crore or❖ having annual turnover \geq 1000 Crores or❖ having, in aggregate, outstanding loans, debentures and deposits of \geq500 Crore as on the 31st March of immediately preceding financial year: OR2. Practice Units rendering attestation services and having 5 or more partners	<p>1st April 2023</p>  <p>Extended to 1st July 2024</p>



Peer Review - Applicability

Phase III

Category of firms covered for Mandatory Peer Review	Date from which Peer Review is Mandatory
<p>1. Practice Units which propose to undertake the Statutory Audit of entities which have raised funds from public or banks or financial institutions of over 50 Crores rupees during the period under review or of anybody corporate including Trusts which are covered under public interest entities.</p> <p>OR</p> <p>2. Practice Units rendering attestation services and having 4 or more partners</p>	<p>1st April 2024</p>  <p>Extended to 1st January 2025</p>



Peer Review - Applicability



Phase IV

Category of firms covered for Mandatory Peer Review	Date from which Peer Review is Mandatory
<p>1. Practice Units which propose to undertake audits of branches of Public Sector banks.</p> <p>OR</p> <p>2. Practice Units rendering attestation services and having 3 or more partners.</p>	<p>1st April 2025</p>



Peer Review – Applicability Summary


Phases	Applicable with effect From
Phase I	from 01-04-2022 onwards
Phase II	from 01-07-2024 onwards
Phase III	from 01-01-2025 onwards
Phase IV	from 01-04-2025 onwards



Peer Review – Regulatory Body

ICAI Home / Peer Review Board

PEER REVIEW BOARD

 **Chairman, Peer Review Board**
CA, Prasanna Kumar D
Phone: +91 9848192636
Mobile: +91 9848192636
E-mail: prasanna@icai.in

ABOUT THE BOARD/POWERS OF THE BOARD

Peer Review Board - Means a Board established by the Council of the Institute of Chartered Accountants of India in terms of the Statement on Peer Review, to conduct peer review.

- About the Board
- Powers of the Board

OBJECTIVES

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.

[Read More...](#)

MEMBERS

- CA, Prasanna Kumar D, Chairman
- CA, (Dr.) Raj Chawla, Vice-Chairman

[Read More...](#)

KNOWLEDGE SHARING

- List of firms having valid Peer Review Certificate
- Updates from PRB
- Standard Operating Procedure for issuance of Duplicate certificate

WHAT'S NEW

- » One Day Training Programme for Peer Reviewers at Panipat on 19.06.2024 Organised by the Peer Review Board and hosted by Panipat Branch of NIRC of ICAI (6 structured CPE Hours) **NEW**
- » One Day Training Programme for Peer Reviewers at Haldwani on 18.06.2024 Organised by the Peer Review Board and hosted by Haldwani Branch of CIRC of ICAI (6 structured CPE Hours) **NEW**
- » One Day Training Programme for Peer Reviewers at Gandhinagar on 21.06.2024 Organised by the Peer Review Board and hosted by Gandhinagar Branch of WIRC of ICAI (6 structured CPE Hours) **NEW**
- » One Day Training Programme for Peer Reviewers at Chandigarh on 15.06.2024 Organised by the Peer Review Board and hosted by Chandigarh Branch of NIRC of ICAI (6 structured CPE Hours)
- » One Day Training Programme for Peer Reviewers at Yamuna Nagar on 15.06.2024 Organised by the Peer Review Board and hosted by Yamuna Nagar Branch of NIRC of ICAI (6 structured CPE Hours)
- » One Day Training Programme for Peer Reviewers at Ludhiana on 14.06.2024 Organised by the Peer Review Board and hosted by Ludhiana Branch of NIRC of ICAI (6 structured CPE Hours)
- » Revised Applicability of Peer Review Mandate (Phase II & III)
- » Further deferment of second phase of Peer Review Mandate
- » Deferment of second phase of Peer Review Mandate



Peer Review Board (hereinafter called as “Board”)



Established in **March 2002** by ICAI



Link - <https://icai.org/post/peer-review-board>



E mail – peerreviewboard@icai.in



Peer Review – Framework

- Peer Review Guidelines, 2022
- It lays down the framework to conduct Peer Reviews and other matters related or incidental thereto



Peer Review Framework

It covers the following

Coverage of Practice units

Powers of the Peer Review Board

Eligibility of a Reviewer

Conducting Test Examination for
Empanelment of reviewers

Issue/Revocation of Peer
Review Certificate

Peer Review Fees



Peer Review – Objective

- ❖ To ensure that in carrying out the **assurance service assignments**, the members of the Institute comply with **Technical, Professional and Ethical Standards** including **other regulatory requirements** thereto, and
- ❖ To ensure that such a member has in place **proper systems** including **documentation** thereof, to amply demonstrate the quality of assurance services.



Peer Review – Scope

- ❖ Compliance with **Technical, Professional and Ethical Standards**
- ❖ **Quality of reporting**
- ❖ **Systems and procedures** for carrying out assurance services
- ❖ **Training programmes for staff** (including articled and audit assistants) concerned with assurance functions, including availability of appropriate infrastructure.



Peer Review – Scope

- ❖ 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.
- ❖ Compliance with **directions and / or guidelines issued by the Council in relation to article assistants** and / or audit assistants, including attendance register, work diaries, stipend payments, and such other related records.



Key Definitions



Peer Review - Meaning

- ❖ Examination and review of systems and procedures
- ❖ Followed by Practice Units
- ❖ Ensure quality of assurance services in Technical, Professional and Ethical standards
- ❖ Follow in other regulatory requirements
- ❖ Consistently applied during the period of review



Practice Units (PU)



Practicing CA Firms

Practicing In
Individual name

Practicing in Other
Entity (LLP)

Practice in Trade
Name

Such other entity
Recognized by ICAI



Reviewer

Means a member duly approved and empanelled by the Board on fulfilling the qualification prescribed for a Reviewer.



Technical, Professional and Ethical Standards

- ❖ Accounting Standards prescribed under section 133 of the Companies Act; 2013
- ❖ Indian Accounting Standards prescribed under section 133 of the Companies Act 2013
- ❖ Engagement and Quality Control Standards
 - Standards on Quality Control (**SQC**), Standards on Auditing (**SA**),
 - Standards on Review Engagements (**SRE**), Standards on Related Services (**SRS**),
 - Standards on Assurance Engagements (**SAE**)
- ❖ Statements
- ❖ Guidance notes
- ❖ Standards on Internal Audit
- ❖ Guidelines / Notifications / Directions / Announcements / Pronouncements
/ Professional Standards issued from time to time by the Council or any of its Committees.
- ❖ Framework for the preparation and presentation of financial statements



Assurance Engagements

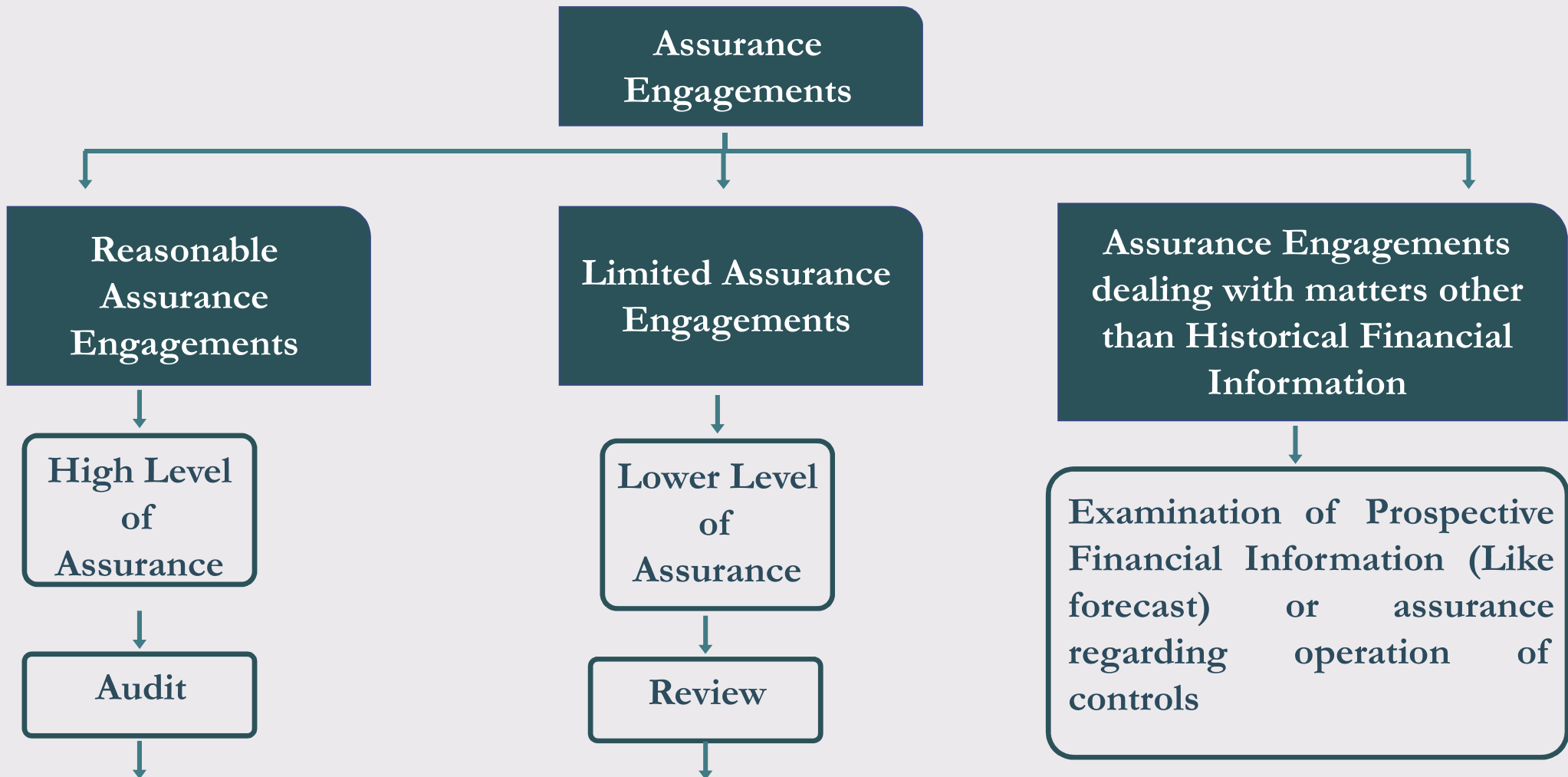
- ❖ means an **engagement** in which a **practitioner expresses a conclusion** designed to **enhance the degree of confidence** of the intended users other than the responsible party **about the outcome of the evaluation or measurement** of a subject matter against criteria



Assurance Engagements

but does not include:

- ❖ Management consultancy engagements;
- ❖ Representation before various Authorities;
- ❖ Engagements to prepare tax returns or advising clients in taxation matters;
- ❖ Engagements for the compilation of financial statements;
- ❖ Engagements solely to assist the client in preparing, compiling or collating information other than financial statements;
- ❖ Testifying as an expert witness;
- ❖ 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
- ❖ Engagement for Due diligence



Eg: Statutory Audit of Companies

Eg: Assurance Report on the Financial information for Quarterly Compilation Report of a Company

Audit

V/s

Review

 Meaning

It is an **Independent examination** of **financial information** of an entity, with a view **to expressing an opinion** there on.

It involves **fewer procedures** and gathers sufficient appropriate evidence on the basis of which **Limited Conclusions** can be drawn up

 Level of Assurance

High Level

Moderate Level

 Example

Statutory Audit of Companies

Assurance Report on the Financial information for Q1 of a Company

Standards

Standards on Quality Control (SQC)

- ❖ SQC 1 “Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements”

Standards on Auditing (SA)

- ❖ SA 200 – 299 General Principles and Responsibilities **(9 Nos)**
- ❖ SA 300-499 Risk Assessment and Response to Assessed Risks **(6 Nos)**
- ❖ SA 500-599 Audit Evidence **(11 Nos)**
- ❖ SA 600-699 Using Work of Others **(3 Nos)**
- ❖ SA 700-799 Audit Conclusions and Reporting **(6 Nos)**
- ❖ SA 800-899 Specialized Areas **(3 Nos)**

Standards

Standards on Review Engagements (SRE)

- ❖ SRE 2400 (Revised), Engagements to Review Historical Financial Statements
- ❖ SRE 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”

Standards on Assurance Engagements (SAE)

SAE 3400-3699 Subject Specific Standards

- ❖ SAE 3400 “The Examination of Prospective Financial Information”
- ❖ SAE 3402, “Assurance Reports on Controls At a Service Organisation”
- ❖ SAE 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus

Standards

Standards on Related Services (SRS)

4000-4699 Standards on Related Services (SRSs)

- ❖ SRS 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information”
- ❖ SRS 4410 (Revised), Compilation Engagements

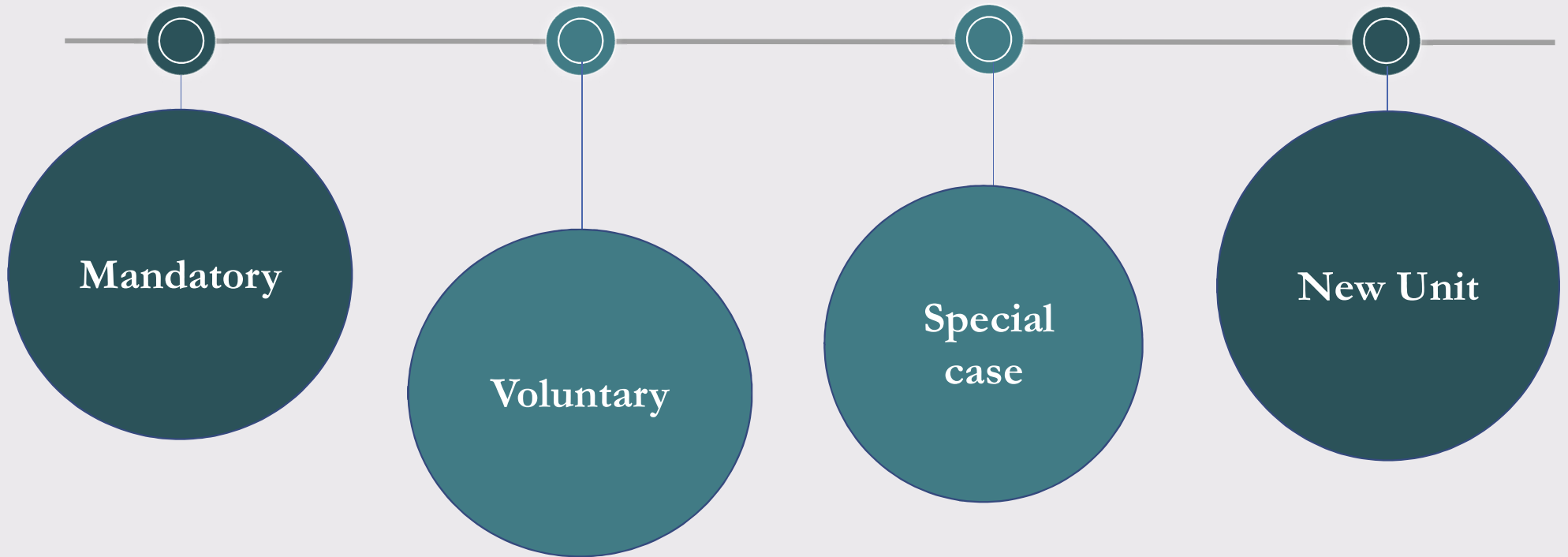
Standards on Internal Audit (SIA)

- ❖ SIA 0-100 Series: Sampling, Analytical procedure, Quality Assurance, Fraud, Related Party etc (5 Nos)
- ❖ SIA 100 Series: Standards on Key Concepts (5 Nos)
- ❖ SIA 200 Series: Standards on Internal Audit Management (5 Nos)
- ❖ SIA 300–400 Series: Standards on the Conduct of Audit Assignments (7 Nos)
- ❖ SIA 500 Series: Standards on Specialised Areas (2 Nos)



Criteria of Peer Review

The Criteria of Peer Review are as follows:



i

Mandatory

- ❖ Peer Review can be mandated for such Practice Units as may be decided by the Council (Discussed under Applicability)

ii

Voluntary

- ❖ Any Practice Unit may, suo motu, apply to the Board for Peer Review

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 determined by the Board.

iv

New Unit

A Practice Unit whose

- ❖ Date of establishment is less than twelve months immediately preceding the date of receipt of application of Peer Review

Or

- ❖ A Practice Unit in existence for a period exceeding twelve months but not rendering any assurance services may also apply for Peer Review.

v

Prescribed criteria

- ❖ The Board may prescribe any other criteria of selection of Practice Unit for Peer Review as it may deem fit..



PEER REVIEW - Period

Peer Review Period

- ❖ means **3 financial 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 in a specific case.

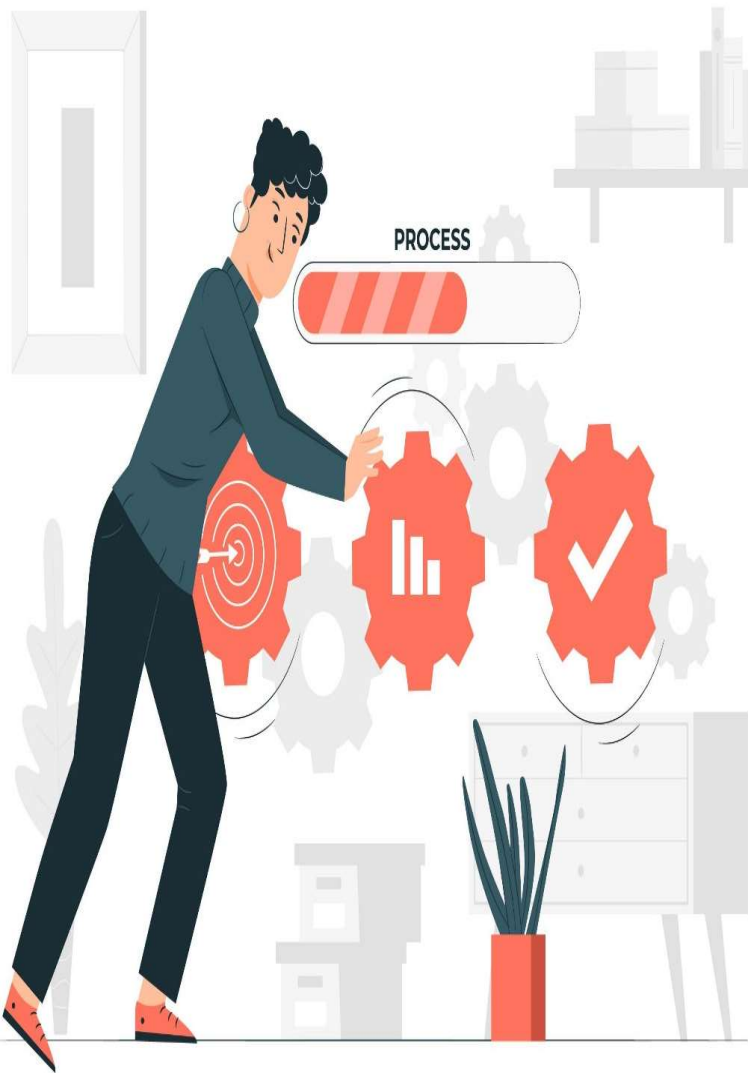


PEER REVIEW - Period

Eg : A PU Applies for Peer Review on 20-06-2024

Applicable peer Review Period will be

- ❖ **April 2023 – March 2024**
- ❖ **April 2022- March 2023**
- ❖ **April 2021- March 2022**



Peer Review – Process Flow

Stage 1 –
Planning

Stage 2 –
Execution

Stage 3 –
Reporting



Stage 1 - Planning

1. PU shall make an **Application cum Questionnaire - Form 1** to the **Board**



2. The Board selects a panel of **3 reviewers**.



3. The Board sends the panel of 3 Reviewers to PU, along with Notification of Peer Review fees.



Stage 1 - Planning

4. **PU selects** and informs the **name of the Reviewer**



5. The Board seeks **acceptance from the Reviewers** for undertaking the Peer Review of the PU.



6. A completed **questionnaire** enclosing a complete **list of assurance services** clients is sent to the selected **Reviewer**



Stage 1 - Planning

7. PU to provide any other information which the Reviewer may seek



8. An initial sample is selected by the Reviewer, representative of PU's client portfolio



9. PU will be notified of the selection of initial sample



Stage 2 – Execution Begins



Stage 2 - Execution

1. Fixation of date of initial meeting



2. Initial meeting between PU and Reviewer



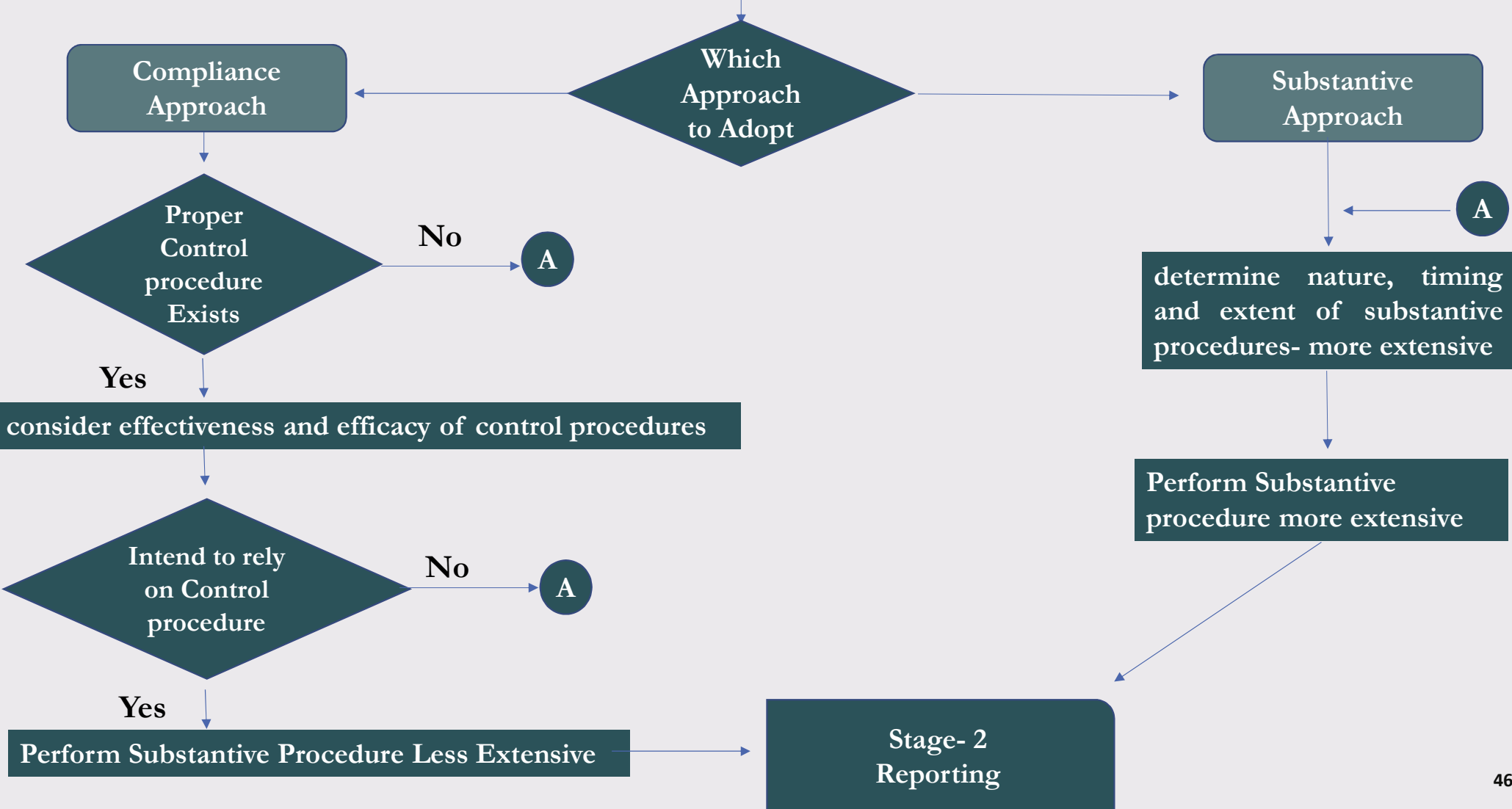
3. Compliance review of general controls

(five key controls independence, maintenance of professional skills & standards, outside consultation, staff supervision & development and office administration)



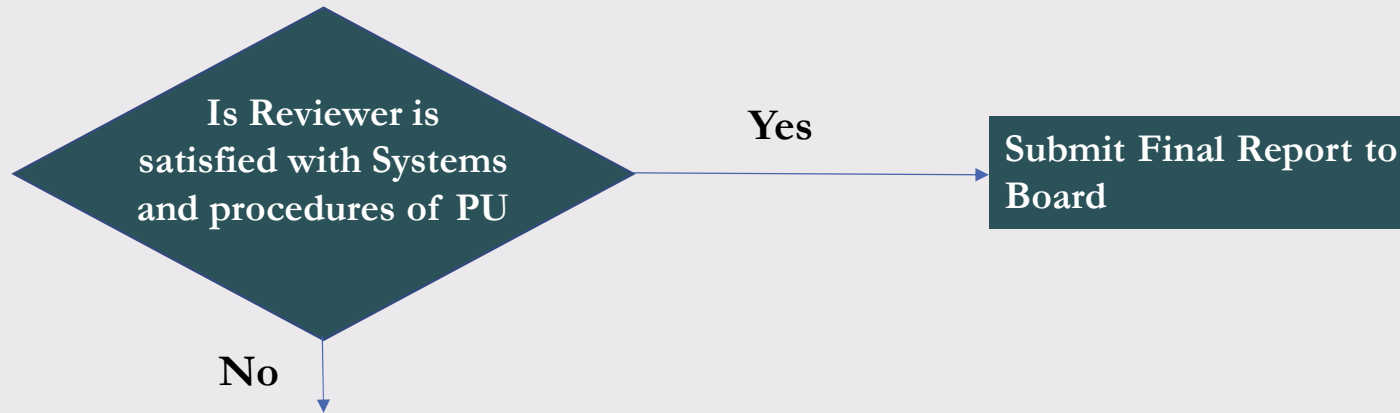
4. Review of Records

4. Review of Records

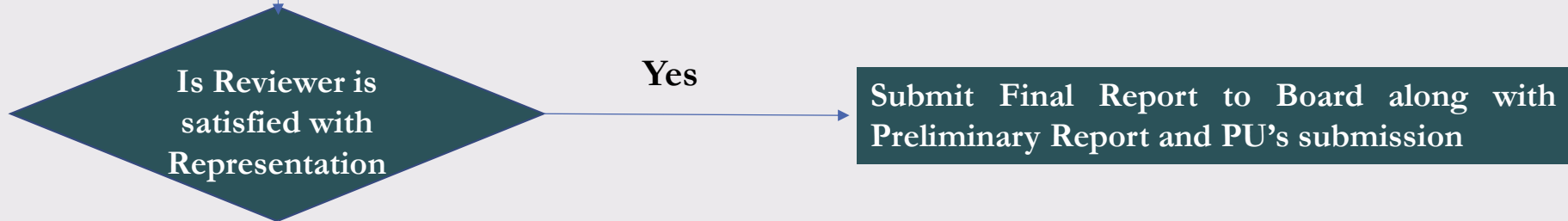




Stage 3 - Reporting



Reviewer sends a preliminary report to PU. The PU submits its representation on deficiencies/non-compliance, if any, to Reviewer within 2 days of receipt of preliminary report



Submit Final Report to Board incorporating reasons for dissatisfaction along with Preliminary Report and PU's submission

Peer Review – Procedures and Time Line



Peer Review Process	Time Schedule	Cumulative Days
1. PU shall make an Application cum Questionnaire to the Board in Form 1.	Counting starts after receipt of this document	Day 1
2. Panel of three Reviewers is sent to PU, along with Notification of Peer Review fees	Within 3 Working Days	Day 4
3. PU to give the choice of the Reviewer.	Within 1 working day	Day 5
4. As per the choice given by PU, the Board to notify the Reviewer to submit his Acceptance cum Declaration of Confidentiality in Form 2 to the PU	Within 2 working days	Day 7
5. Reviewer on receiving the Application cum Questionnaire in Form 1 from PU, shall intimate the PU and the Board, for proposed visit and proposed sample assurance services selected by him in Form 5.	Within 2 working days	Day 9

Peer Review – Procedures and Time Line



Peer Review Process	Time Schedule	Cumulative Days
6. Reviewer to seek further/ additional clarification in Form 6 from the Practice Unit on the information furnished/ not furnished by the PU in the Questionnaire. (Form 6)	Within 1 day	Day 10
7. Reviewer to carry out the review by visiting the office of PU after fixing the date as per the mutual consent.	Within 6 Days After visiting PU's office	Day 16
8. Reviewer to send the Preliminary report, if any, to the PU for comments	Within 1 day after completion of Review	Day 17
9. Practice Unit to submit representation on Preliminary report to the Reviewer. The Reviewer should be satisfied with PU response on Preliminary Report along with point wise justification and basis of arriving at Opinion/conclusion for issuing clean report	Within 2 day	Day 19

Peer Review – Procedures and Time Line



Peer Review Process	Time Schedule	Cumulative Days
10. On completion of the Review, the Reviewer has to submit the documents duly signed in individual capacity along with Form 9	Within 1 Days	Day 20
11. Board to consider issuance of Peer Review Certificate in case of clear Report	In the next Meeting of the Board.	

Peer Review Should be completed within 20 Days



Peer Review – Forms

Forms	Form Name
FORM 1	Application Cum Questionnaire To be submitted by Practice Unit
FORM 2	Acceptance cum Declaration of Confidentiality To be submitted by Peer Reviewer
FORM 3	Application cum Declaration form for empanelment as a peer reviewer To be submitted by Peer Reviewer
FORM 4	Declaration Form To be submitted by Board members and Secretariat

Peer Review – Forms



Forms	Form Name
FORM 5	Notice by Peer Reviewer for visiting office of the Practice Unit To be submitted by Peer Reviewer
FORM 6	Format for seeking additional information from the PU by the Reviewer To be submitted by Peer Reviewer
FORM 7	Joint intimation to be made by PU and RE for extension of time for completion of Peer Review process To be submitted by Peer Reviewer and Practice unit jointly

Peer Review – Forms

Forms	Form Name
FORM 8	Form for seeking extension to the validity of Peer Review Certificate To be submitted by PU to the Board
FORM 9	Letter for submission of report by the Peer Reviewer to the Peer Review Board To be submitted by Peer Reviewer
FORM 10	Notice to be given to the Practice Unit by the Board in case of revocation of Peer Review Certificate Issued by Board to PU



Peer Review – Fees

The Board has notified the minimum recommended fees for all Practice Units as under:

- 1 Practice Units where the period of Review is 3 years:
- 2 Practice Units where the period of Review is less than 3 years:
- 3 Peer Review of branch of the Practice Unit and to the Peer Reviewer of the HO issuing a consolidated Peer Review report
- 4 Additional Fee for AQMM Review



1 Practice Units where the period of Review is 3 years:

Average gross receipts/ Revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review	Fees	Fees For PU conducting Statutory Audit of Listed Entities
Up to Rs 10 lacs	Rs. 15,000	Rs. 18,000
Over Rs 10 lacs & up to Rs. 50 Lacs	Rs. 25,000	Rs. 30,000
Over Rs 50 lacs & up to Rs. 1 crore	Rs. 40,000	Rs. 48,000
Over Rs 1 crore & up to 3 crore	Rs. 60,000	Rs. 72,000
Over Rs 3 crore & up to 5 crore	Rs. 75,000	Rs. 90,000
Over Rs 5 crore & up to 10 crore	Rs. 1,50,000	Rs. 1,80,000
Over Rs. 10 crore & up to Rs. 20 crore	Rs. 2,00,000	Rs. 2,40,000
Over Rs. 20 crore & up to Rs. 30 crore	Rs. 3,00,000	Rs. 3,60,000
Over Rs. 30 crore	Rs. 5,00,000	Rs. 6,00,000

2**Practice Units where the period of Review is less than 3 years:**

Type of Firm	Fees
In case of Partnership Firm	Rs. 1,000 per partner subject to minimum of Rs. 5,000 and maximum of Rs. 10,000
In case of Sole Proprietorship concern	Rs. 5,000.

3

Peer Review of branch of the Practice Unit and to the Peer Reviewer of the HO issuing a consolidated Peer Review report

- ❖ A Practice Unit having **one or more branches** across various locations in India **may opt** to get the **Peer Review** of such branch or branches conducted **by a Branch Peer Reviewer**.
- ❖ In case of Peer Review of a branch of the Practice Unit, the fee shall be based on the **average gross receipt from assurance services of the branch**.
- ❖ The fee payable to the **Peer Reviewer of the H.O.** of the Practice Unit, in such cases, shall be,
 - a) Rs. 5000 (For consolidated Report) +
 - b) the Peer Review fee of the H.O. as per the table under point no. 1

4

Additional Fee for AQMM Review

Average gross receipts/ Revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review	Fees
Up to Rs 10 lacs	Rs. 5,000
Over Rs 10 lacs & up to Rs. 50 Lacs	Rs. 5,000
Over Rs 50 lacs & up to Rs. 1 crore	Rs. 5,000
Over Rs 1 crore & up to 3 crore	Rs. 10,000
Over Rs 3 crore & up to 5 crore	Rs. 10,000
Over Rs 5 crore & up to 10 crore	Rs. 20,000
Over Rs. 10 crore & up to Rs. 20 crore	Rs. 20,000
Over Rs. 20 crore & up to Rs. 30 crore	Rs. 25,000
Over Rs. 30 crore	Rs. 30,000



Practice Units - Focus Areas



Practice Units – Focus Areas

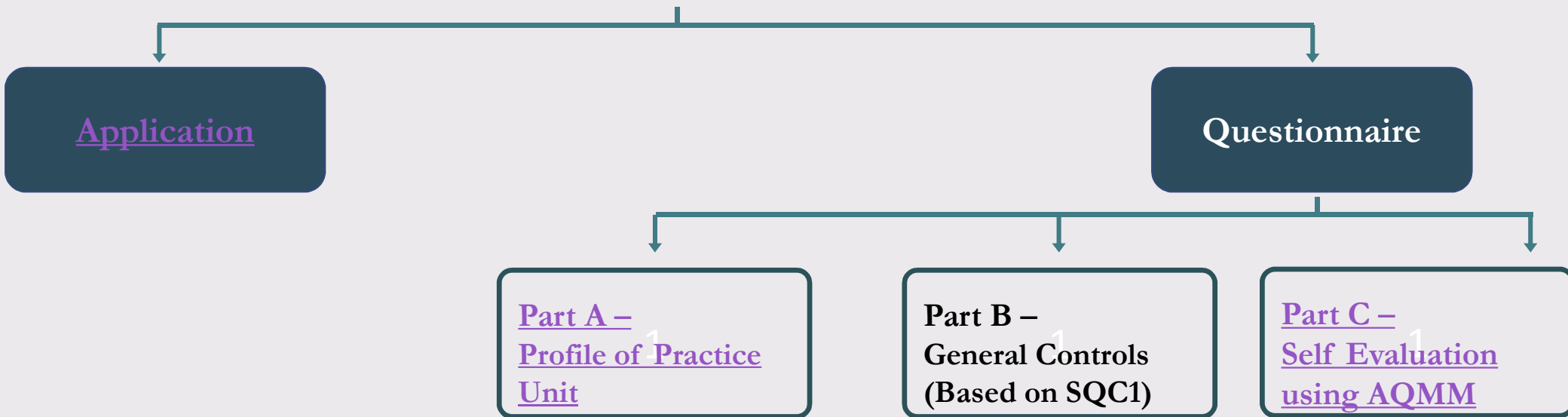
- ✓ Form 1 – Application cum Questionnaire
- ✓ Standards on Quality Control (SQC-1)
- ✓ Documentation

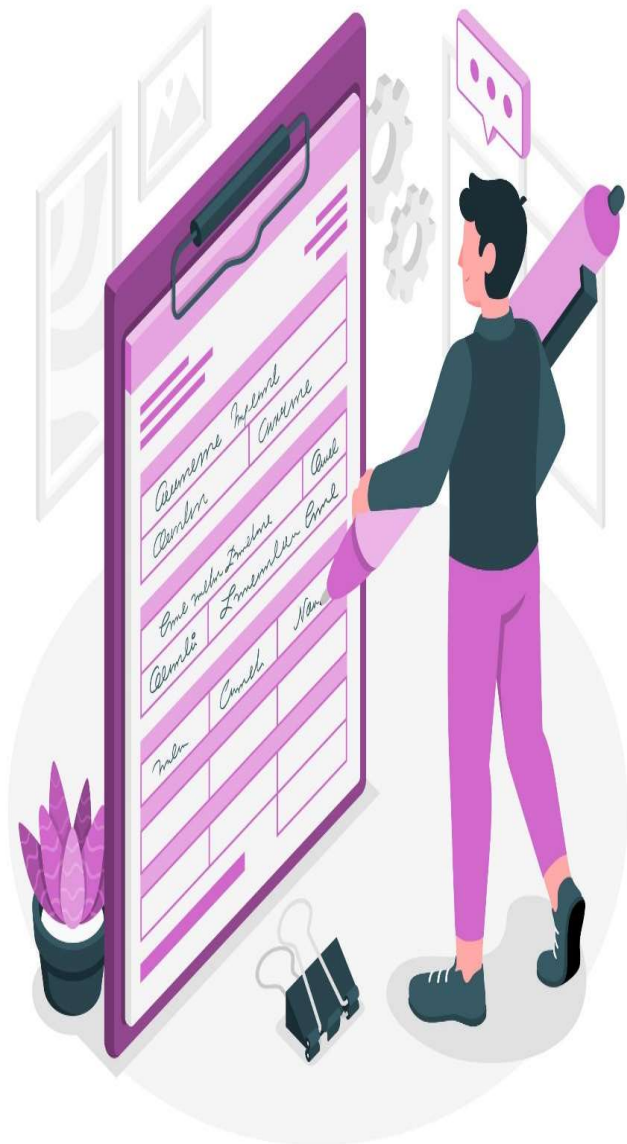


Form 1 – Application cum Questionnaire

- ❖ It is the Initial Step of Peer Review.
- ❖ Form 1 can be sub divided in to Following Categories

Form 1 – Application cum Questionnaire





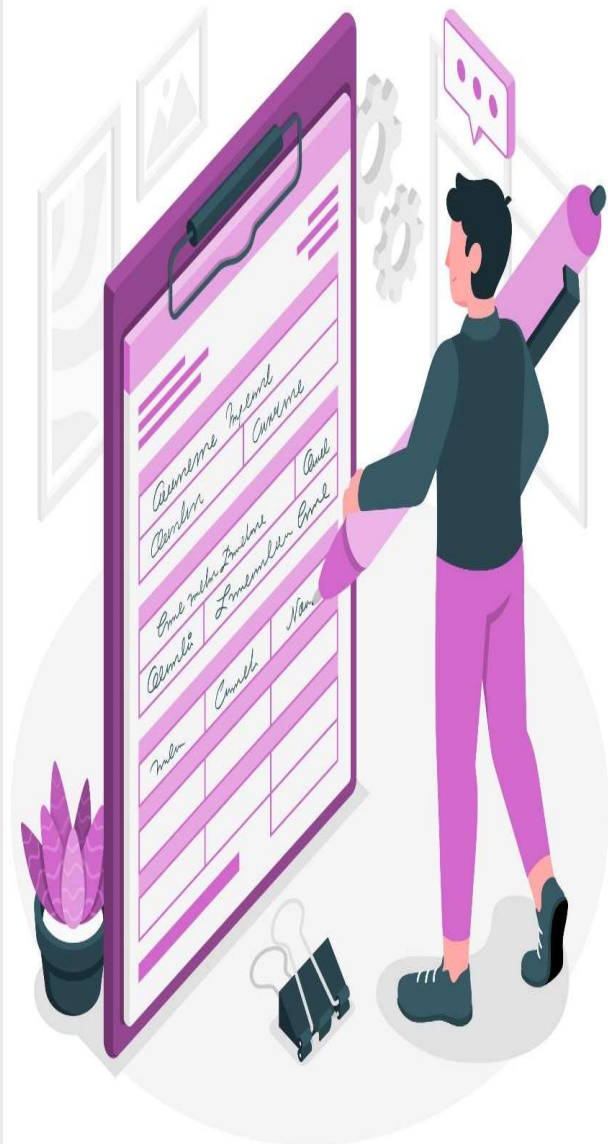
● Application

- ❖ PU to submit the Application cum Questionnaire towards PR Process
- ❖ Application to be Addressed to The Secretary, Peer Review Board

Points to be submitted in Application Portion:

* General

- ❖ Name of the Firm/member
- ❖ Membership No / Firm Registration No
- ❖ Peer Review Period to be covered

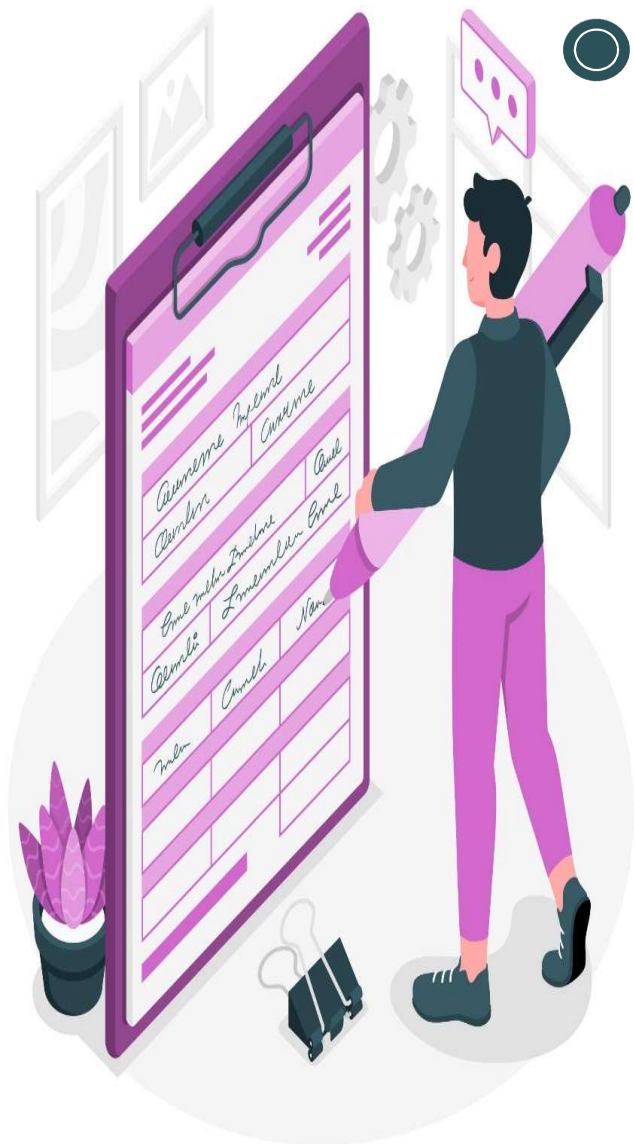


Application

* List of signed reports related to Peer Review Period

- ❖ PU to declare the List of assurance services, the firm has signed pertaining to the period under review.

Sl. No	Type of Assurance services rendered	Major type of Client Please specify – Banks, Insurance company, Manufacturing, Individual, Trading, any other
1.	Central Statutory audit	
2.	Statutory audit	
3.	Internal Audit	
4.	Tax Audit	
5.	Concurrent audit	
6.	Certificate work	
7.	Any other, specify	

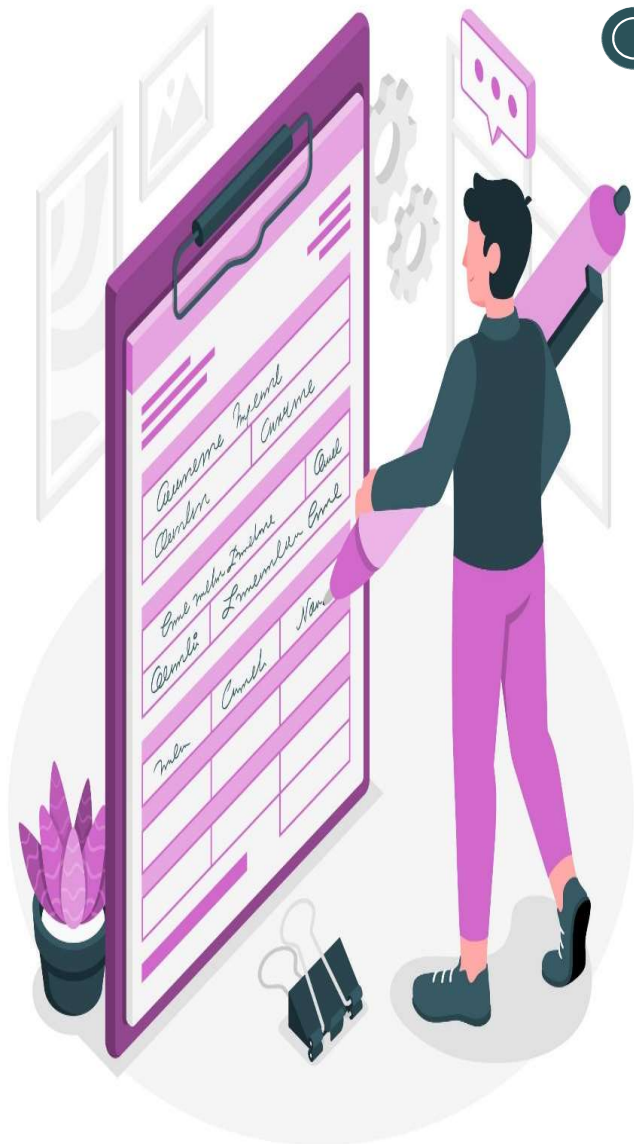


Application

*

Further Information to be submitted by New Unit

- ✓ Partner details who is holding Peer Review Certificate and the validity period
- ✓ PU details to hold the Peer Review certificate and the validity period
- ✓ Employee of PU who is holding Peer Review certificate with validity period
- ✓ Partner qualified the test organized by the Board towards Peer review

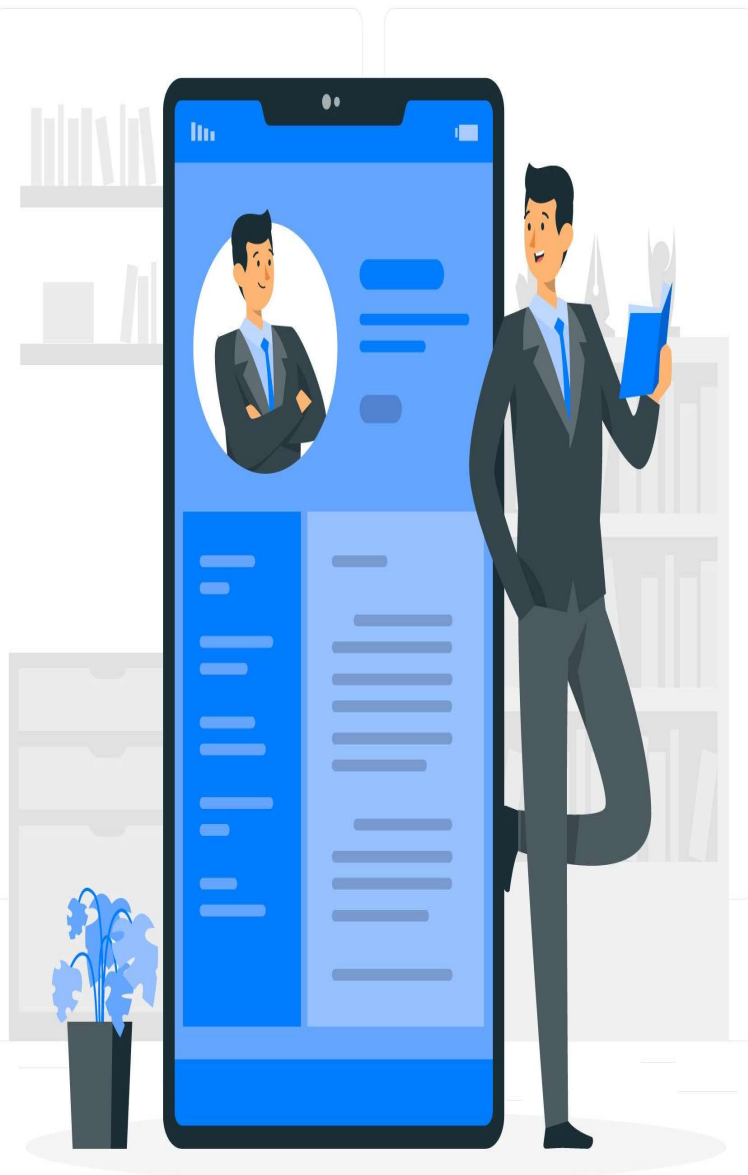


Application

*

Declarations by PU

- ✓ PU to declare that the Policies, procedures and infrastructure are in conformity with the Standard on Quality Control (SQC-1)
- ✓ PU to give undertaking that it has carried out statutory audit of listed entity
- ✓ Details furnished by PU are true and correct as borne out by the facts to the best of knowledge and belief
- ✓ PR certificate issued based on the report of PR does not provide immunity from Disciplinary / legal proceedings or actions initiated against PU or its partners / employees
- ✓ Undertake to pay the fees to PR within 7 days from the date of receipt of the invoice from the PR
- ✓ Undertake and agree that the certificate can be revoked for any of the reasons stated in PRG 2022



🕒 Part A - Profile of Practice Unit

- ❖ It Consist of 22 Clauses.
- ❖ Following are the Important clauses.

✅ **Clause 1 to 10 :**

General Questions about PU such as

- ✓ Name of PU
- ✓ Address
- ✓ Peer review Period
- ✓ Firm Registration No
- ✓ Status
- ✓ E mail ID
- ✓ Date of Establishment etc

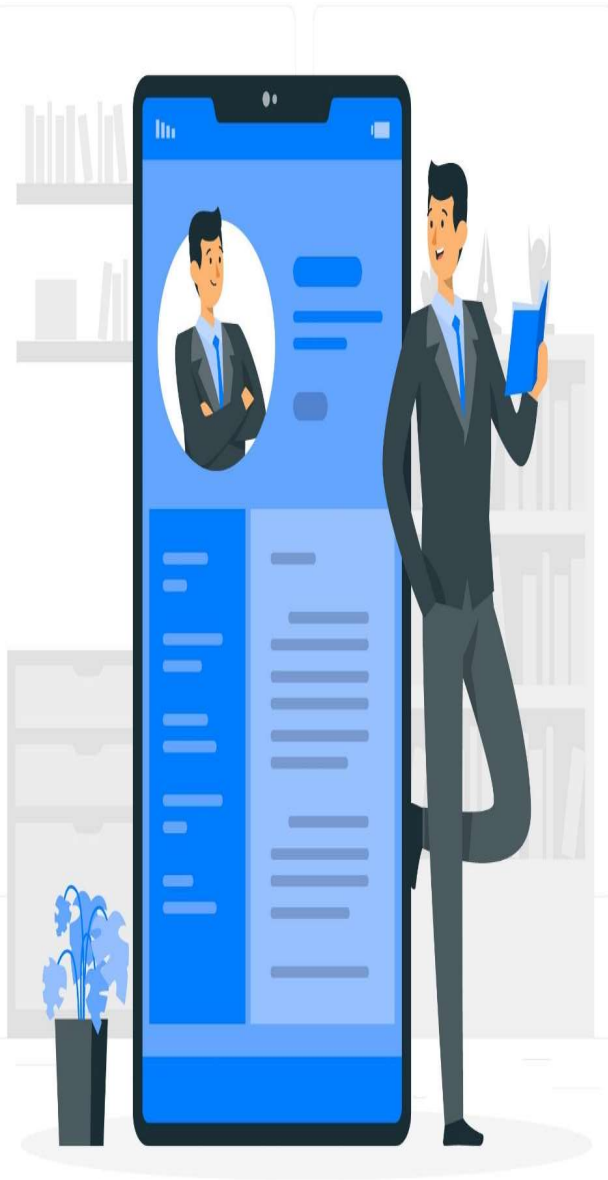
Part A - Profile of Practice Unit

✓ Clause 11 to 15 :

Questions about PU's Partners/ Staffs and Assistants

- ✓ Particulars about the constitution of the and Is there assurance service like Statutory audit, tax audit, Taxation etc. headed by different partners, if yes details to be provided in the below table

Name of sole-practitioner/ sole-proprietor/ partner	Membership no. of sole-practitioner/ sole-proprietor/ partner	Association with Practice unit (in years)	Any Post Qualification or Certificate course pursued within or outside ICAI.	Professional experience in practice	Predominant function (e.g. audit, tax, consulting)	Details of Changes	
						Joined (Year)	Left (Year)



● Part A - Profile of Practice Unit

✓ Clause 11 to 15 :

- ✓ Particulars of Chartered Accountants / Employed / Paid Assistant or Consultants

Name (s)	Membership no.	Association with the practice unit (in years)	Experience (in years)

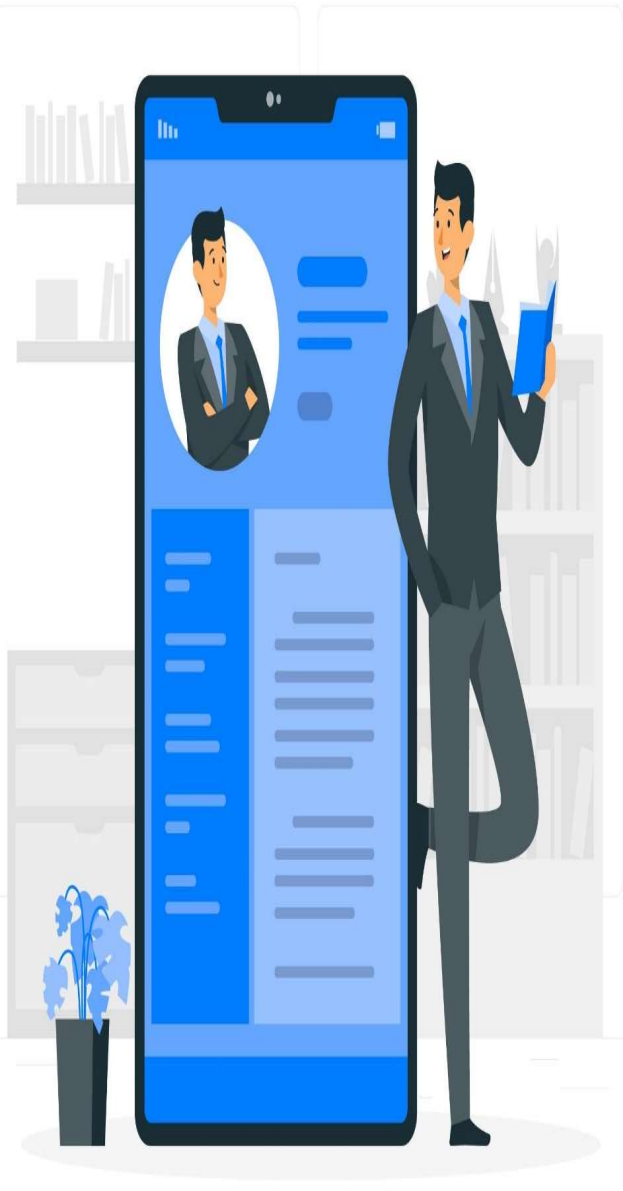


Part A - Profile of Practice Unit

✓ Clause 11 to 15 :

✓ Details of Other Employees

Particulars	Number
(a) Semi-Qualified Assistants	
(b) Articled Assistants	
(c) Administrative Staff	
(d) Others	



● Part A - Profile of Practice Unit

✓ Clause 11 to 15 :

- ✓ If the PU has any branch offices, furnish the following details of member in charge and number of staff

S.No	Member in Charge	No. of staff	Membership No	Address	Whether assurance services rendered



● Part A - Profile of Practice Unit

✓ **Clause 16: Gross receipts of the Practice Unit**

- ✓ Gross receipts of the Practice Unit [both H.O. and branch(es)] as per books of accounts from assurance functions for the period under review. In case of centralized billing the branch turnover may be added with HO otherwise separate figures

Financial Year	Head Office	Branch --	Branch --	Branch --



Part A - Profile of Practice Unit

✓ Clause 17: Gross receipts of the Practice Unit

- ✓ Concentration: Furnish details where professional fees from any client exceed 15% of the PU's total gross receipts

Name or code number of the Client	Type of Service (Assurance / Non Assurance)	% of PU's total gross receipts	Financial Year



● Part A - Profile of Practice Unit

✔ Clause 22: Details of Assurance Clients

- ✓ details of assurance clients where report/certificate has been signed during the period under review, financial year wise and branch wise

✓ Important Points

- Practice Unit must provide answer for all sub clauses i.e. A to K. In case of no client under any category, Practice Unit should mention NIL.
- The PU should also mention whether services are rendered through its HO or branch;
- The PU should also mention name of signing partner



✓ Important Points

- The total number of **UDINs generated** should **tally** with the total number of **all Assurance Engagement** provided by Practice Unit.
- The PU should also mention whether Engagement Quality Control Review (**EQCR**) **is done or not**
- Details of assurance clients where **report/certificate has been signed during the period under review** shall be given.

ANNEXURE A

Note: The clients obtained through tender may please be marked with the word tender in bracket.

Sr. No.	Category of Client (Name or code of client)	Name of Branch/HO of PU	Name of Signing Partner	Type of Engagement*			Whether Engagement Quality review done?	Turn over Rs. Lakhs	Borrowing Rs. Lakhs	Net worth Rs. Lakhs
				FY.....	FY.....	FY.....				
A	Any Bank or Insurance Company									
A1										
A2										
A3										
B	Non Banking Financial Companies having public deposits of Rs.100 crore or above.									
B1										
B2										
B3										
C	Central or State Public Sector Undertakings and Central Cooperative Societies having turnover exceeding Rs.250 crore or net worth exceeding Rs.5 crores.									
C1										
C2										
C3										
D	Enterprise which is listed in India or Abroad as defined under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.									
D1										
D2										
D3										
E	Asset Management Companies or Mutual Funds.									
E1										
E2										
E3										
F	Entities preparing the financial statements as per Ind AS.									
F1										
F2										

G	Any Body corporate including trusts which are covered under public interest entities.									
G1										
G2										
G3										
H	Entities which have raised funds from public or banks or financial institutions or by way of donations/contributions over Fifty Crores rupees during the period under review.									
H1										
H2										
H3										
I	Entities which have been funded by Central and / or State Government(s) schemes of over Rs.50 crores during the period under review.									
I1										
I2										
I3										
J	Entities having Net Worth of more than Rs.100 Crores rupees or having turnover of Rs.250 crore or above during the period under review.									
J1										
J2										
J3										
K	Any other									
K1										
K2										
K3										

● Part B – General Controls (Based on SQC1)



the PU is required to establish a system of ‘Quality Control’, designed to provide reasonable assurance that the PU and its personnel comply with

- ✓ professional standards;
- ✓ regulatory,
- ✓ legal and
- ✓ ethical requirements.

● Part C – self-evaluation using AQMM



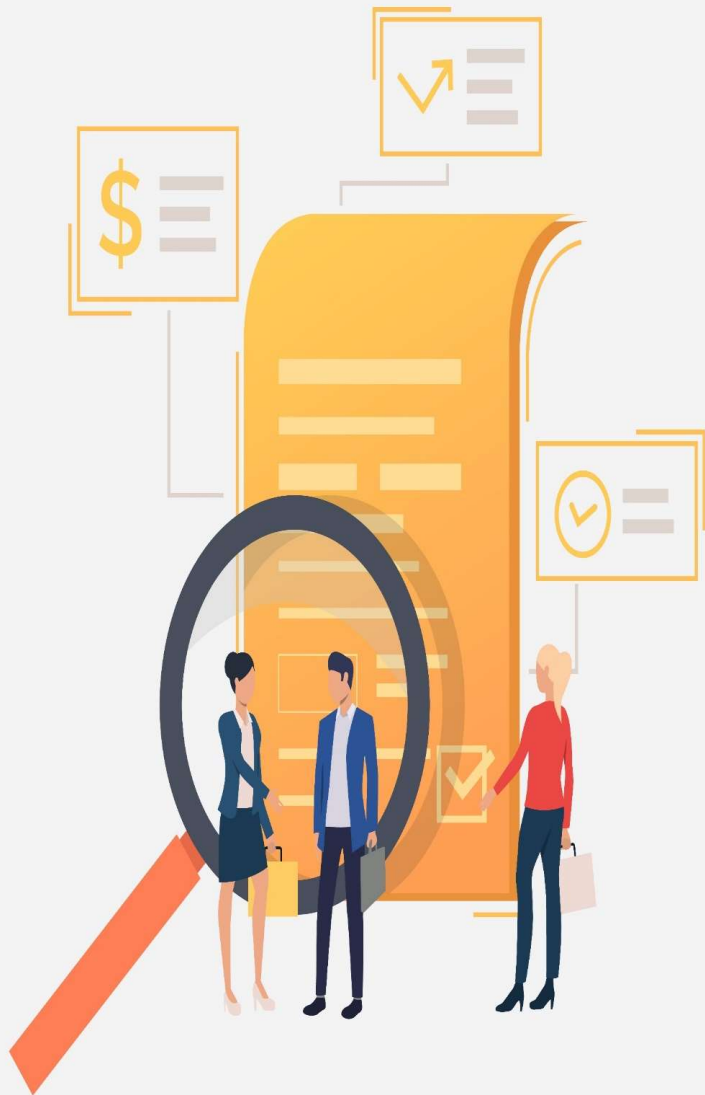
✓ Mandatory Applicability

Mandatory Applicable w.e.f 1st April 2023 for Practice units conducting

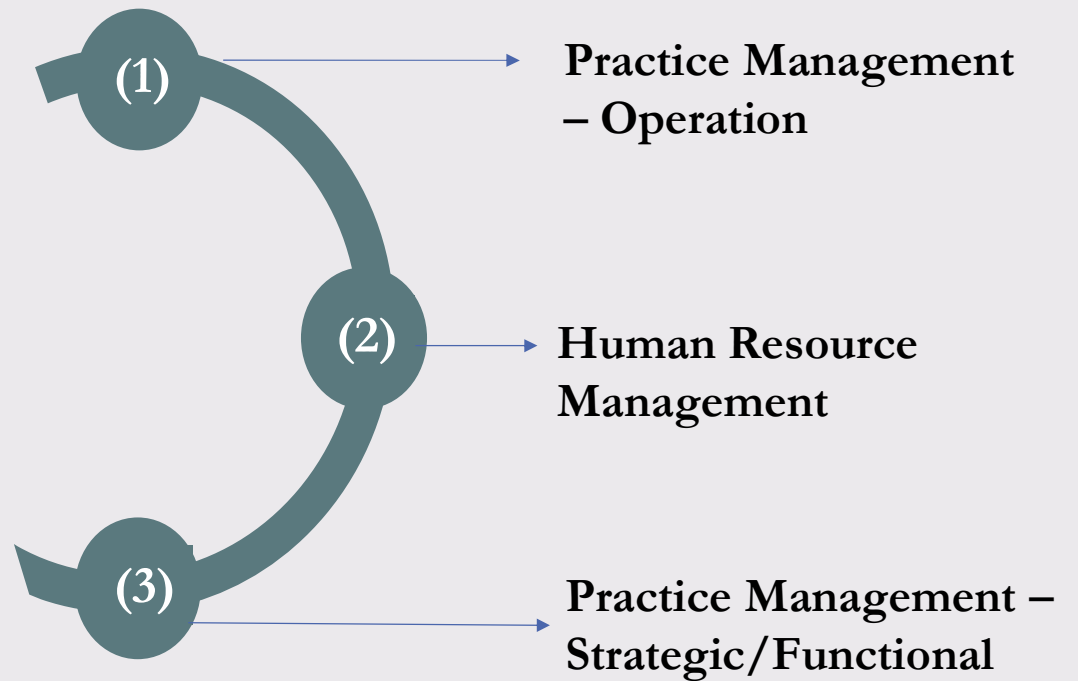
- ❖ statutory audit of **listed entities**
- ❖ other than branches of banks and Insurance companies

✓ Voluntary Applicability

PARTC – AQMM can be opted voluntarily by other practicing unit



✓ AQMM can be Divided in to 3 sections



 **AQMM Scores**

Section	Score
Practice Management – Operation	280
Human Resource Management	240
Practice Management – Strategic /Functional	80
Total	600

 **Levels of the firm under AQMM**

Level	Criteria
Level 1 – Lowest Level	The score less than or Equal to 25% in any of the section
Level 2 – Basic Level	The score more than 25% in each sections and less than or Equal to 50 % in any of the section
Level 3 – Advanced Level (Substantial Progress)	The score more than 50% in each sections and less than or Equal to 75 % in any of the section
Level 4 – Highest Level (Significant adoption of Standards and Procedure)	The score more than 75% in each of the section



Standard on Quality Control (SQC) 1

Standard on Quality Control (SQC) 1

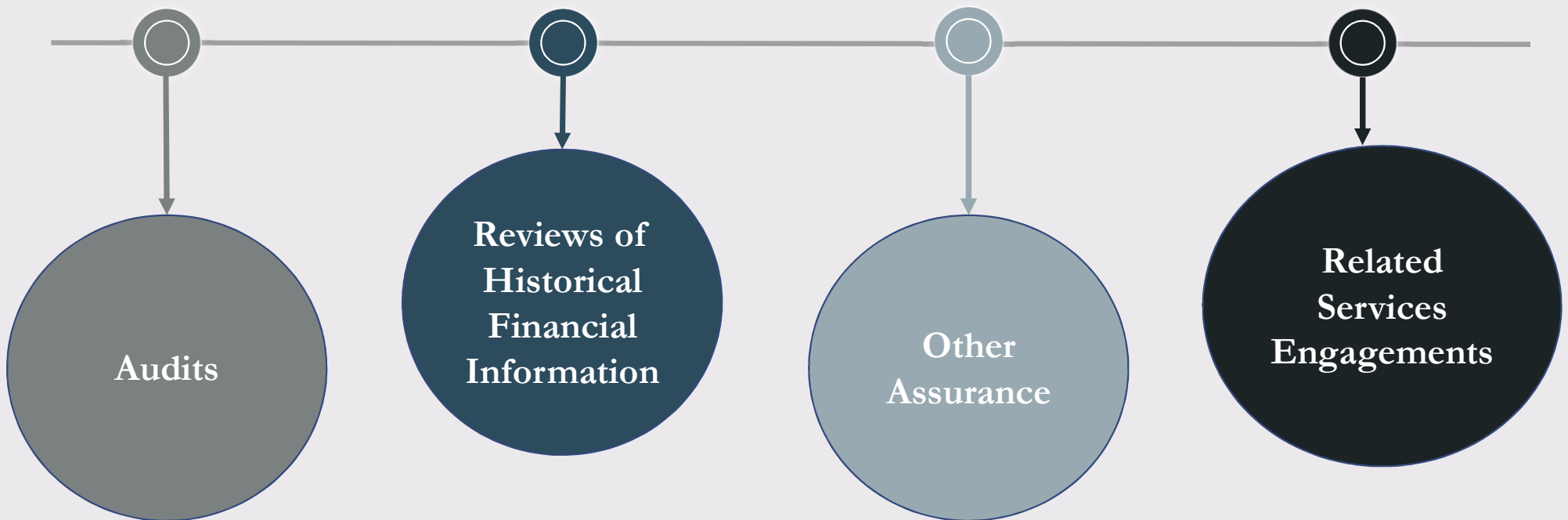
Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements

SQC – 1 Introduction

- ❖ Made as Mandatory by ICAI for PR w.e.f. 1.4.2009
- ❖ PU and its personnel to establish SQC
- ❖ To comply with Professional standards, regulatory, legal and ethical requirements



Standard on Quality Control (SQC) 1 Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements



Engagement documentation

Engagement documentation - the **record of work performed, results obtained, and conclusions the practitioner** reached (terms such as “working papers” or “workpapers” are also sometimes used). The documentation for a specific engagement is assembled in an engagement file;

Engagement partner

Engagement partner - the **partner or other person in the firm** who is a **member of the Institute of Chartered Accountants of India** and is in full time practice and is **responsible for the engagement and its performance**, and for the **report** that is **issued on behalf of the firm**, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

Engagement quality control review

Engagement quality control review - a process designed to provide an objective evaluation, before the report is issued, of the significant judgments the engagement team made and the conclusions they reached in formulating the report.

Engagement quality control reviewer

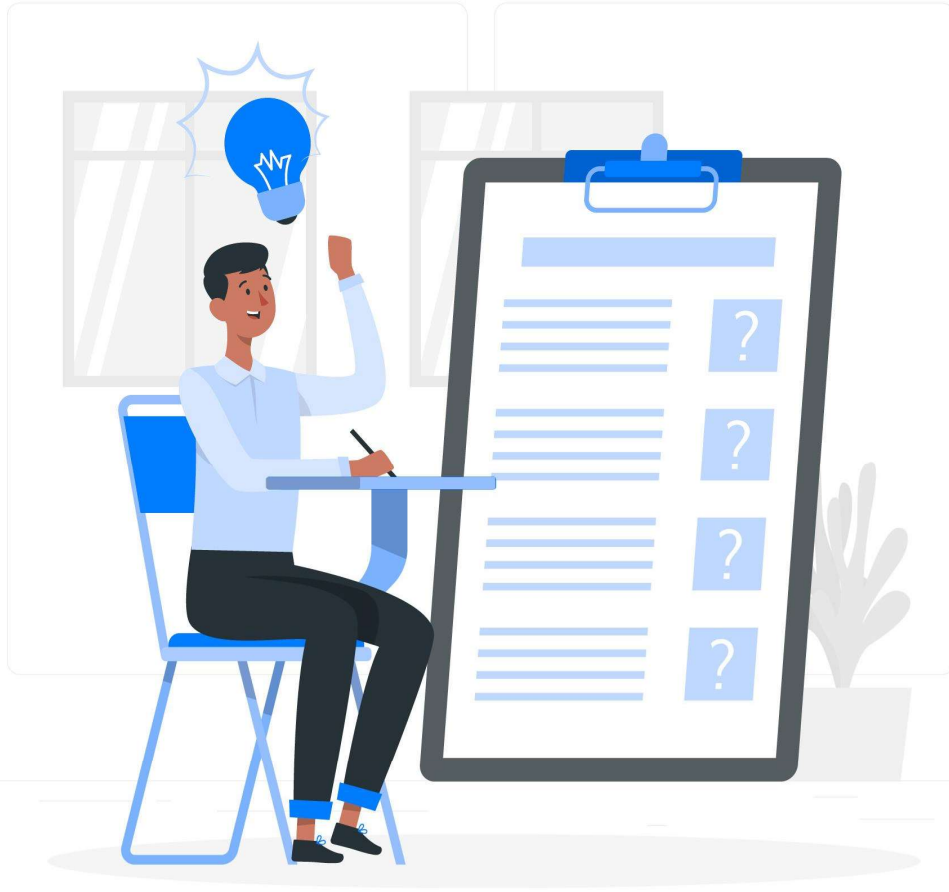
Engagement quality control reviewer - **a partner, other person in the firm**, suitably qualified external person, or a team made up of such individuals, with sufficient and appropriate experience and authority to **objectively evaluate, before the report is issued**, the **significant judgments the engagement team** made and the conclusions they reached in formulating the report. However, in case the review is done by a team of individuals, such team should be headed by a member of the Institute.

Elements of a System of Quality Control

- 1 Leadership Responsibilities for Quality within a Firm
- 2 Ethical requirements (including independence)
- 3 Acceptance and Continuance of Client Relationships and Special Engagements
- 4 Human Resources
- 5 Engagement Performance
- 6 Monitoring

(1) Leadership Responsibilities for Quality Within a Firm

- ❖ Person responsible for QC at PU in developing, implementing and operating
- ❖ Whether is there QC system at PU and the method of verification
- ❖ Whether **Quality Control Manual** is there at PU
- ❖ Whether responsible person has got sufficient appropriate experience, ability and authority to assume responsibility
- ❖ Authorised personnel attended **sufficient training and updated the knowledge to assume responsibility**



Documentation

The Golden Rule

*What is not
documented is
not done !!!*

Document

A document is any material which provides **evidence of work performed**, action taken or the happening of an event. It may be in **paper or electronic form**.

Examples of documents include work papers, signed agreements, videos, pictures, spreadsheets, transcripts, correspondences, etc.



Audit 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.

Audit documentation is sometimes called **audit working papers** or **working papers**.



Importance of Audit Documentation

Documentation is essential because:

- ❖ It helps in planning an audit
- ❖ It assists supervision and review
- ❖ It results in better conceptual clarity, clarity of thought and expression
- ❖ It facilitates better understanding and helps avoid misconception
- ❖ It supports and evidences work performed and compliance with Standards



Period of Retention of Working Papers – 7 years (SA 230)



Assembly of Audit File

- ✓ Assembly of all working files **within 60 days of audit report**

Types of Audit Files

Permanent Audit File

In the case of recurring audits, some working paper files may be classified as permanent audit files, **which are updated currently with information of continuing importance to succeeding audits, as distinct from current audit files.**

Current Audit File

One or more files, in physical or electronic form, meaningfully arranged containing the records that **comprise the audit documentation for a specific engagement.**



Illustrative Contents of a Permanent Audit File

Title	Information Contained
Engagement	<ul style="list-style-type: none">✓ Letter of engagement✓ Correspondence with retiring auditor (NOC)
Constitution	<ul style="list-style-type: none">✓ Copies of Memorandum and Articles of Association in case of corporate entities or✓ Partnership agreement in case of partnership firm or✓ Act, Regulation, byelaws, trust deeds, as applicable under which the entity functions



Illustrative Contents of a Permanent Audit File

Title	Information Contained
Background and Organization Structure	<ul style="list-style-type: none">✓ Nature and history of the business✓ Profile of ownership✓ Registered office details✓ Management structure including organization chart✓ Industry specification with reference to client's size, economic factors affecting the industry, seasonal fluctuations and demands✓ Facility locations, plant capacity, owned or leased, age, capital expenditure budget, etc. Products specifying diverse range along with classification✓ Purchase volumes, main suppliers, policies✓ Inventory norms, inventory levels during last five years and related ratios.✓ Sales volumes including exports, main customers, methods of distribution, pricing policies, credit policy✓ Personnel showing numbers, analyses by departments or function, method of remuneration, contracts, union agreements, HR policy✓ Copy of audited financial statement for previous five years, if it exists.✓ Study and evaluation of internal controls✓ Statistical information showing 5 years comparison of performance indicators (major accounting ratios)



Illustrative Contents of a Permanent Audit File

Title	Information Contained
Systems (for larger Audits, this section could be held on a separate file)	<ul style="list-style-type: none">✓ Details of methods of accounting including cost accounting, flow charts, specimens of accounting documents, code structure and list of accounting records✓ EDP-systems security, source code security, authorisation and back up policy
Contracts, agreements, Minutes	<ul style="list-style-type: none">✓ Leases agreements photocopies/ extracts of the same✓ Title deeds inspected annually by auditor✓ Royalty agreements✓ Minutes of continuing importance such as Directors' meeting, Members' meeting



Illustrative Contents of a Permanent Audit File

Title	Information Contained
Group	<ul style="list-style-type: none">✓ Group structure - subsidiaries, associates✓ Joint venture✓ Names of auditors
Other professional advisor's list	<ul style="list-style-type: none">✓ Bankers✓ Solicitors✓ Investment Analysts✓ Registrars✓ Credit Rating Agency
Miscellaneous	<ul style="list-style-type: none">✓ Details of other client information of a permanent nature



Illustrative Contents of a Current Audit File

Title	Information Contained
Engagement	✓ Acceptance of annual reappointment
Accounts	✓ Copies of all draft and final reports issued to client ✓ Correspondence with other auditors and experts ✓ Comments received from client and letter of representation ✓ Observations on accounts and points carried forward to next year ✓ Final journal entries ✓ Company accounts checklist - directors' report ✓ Audit completion report
Audit Plan	✓ Planning programme ✓ Time and cost summary ✓ Briefing notes ✓ Copy of planning letter to client ✓ Points carried forward from previous year



Illustrative Contents of a Current Audit File

Title	Information Contained
Balance sheet, statement of profit and loss account and cash flow statement audit – systems testing	<ul style="list-style-type: none">✓ Lead schedules/ Notes✓ Audit programmes✓ Detailed working papers and conclusions✓ Company accounts and Accounting Standard, if any, checklists✓ Queries raised and explanations received✓ Third party confirmations and certificates✓ Weaknesses identified and copy of letter of weaknesses sent to client
Accounts preparation	<ul style="list-style-type: none">✓ Schedules/ Notes✓ Trial balance✓ Cross-reference to audit work performed
Audit Programme	<ul style="list-style-type: none">✓ Audit procedure (compliance and substantive)✓ Detailed working papers and conclusions✓ Queries raised and explanations received



Illustrative Contents of a Current Audit File

Title	Information Contained
Extracts from minutes relating to accounting	<ul style="list-style-type: none">✓ Directors' meetings✓ Members' meetings✓ Audit committee meetings✓ Investment and other Board committee meetings
Statistical information	<ul style="list-style-type: none">✓ Performance indicators collected which have a bearing on the extent, nature, timing of substantive tests



Tips for Auditors on documentation / working papers

1

Each audit working paper file should contain the following information

- ✓ Name of the Client
- ✓ Period covered by the audit
- ✓ Subject-matter
- ✓ File reference
- ✓ Initials of the member of the audit team who prepared it and the date on which it was prepared
- ✓ Initials of the member of the audit team who reviewed the working paper.
- ✓ Complete lead schedules
- ✓ Working papers to agree with books of accounts, financials and are cross referenced.



Tips for Auditors on documentation / working papers

2

general guidelines which can be adopted

- ✓ Clarity and Understanding
- ✓ Completeness and Accuracy
- ✓ Pertinence - Limit the Information in working papers to matters that are important
- ✓ Logical Arrangement
- ✓ Legibility and Neatness
- ✓ Safety- Keep your work papers safe and retrievable
- ✓ Initial and Date- Put your initials and date on every working paper
- ✓ Summary of conclusions



Tips for Auditors on documentation / working papers

3

Proper guidance to staff

- ✓ Filing/keeping of working papers
- ✓ Checklist of documents to be obtained and maintained
- ✓ Indexing of documents/ working papers
- ✓ Proper numbering/ sequencing of working papers
- ✓ Summarizing of overall findings
- ✓ Writing of queries
- ✓ Discussing with seniors on matters of importance
- ✓ Disposing of query -at staff level/ senior level/ partner level
- ✓ Importance of the working papers to be signed, dated and approved
- ✓ Importance of depicting the client's name, file number, accounting period, subject of working paper



Important Registers and other Documents to be maintained



Registers

- ❖ Assignment Register (Details of Assurance Engagements signed)
- ❖ UDIN Register
- ❖ Members CPE Register
- ❖ Staff Training Register
- ❖ Staff Attendance Register
- ❖ Article Attendance Register
- ❖ Articles Dairy, Stipend Register
- ❖ List of Clients

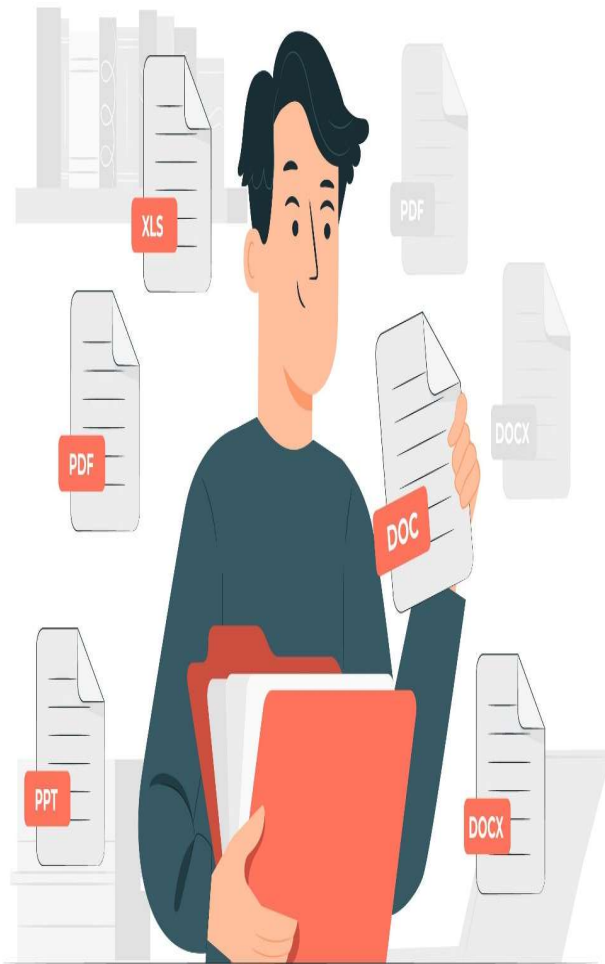


Important Registers and other Documents to be maintained



Documents prescribed in SQC

- ❖ Quality Control Manual
- ❖ Independence Confirmation from Partners, Staffs and Trainees
- ❖ Independence Policies
- ❖ Client/Engagement Acceptance and Continuance Form
- ❖ Firm Quality Control Inspection Checklist
- ❖ Joining Check List – New Employees
- ❖ Audit Summary Memorandum etc



Important Registers and other Documents to be maintained



Documents required in Assurance Services

- ❖ Appointment Letter, ADT -1, NOC from Previous Auditor
- ❖ Engagement Letter
- ❖ Audit strategy
- ❖ Audit Plan
- ❖ Planned Risk Assessment procedures
- ❖ Audit Materiality
- ❖ Audit Sampling
- ❖ Accounting Standards Checklist



Important Registers and other Documents to be maintained



Documents required in Assurance Services

- ❖ Auditing Standards Check List
- ❖ CARO Checklist
- ❖ Schedule III Check List
- ❖ Tax Audit Check List
- ❖ Audit Summary
- ❖ Final Deliverable Check List etc



Peer Review Certificate



Validity of Peer Review Certificate



The Peer Review Certificate issued to a Practice Unit shall be **valid for a period of 3 years or such other period as may be decided by the Board**



Validity Commence from

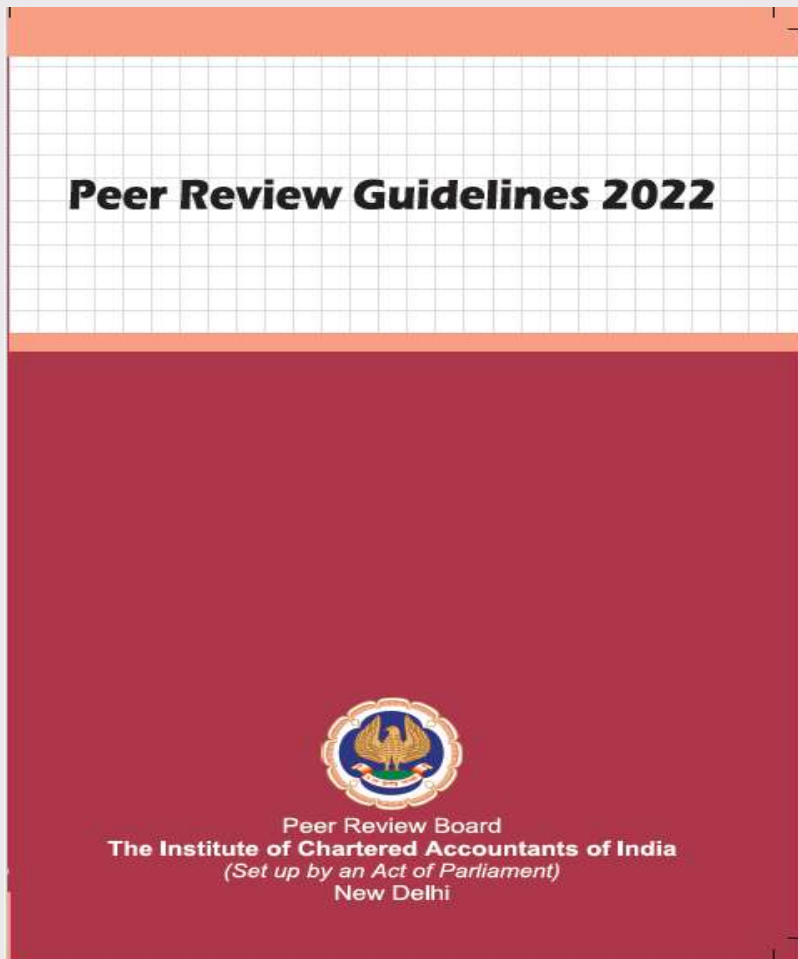
- ❖ Date of **receipt of Peer Review report by the Board**

- ❖ Provided that if the Peer Review Report has been received before the expiry of the earlier Peer Review Certificate, then the date of commencement of the Certificate shall be **the date following the date of expiry of the earlier Peer Review Certificate.**



Reference Materials

Reference Materials



1. Peer Review Guidelines 2022

Link :

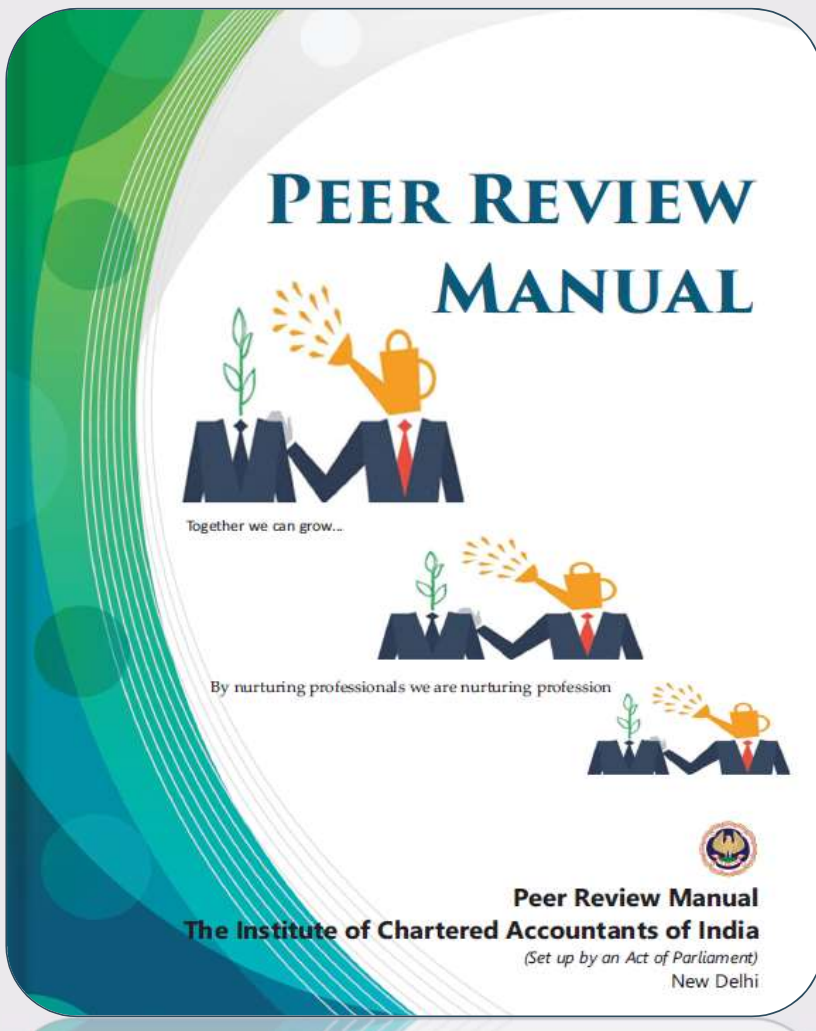
<https://resource.cdn.icai.org/72010prb57960-peer-review-guidelines-2022.pdf>

Reference Materials

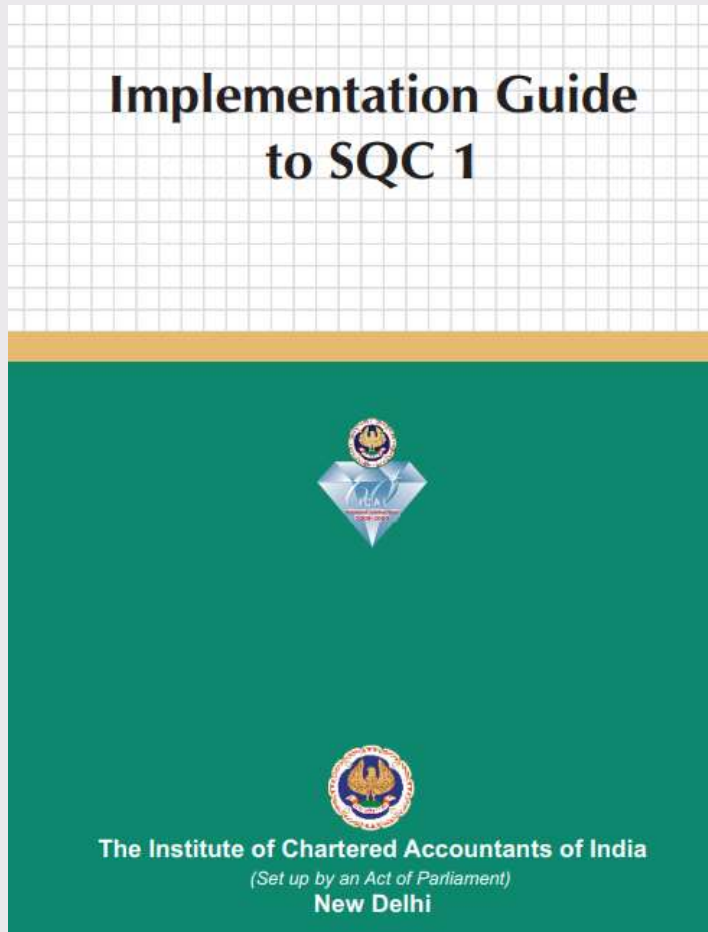
2. Peer Review Manual

Link :

<https://resource.cdn.icai.org/60103prb48957peer-review-manual.pdf>



Reference Materials

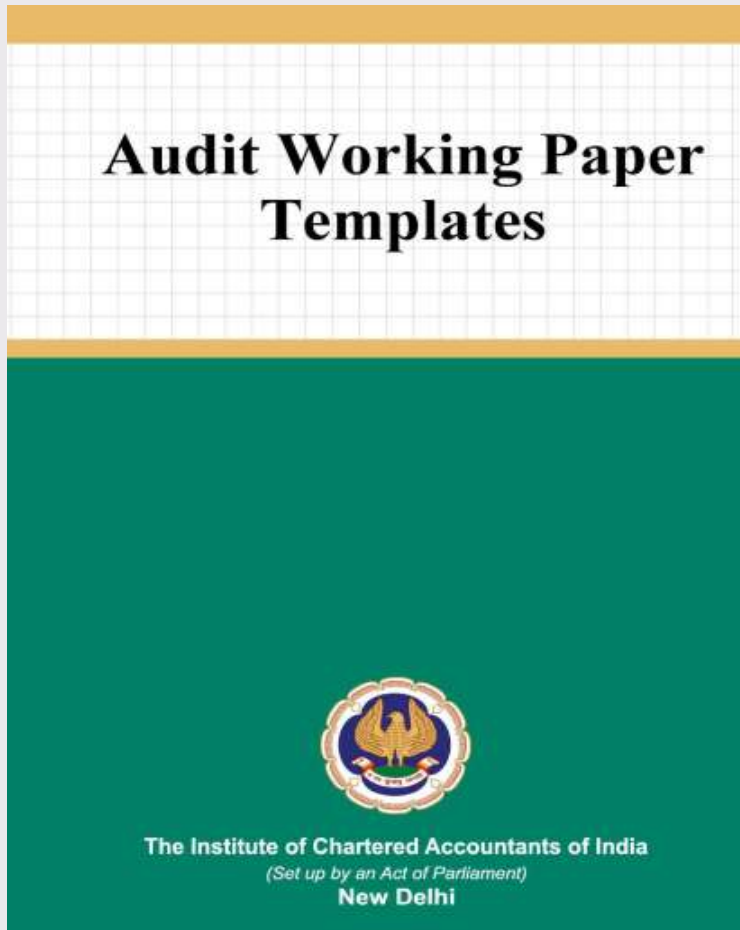


3. Implementation Guide to SQC-1

Link :

https://resource.cdn.icai.org/20913frpubcd_aa_sb1.pdf

Reference Materials

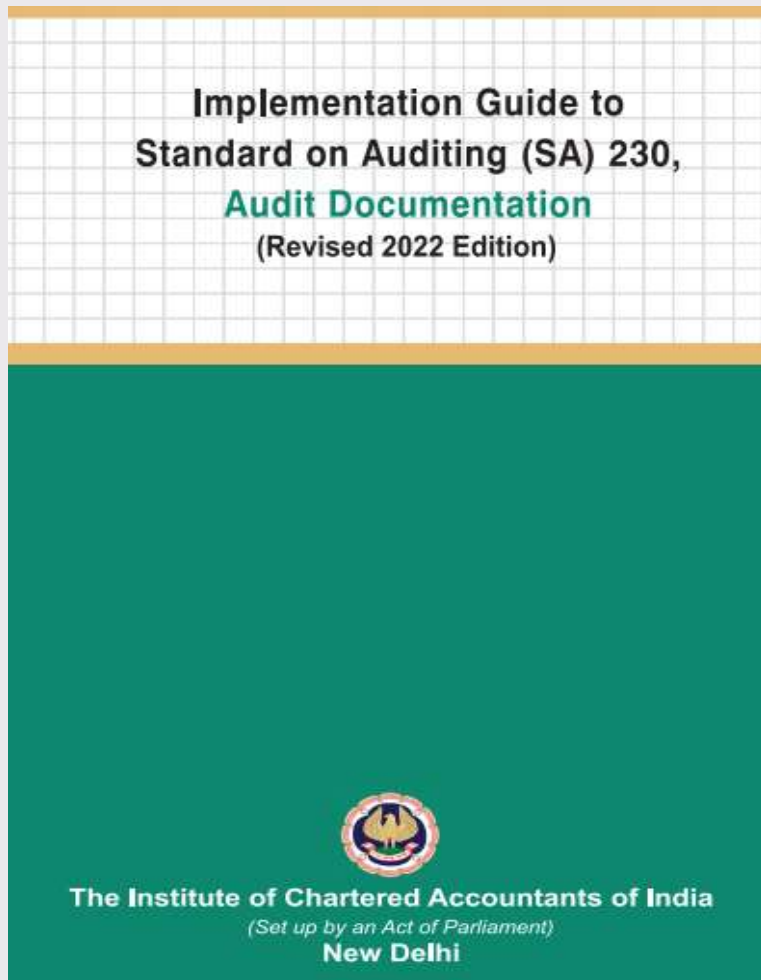


4. Audit Working Papers Template

Link :

<https://resource.cdn.icai.org/75000aasb60542a.pdf>

Reference Materials



5. Implementation Guide to Audit Documentation

Link :

<https://resource.cdn.icai.org/72414aasb58321.pdf>

Reference Materials

Implementation Guide to
Standard on Auditing (SA) 300,
Planning an Audit of Financial
Statements



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

6. Implementation Guide to Planning an Audit of Financial Statement

Link :

<https://resource.cdn.icai.org/41657aasb31264.pdf>

"It is not the strongest of the species that survives, not the most intelligent that survives. It is the one that is most adaptable to change'."

"Charles Darwin"





Questions

THANK YOU

CA.SONY C.L. B.Sc.,LL.B.,FCA,DISA,DITL (ICAI)

Email : sonycl@yahoo.com

Mobile : 9447046952