

PEER REVIEW MANUAL VOLUME - I



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

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Basic draft of this publication was prepared by CA. Chandrashekhar Vasant Chitale

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Foreword

The Peer Review mechanism was introduced by the Council of the Institute of Chartered Accountants of India (ICAI) with the setting up of the Peer Review Board in March 2002. Since then, it has been marking its presence and has been duly acknowledged. The Securities & Exchange Board of India (SEBI) recognizing the importance of the peer review mechanism, has mandated for the listed entities that the limited review/statutory audit reports submitted to the concerned stock exchanges shall be given only by those auditors who have subjected themselves to peer review process and holds a valid certificate issued by the 'Peer Review Board' of the ICAI. Further, the Comptroller & Auditor General of India has recently revised the Policy of Empanelment of CA Firms/LLPs and appointment of auditors of Companies and of Statutory Corporations/Autonomous Bodies as per the provisions of their respective Acts. A maximum of 25 points have been allotted to firms which hold Peer Review Certificate on the date of making an application for empanelment.

The Board, in order to guide the members in the process of peer review, had brought out a comprehensive Peer Review Manual providing an insight into various aspects of peer review process. However, in the recent years there have been number of changes and modifications in various reporting formats and standards. These changes have significant implications on the compliances thereof. I am glad that the Peer Review Board of the ICAI has revised the 'Peer Review Manual' to provide updated information to the reviewers incorporating the recent updates and changes.

My compliments for the efforts put in by CA. Chandrashekhar Vasant Chitale, Chairman, of the Peer Review Board of ICAI, CA. Anuj Goyal, Vice Chairman and all members of the Peer Review Board of ICAI in bringing out this revised Peer Review Manual.

I am sure it would serve as a useful and informative tool for the practice units & members and help them in smooth conduct of their peer review.

New Delhi
January 2023

CA. (Dr.) Debashis Mitra
President, ICAI

Preface

In its proactive pursuit to upgrade and maintain standards of auditing and assurance quality, the Council of the Institute of Chartered Accountants of India has established Peer Review Board in March 2002. This endeavor of the Council seeks to provide mechanism to review maintenance and enhancement of quality of assurance services and to guide its members in improving their performance and ensuring adherence to various technical standards issued by it from time to time. It is the Institute's endeavor to meet the demands of high quality assurance, consistency and greater transparency. The Peer Review Guidelines, 2022 have been issued under clause (fa) of sub-section (2) of Section 15 of the Chartered Accountants Act, 2022.

The main objective of Peer Review is assessment by a Peer about 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.

The level of awareness created during the last two decades of the Peer Review concept has indeed brought about an overall improvement in the quality of audit and assurance services rendered by our Members. The Peer Review mechanism is gaining momentum speedily and the concept of peer review for the Indian Accountancy Profession has successfully emerged which is also widely accepted.

As always, our endeavor to provide the latest and updated information to members, the Board has come out with an updated version of the Peer Review Manual for the benefit of members. The revised Manual is intended to provide updated reporting formats for the Reviewer as well as the Practice Unit. The Appendices given at the end of the Manual is an effort made to bring all the formats at one place. The Peer Review Guidelines, 2022 along with the various Forms which are a part of the Guidelines and have been recently approved by the Council are also given as an Appendix to the Manual. These have been applicable from October 1, 2022. Guidance to the Peer Reviewers and the Practice Unit for conducting Review of Statutory audit of Listed entities has been provided in Volume II of the Peer Review Manual

After completion of the detailed Peer Review process the Peer Review Board issues a certificate to the Practice Units on the basis of the clean final report submitted by the Peer Reviewer. The Peer Review Board is also

continuously striving towards organizing training programmes for Peer Reviewers in various parts of the country.

I take this opportunity to express my deep gratitude and sincere thanks to CA. (Dr.) Debashis Mitra, President, ICAI and CA. Aniket S. Talati, Vice President, ICAI for their invaluable guidance & support to the activities befitting Peer Review Board.

I am also grateful for the unstinted support provided by Vice Chairman CA. Anuj Goyal and all other members of the Peer Review Board CA. Prakash Sharma, CA. Umesh Sharma, CA. Ranjeet Kumar Agarwal, CA. Charanjot Singh Nanda, CA. Dayaniwas Sharma and CA. Sridhar Muppala.

I also appreciate CA Nidhi Singh, Secretary to the Peer Review Board, CA Nikhil Singhal, CA Arun Kumar and other Officers of the Peer Review Board who have provided inputs, devoted their valuable time and put in efforts to bring the Manual in revised form.

I sincerely hope that this revised manual would be immensely useful to the Reviewers/ Practice Units to provide quality professional services in accordance with the professional and ethical norms so as to make the accounting profession respectable and reliable.

New Delhi
January 2023

CA Chandrashekhar Vasant Chitale
Chairman, Peer Review Board, ICAI

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1. CA. Milan Mody
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6. CA. Gautam Shah
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CHAPTER 1

INTRODUCTION

1.01 The term 'peer' means a person of similar standing. The term 'review' means re-examination or retrospective evaluation of the subject matter. In generality, for a professional, the term "peer review" would mean review of the work done by a professional, by another member of the same profession with similar standing.

Hitherto the terms of reference for Peer Review and the roles and responsibilities of those involved including the Board were defined in the Statement on Peer Review. The statement has now been replaced by the 'Peer Review Guidelines 2022'. The Guidelines are issued by the Council in exercise of the powers conferred by Section 15(2)(fa) of the Chartered Accountants Act, 2022.

The Peer Review Board (the Board) was established in March, 2002 in terms of Clause 17 of the Peer Review Guidelines, 2022 issued by the Institute of Chartered Accountants of India (hereinafter referred to as "the Institute" or 'ICAI'). Apart from providing for setting up of the Board, the Guidelines also lays down the framework to conduct peer reviews and other matters related or incidental thereto. The Guidelines have been published in September 2022 effective from 1st October, 2022, which are reproduced in Appendix I to this Manual. The Guidelines envisages apart from Coverage of Practice Units, Powers of the Peer Review Board, Eligibility of a Reviewer, conducting empanelment test for reviewers, revocation of Peer Review Certificate, etc. The Board has also issued a notification related to fees for Peer Review which is reproduced in Appendix XI to this Manual.

1.02 The quality of the services rendered by Chartered Accountants has always been on the "priority list" of the Institute. Towards this end, the Institute has been striving hard to formulate Standards, Statements, Guidance notes, industry-specific publications, research studies, monographs etc. to ensure, enhance and sustain the quality of audit and assurance services and provide guidance to auditors and enable them to discharge their duties in the most efficient and effective manner. Throughout the world, the concept of peer review, *inter alia*, is being used by all accountancy bodies as a tool for enhancing the quality of services being rendered by professional accountants. The Institute, recognising the need to

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observe best international practices, has established a system of Peer Review to be at par with the other developed countries of the world in so far as quality of assurance services is concerned.

1.03 The Guidelines defines certain key terms as under:

“2 (13) **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”].

2 (14) **Peer Review** - means 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.

2 (17) **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.

2 (19) **Reviewer** - means a member duly approved and empanelled by the Board on fulfilling the qualifications prescribed for a Reviewer as per Guideline 26 of these Guidelines.”

Coverage of Peer Review

1.04 The Peer Review Guidelines lays down the coverage of review to be conducted as under:

- (1) “The Peer Review process shall apply to all the assurance engagements signed by a Practice Unit during the period under review.
- (2) Once a Practice Unit is subjected to Peer Review, its assurance engagement records pertaining to the Peer Review Period shall be subject to examination and review by the Peer Reviewer.
- (3) A Practice Unit having one or more branches at various locations in India may opt to get the Peer Review of any branch or branches conducted by a Branch Peer Reviewer. The Reviewer conducting the Peer Review of the Head Office shall

consider the report of the Branch Peer Reviewer and shall issue a consolidated report for the Practice Unit.

- (4) *The Peer Review shall cover:*
- (i) *Compliance with Technical, Professional and Ethical Standards*
 - (ii) *Quality of reporting*
 - (iii) *Systems and procedures for carrying out assurance services*
 - (iv) *Self evaluation under Audit Quality Maturity Model or any other guideline issued by the Centre for Audit Quality.*
 - (v) *Training programmes for staff (including article and audit assistants) concerned with assurance functions, including availability of appropriate infrastructure.*
 - (vi) *Compliance with directions and / or guidelines issued by the Council to its Members, including fees to be charged, number of audits undertaken, register for assurance engagements conducted during the year and such other related records.*
 - (vii) *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.”*

1.04 As is clear from the above, the Guidelines aim to define the coverage of review, to establish the consistency or deviations, if any, in respect of procedures followed by the Practice Unit during the Peer Review period. As per Clause 2 (15) of the Guidelines, Peer Review period *“means three 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.”*

1.05 The Reviewers may note that the entire Peer Review process is directed at the assurance services which may be used interchangeably as audit services, attestation function or audit functions of a practice unit. Assurance services which shall be subjected to peer review *means assurance engagements as defined in the Framework For Assurance Engagements issued by the Institute of Chartered Accountants of India and*

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

1.06 It is also important for a Reviewer to understand the coverage of review with reference to compliance with *Technical, Professional and Ethical Standards*. The said term has been defined in the Peer Review Guidelines. As per Clause 2 (23) of the Guidelines, the term *Technical, Professional and Ethical Standards* mean

- (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 and after examination of the recommendations made by the National Financial Reporting Authority (NFRA);*
- (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 and after examination*

of the recommendations made by the National Financial Reporting Authority (NFRA);

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

Therefore, the Reviewer shall focus on compliance by the practice unit with all Technical, Professional and Ethical Standards requirements in respect of services rendered while performing a particular assurance engagement.

Peer Review and its objectives

1.07 The Guidelines specify the main objectives of peer review as under:

- (1) 'Peer Review' means the process defined under Clause 2 (14) of the Peer Review Guidelines and includes any directions issued by the Board in this behalf.
- (2) Peer Review process is based on the principle of systematic

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monitoring of the procedures adopted and records maintained while carrying out audit & assurance services in the course of one's professional responsibility to ensure and sustain quality. Peer Review is primarily directed towards ensuring as well as enhancing the quality of audit and assurance services of Chartered Accountants in Practice. Peer Review of a Practice Unit is conducted by an independent evaluator known as a Peer Reviewer. The Peer Review process is intended to review the quality control framework of the Practice Unit as well as proper and consistent application of such control frameworks across engagement samples selected for review.

- (3) 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.

It is important to note that Peer Review does not seek to redefine the scope and authority of any of the Technical, Professional and Ethical Standards but only seeks to ensure that they are implemented, both in letter and spirit.

1.08 In view of the above, the Reviewer may note that the primary objective of Peer Review is to improve the quality of services rendered by members of the profession. Peer Review, "does not seek to redefine the scope and authority of the Technical, Professional and Ethical Standards specified by the Council but seeks to enforce them within the parameters prescribed. The Peer Review is directed towards maintenance as well as enhancement of quality of assurance services and to provide guidance to members to improve their performance and adherence to various statutory and other regulatory requirements. Such an objective of the Peer Review process makes it amply clear that the Reviewer is not going to sit on judgment of the Practice Unit while rendering assurance services but to evaluate the procedures followed by the Practice Unit in rendering such a service. Accordingly, where a Practice Unit is not following the prescribed Standards, the Reviewers are expected to recommend measures to improve the procedures followed by the Practice Units.

Therefore, the objective is to maintain and enhance the quality of assurance services by providing appropriate guidance rather than simply pointing out deficiencies of the Practice Unit. To elaborate further, the key objective of

peer review is not to identify isolated cases of engagement failure, but to identify weaknesses that are pervasive and chronic in nature. For instance, absence of formal planning of an audit represents a serious deficiency that needs to be remedied by the Practice Unit. An instance of the auditor not carrying out physical verification of furniture and fixture may not attract the same comment. However, certain items of assets are best verified through the physical verification process and not adopting the same procedure may rightly be viewed as a systemic failure. The conclusion, therefore, is that the Peer Review seeks to identify and address patterns of non-compliance with quality control standards. However, in cases where Peer Review Certificate cannot be issued the Peer Review Board Secretary shall inform the Practice Unit along with the reasons and a due date for conducting a follow on review in accordance with Clause 14 (7) of the Guidelines.

1.09 This Manual is intended to assist both the Reviewer and the Practice Unit being reviewed in carrying out and undergoing the Peer Review process. This Manual is not a substitute for the Peer Review Guidelines. Therefore, reviewers are expected to read the Manual in conjunction with the Guidelines. The Manual explains the Peer Review process in a simplified manner and provides guidance on the practical steps that the Reviewer and Practice Unit need to take. It also provides reporting formats and guidance on documentation and reporting.

1.10 This Manual has primarily been designed to assist the Reviewers in performing their work. However, suggested policies, processes and procedures described herein would also assist the Practice Unit in enhancing the quality of their work. Such a description has been made only with a view to ensuring reasonable assessment by the Reviewer that the work has been carried out and documented in the manner prescribed by the Institute in its various Technical, Professional and Ethical Standards for adherence to quality of work by the Practice Unit.

1.11 The users of this Manual may note that the Accounting Standards, Indian Accounting Standards and Standards on Auditing may undergo a change in future. Users are therefore advised to acquire the latest information on Technical, Professional and Ethical Standards from the publications of the Institute and other regulatory bodies from time to time.

Conclusion

1.12 The Peer Review mechanism was introduced by the Council of the ICAI, with the setting up of Peer Review Board in March 2002. Since then the Board has been progressing well with the objective of providing guidance to the Members and to maintain as well as to enhance the quality of assurance functions. Initially, the Statement on Peer Review provided support to the CA fraternity for a period of more than 20 years to educate the members on Peer Review to have in place the working process and documents as required for various procedures of the assurance services. With a view to cater to the needs of the profession and meet the challenges of the ever changing environment, the Council has brought out the Peer Review Guidelines, 2022 applicable w.e.f. 1st October 2022.

Peer Review Guidelines, 2022 empowers the Board to conduct special Review of the Practice Unit 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 review of the Practice Unit.

1.13 The Peer Review Guidelines also empowers the Board to revoke the Peer Review Certificate of the Practice Unit under the following circumstances, subject to principle of natural justice, if-

- (i) the Practice Unit has not complied with the order or advisory issued by the Peer Review Board;
- (ii) the Peer Review Board receives any Directions from the Secretary, ICAI, Disciplinary Directorate or directions from any Regulator through Secretary, ICAI or the Council;
- (iii) on an information received from the Practice Unit or otherwise that the Practice Unit or any of its partners are held guilty by the Disciplinary Committee or the Court within one month of the final order issued by the DC / Court as the case may be, the Board may take such immediate action as is considered necessary, including suspending or revoking the Peer Review Certificate; or
- (iv) on an information received from Practice Unit that there is a change of one half or more of the partners, the Certificate shall be revoked on the expiry of six months from the date of such change or shorter period in case the change has occurred during the last six months of the validity of the certificate.

Introduction

The Practice Unit shall be given an opportunity to present its response in lieu of notice served by the Board as per Form 10, as prescribed by the Peer Review Guidelines.

CHAPTER 2

PEER REVIEW PROCESS

2.01 The objective of this Chapter is to explain the process of peer review as stipulated in the Peer Review Guidelines. This would help the reviewer to understand the process and plan the Peer Review accordingly. The subsequent paragraphs of this Chapter discuss the process of Peer Review step-by-step. The clarification(s) issued by the Board, if any, have also been dealt with at appropriate places. A flow chart depicting the complete process of peer review and an illustrative time schedule for carrying out the peer review process are given in Annexure I and Annexure II to this Chapter respectively. The Peer Review Board advisories for Peer Reviewers are also given in Appendix XVIII to this Manual.

Empanelment of Reviewers

2.02 A panel of reviewers is maintained by the Peer Review Board (Board). To be eligible, a reviewer (i) has to be a Member in Practice with at least 7 years of assurance practice experience or (ii) in case a member has moved from industry to practice and has subsequently obtained a Certificate of Practice, with at least 10 years of experience in employment and at least three years audit experience in practice and is in whole time practice at the time of enrolment and appointment as Peer Reviewer.

2.03 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.

2.04 A Peer Reviewer should have undergone the training imparted by the Board for this purpose and should pass the test for Peer Review as prescribed and conducted by the Board. A Reviewer once empanelled shall remain in the panel for three years from the date of the test that he has passed and on the basis of which he has been enrolled.

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2.05 Peer Reviewer of a Practice Unit conducting statutory audit of listed entities, shall be one who has undergone training and passed the test as prescribed by the Board in addition to normal training and test. Such reviewer shall remain in the panel for two years.

2.06 The Reviewer shall approach the Board within six months before the expiry of his empanelment for undergoing fresh training and test.

2.07 A member eligible to act as a Peer Reviewer and who has qualified the test shall make an application to the Board in Form 3 along with submission of Declaration of Confidentiality to the Board also prescribed in Form 3.

2.08 In situations like ill-health or other preoccupations or where there is a conflict of interest between a reviewer and a Practice Unit giving rise to a threat to the Reviewer's independence (arising for example from past association with a person connected with the practice unit), a Reviewer may decline an assignment.

2.09 A Reviewer shall not accept any professional assignment from the Practice Unit for a period of 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 prior to the date of appointment as reviewer of that Practice Unit.

2.10 The Guidelines provides that the Reviewer may take the help of a qualified assistant while carrying out Peer Review. The name of the qualified assistant whom the reviewer would like to assist him should be intimated to the Board in Annexure I to the final report and to the practice unit before the commencement of the Peer Review. Such a qualified assistant shall also have to sign the declaration of confidentiality in Form 2 as annexed to the Guidelines. He shall have no direct interface either with the practice unit or the Board. Further the person chosen for assisting the reviewer shall be from the firm of the reviewer as a partner or paid assistant as per the records of ICAI.

Criteria of Peer Review

2.11 Clause 5 of the Peer Review Guidelines lays down five criteria for Peer Review. (i) Mandatory. This covers cases where the Practice Units are required to get themselves Peer Reviewed as per the mandate as decided by the Council. (ii) Voluntary –Practice Unit may apply suo-motu for getting itself Peer Reviewed. (iii) Special case Review- may be initiated by 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

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a special Peer Review of the Practice Unit. (iv) A New Practice Unit as defined under clause 2(12) of the Guidelines may apply to the Board for getting themselves Peer Reviewed and (v) The Board may prescribe any other criteria of selection of Practice Unit for Peer Review as it may deem fit.

2.12 A Practice unit which falls under any of the Criteria prescribed under Clause 5 (i), (ii) and (iv) of the Guidelines may apply for Peer Review in Form 1 as prescribed by the Board. However, the Board shall intimate the Practice Unit to apply for Peer Review in Form 1 in cases where the Peer Review has to be conducted as per criteria prescribed under Clause 5 (iii) and (v) of the Guidelines.

2.13 Practice Units are generally required to be subjected to review once in three years. New Units as defined under clause 2(12) of the Guidelines are subjected to review after such period as may be decided by the Board. However, Peer Review can be conducted at shorter intervals if the Board so decides.

Appointment of Reviewer and response to the Questionnaire

2.14 Practice Unit shall apply for Peer Review in the Application cum Questionnaire in Form 1 to the Board. On receipt of the signed copy of Form 1, names of three Reviewers shall be recommended by the Board to the Practice Unit within three working days. The Practice Unit is required to select one out of these three reviewers and inform the Board of its choice within 1 working day of receipt of such intimation.

2.15 The Board shall inform the Reviewer so selected by the practice unit to submit a Declaration of Confidentiality in Form 2 to the Practice Unit within 2 working days from the receipt of choice of name of the Reviewer from the Practice Unit.

2.16 The Practice Unit is then required to furnish the following information to the Reviewer:

- (a) Duly filled – in Application cum Questionnaire in Form 1 (as was sent to the Board)
- (b) Produce or allow access to any record, document or prescribed register maintained by the PU or any other record which is of a class or description so specified and which is in the possession or under its control

- (c) Provide such explanation, particulars / information in respect of anything produced in compliance with a requirement under the above clause (b), as the reviewer specifies
- (d) Provide any information or matter relevant to a Practice Unit in legible form, with a translation in English or Hindi. The Practice Unit shall be responsible and accountable for the accuracy and truthfulness of the translation so provided.

Information to be provided by the Practice Unit in response to the Questionnaire should be for the head office as well as all branches of the Practice Unit.

2.17 With reference to the questionnaire, it may be noted that if the practice unit maintains a register of its assurance clients with a system of numbering, then instead of providing names of its clients, it may choose to provide the client numbers/code.

2.18 The information sought in the Questionnaire is only to acquaint the Reviewer with basic knowledge about the Practice Unit and its quality controls. Its purpose is to help the Reviewer in planning his review. With particular reference to Compliance Review certain information of a proprietary nature may, at the discretion of the Practice Unit, not be mentioned or provided in the response to the questionnaire but may be offered for examination to the reviewer during site visit.

Initial sample selection and intimation thereof

2.19 The Reviewer shall, on receiving the Application cum Questionnaire from the Practice Unit, intimate in Form 5 about proposed visit and make a selection of audit/assurance files that he has an intention of reviewing in the course of his substantive review.

2.20 Selection of files is entirely at the Reviewer's discretion. However, in order to make the selection as representative of the total population of the Practice Unit's clients as possible, he may be guided by (i) standard of quality controls, (ii) size of entity's operations, (iii) nature of industry, (iv) the reviewer's initial impression of the quality control environment in the Practice Unit, (v) number of branches of the Practice Unit, (vi) the number of audit partners and (vii) the fees charged / received / GST paid by the Practice Unit.

2.21 The Reviewer shall adhere to the minimum sample criteria as specified by the Board from time to time. The current criteria as specified by the Board

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are stated at the end of the illustrative time schedule given as Annexure II of this Manual.

2.22 After making initial selection of audit/assurance files and before his visit to the Practice Units' office, the Reviewer would intimate the practice unit as well as the Board of this selection. The purpose of prior intimation is to enable the Practice Unit to collate/make available the audit files at the location where the review is to take place and be in readiness for the review. The Reviewer shall give the Practice Unit at least 2 working days' time to keep ready the necessary records of the selected assurance services.

2.23 The Reviewer and the Practice Unit shall mutually co-operate and ensure that the entire review process is completed within 20 working days from the date of receipt of application cum Questionnaire from the Practice Unit for being Peer Reviewed.

Branches of Practice Unit

2.24 A Practice Unit which has a head office at one location and branch offices at other locations, it may opt to get the Peer Review of any branch conducted by a Branch Peer Reviewer.

2.25 The Head Office Reviewer shall consider the report of the Branch Peer Reviewer and shall issue a consolidated report for the Practice Unit.

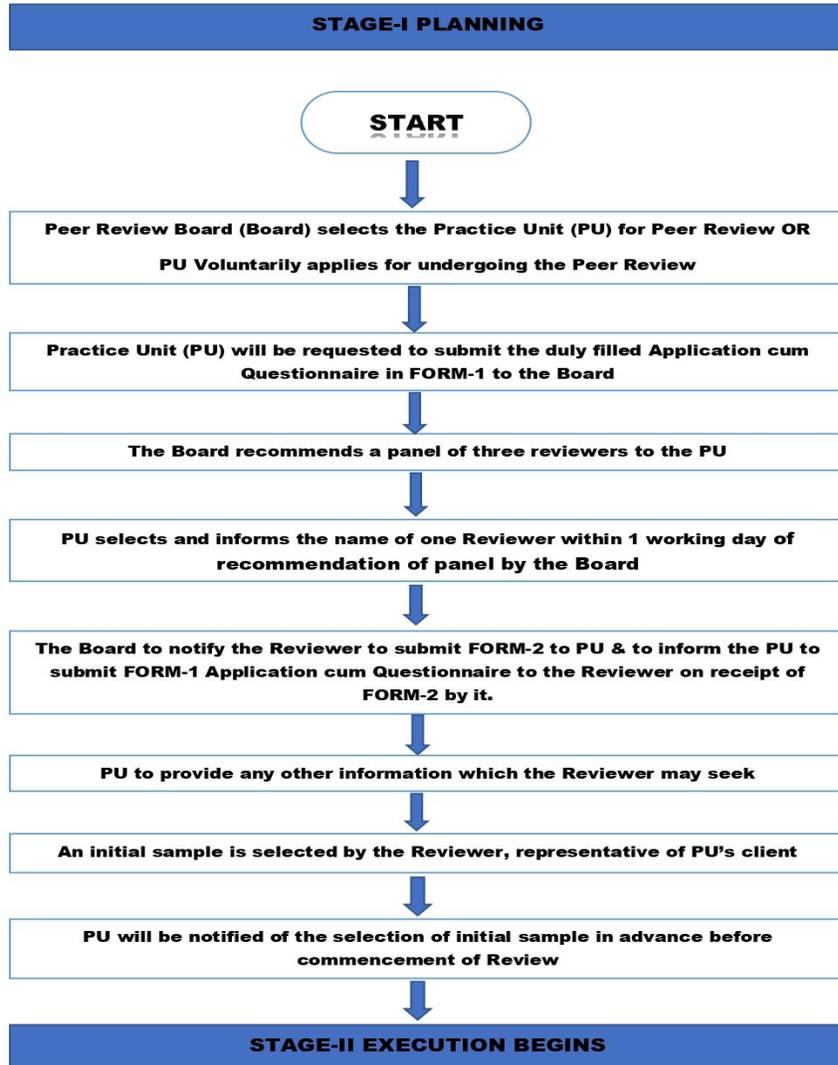
Fees of Peer Review

2.26 The fees of Peer Review shall be paid by the Practice Unit to the Reviewer as has been mutually agreed upon by both the parties. The minimum recommendatory fees shall be notified by the Board and is indicated in Appendix XI to this Manual (Notification (s) issued by the Peer Review Board). The cost structure is however subject to change by the Board from time to time.

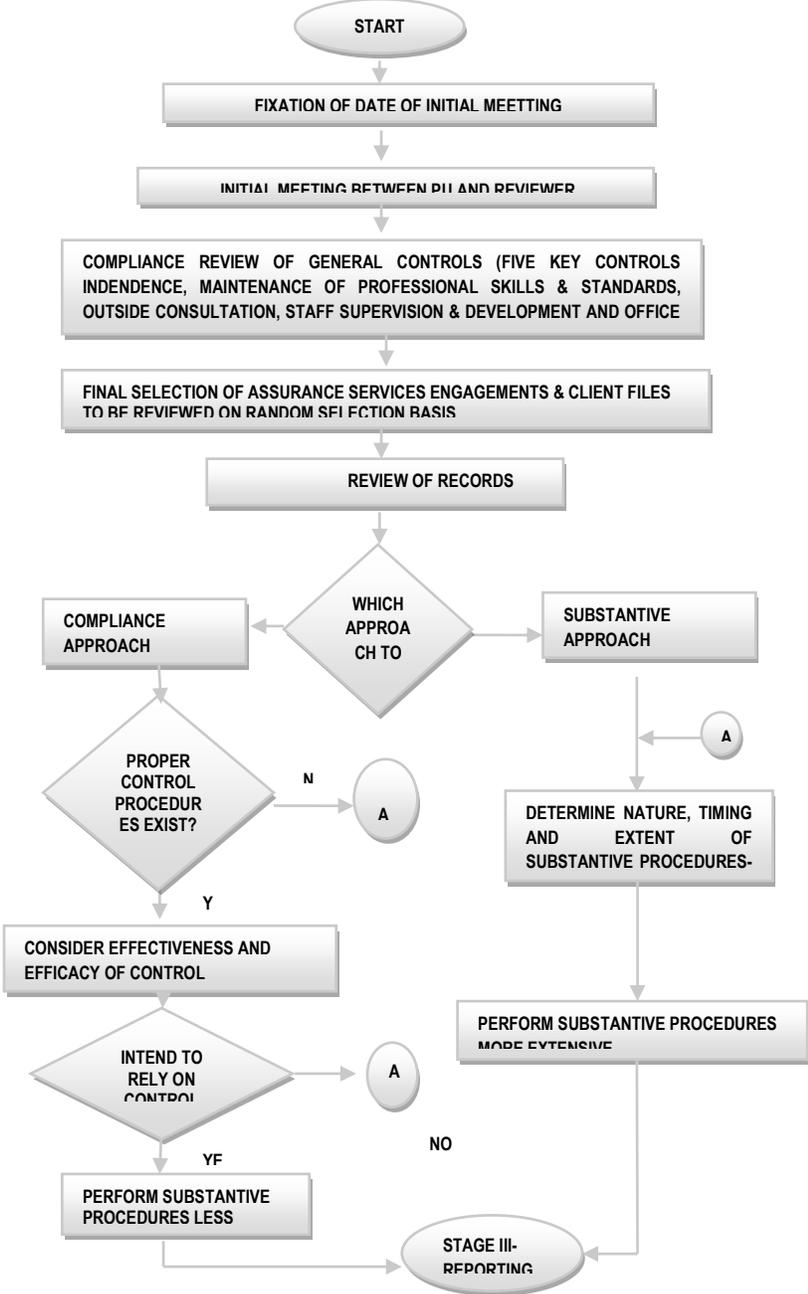
ANNEXURE I

FLOW CHARTS – PEER REVIEW PROCESS

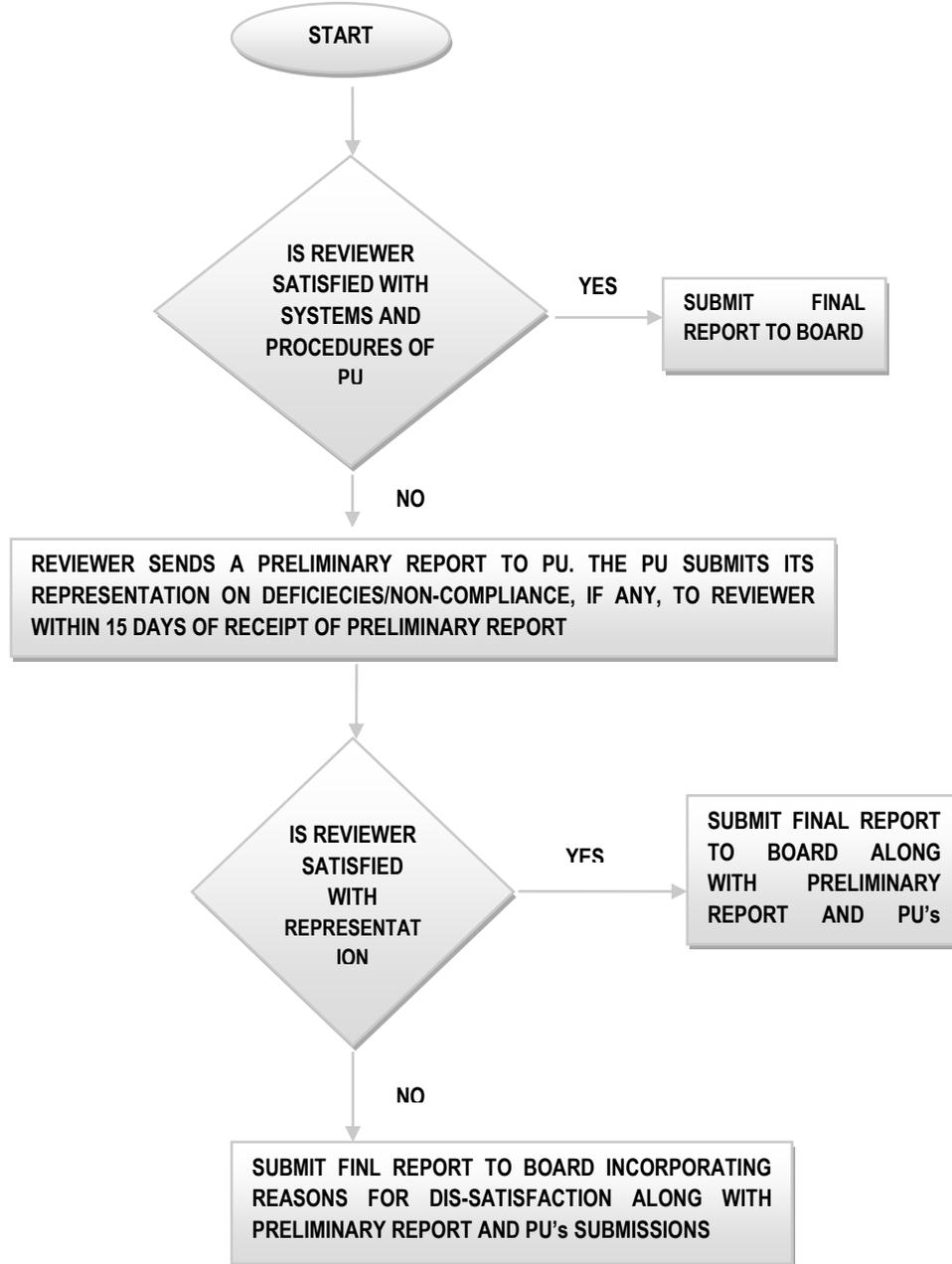
Stage – I: Planning



Stage – II: Execution



Stage – III: Reporting



ANNEXURE II

Illustrative Time Schedule of Peer Review Process

Sr. No	Review Process	Time Schedule	Cumulative Days
1.	Practice Unit (<i>falling under clause 2(17) of Peer Review Guidelines 2022</i>) shall make an <i>Application cum Questionnaire</i> to the Board in Form 1. OR Peer Review Board notifies the selection of Practice Unit (PU) (<i>falling under clause 6(2) of the Peer Review Guidelines 2022</i>) for Peer Review. The PU is requested to submit the duly filled <i>Application cum Questionnaire</i> to the Board in Form 1	Counting starts after receipt of this document	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 (<i>refer to clause 6(4) of the Peer Review Guidelines 2022</i>).	Within 3 working days	Day 4
3.	PU to give the choice of the Reviewer. (<i>refer to clause 6(5) of the Peer Review Guidelines 2022</i>).	Within 1 working day	Day 5
4.	As per the choice given by PU, the Board to notify the Reviewer to submit his <i>Acceptance cum Declaration of Confidentiality</i> in Form 2 to the PU. The Board would also mark a copy of the E-mail/ letter to Practice Unit confirming the appointment of reviewer. PU is also informed to send the <i>Application cum Questionnaire</i> (in Form 1) submitted by it to the Board to the Reviewer on receipt of <i>Declaration of confidentiality</i> in Form 2 from the Reviewer.	Within 2 working days	Day 7

Peer Review Process

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. And accordingly, the Practice Unit to keep ready the necessary records of the selected assurance services for the purpose of review.	Within 2 days	Day 9
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. And PU to provide the additional information asked by the Reviewer. [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
9.	Reviewer to send the Preliminary report, if any, to the PU for comments.	Within 1 day after completion of Review.	Day - 17
10	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 days	Day- 19
11.	On completion of the Review, the Reviewer has to submit the under mentioned documents duly signed in individual capacity	Within 1 days	Day- 20

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<p>along with Form 9 (to be signed by the PU and the Reviewer) :</p> <ol style="list-style-type: none">a. Final Report, addressed to Chairman, PRB (https://resource.cdn.icai.org/72014prb57960-mfr.pdf)b. Annexure I (https://resource.cdn.icai.org/66199prb53446-6.pdf),c. Annexure II (Mandatory for all firms) (https://resource.cdn.icai.org/72012prb57960-annex2.pdf)d. Annexure III (https://resource.cdn.icai.org/72013prb57960-annex3.pdf)- (Mandatory for firms carrying out audit of listed entity or Banks other than co-operative banks (except multi-state co-operative banks); or Insurance Companies. However firms doing only branch audit are not covered)e. List of sample selected and basis of sample selection and sample selection criteria as laid down by the Board.*(https://resource.cdn.icai.org/72066prb57994.pdf)f. Preliminary Report, if issued, PU's submissions and Reviewers verification thereon.g. Completed copy of PU Questionnaire received from Practice Unit. <p><i>“Peer Review Board Reserves the right to ask for working papers as specified in the Peer Review Guidelines.”</i></p> <p>A copy of the Final Report along with Annexure I and Annexure II & Annexure III should be sent to the PU also.</p>		
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Peer Review Process

12.	<p>Board to consider issuance of Peer Review Certificate in case of clear Report.</p> <p>In case of Qualified Report submitted by reviewer, the report to be considered by the Board. Board to give the recommendation to PU for rectifying the deficiencies observed by Reviewer.</p> <p>Reviewer to submit proof of receipt of Peer Review Fees in individual capacity.</p>	<p>In the next Meeting of the Board.</p>	
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1. The time period mentioned includes the transit time for mailing/ sending the reports/ communication etc.
2. The Time schedule is illustrative as per the Guidelines and accordingly 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 in Form 1 from the Practice Unit.
3. In case of delay in the Peer Review process beyond the timeframe prescribed under the Peer Review Guidelines, the Practice Unit and the Reviewer, shall make an intimation to the Board in Form 7 seeking extension of time giving reasons for the delay in the process and submission of report to the Secretariat

ANNEXURE III

Sample selection criteria

- A. For firms in existence for more than 3 financial years:** The minimum sample size to be selected is based on Average annual gross receipts/ Revenue from assurance services Clients of Practice Unit during the period under review is as per following table:

Average annual gross receipts/ Revenue from assurance service clients of Practice Unit for the period under review	Minimum sample size
Less than Rs. 5 crore	10
From Rs. 5 crore to less than Rs. 10 crore	15
From Rs. 10 crore to less than Rs. 20 crore	20
From Rs. 20 crore to less than Rs. 30 crore	25
From Rs. 30 crore to less than Rs. 50 crore	30
Rs. 50 crore and above.	50

Note: (1) If total population is less than the minimum as prescribed above, then 100% selection has to be done compulsorily and the fact intimated to the Board. In that situation, a certificate with validity of 18 months would only be issued.

- B. For firms in existence from 1 to 3 financial years:**

Minimum sample size (number)	Validity of Peer Review Certificate
If the total number of assurance clients are 5 or more but less than 10 then 100% selection has to be done compulsorily by the Reviewer and the fact intimated to the Board.	Three year validity Certificate is issued
In case of total assurance clients are 10 or more the reviewer has to select sample as per the above table	
If the total of assurance clients are less than 5, the Reviewer has to select 100% sample in such cases and the fact intimated to the Board.	Eighteen months validity Certificate is issued

Thereafter, for secondary and subsequent cycles, a Peer Review certificate will be issued with validity of 18 months until the Peer Review is conducted for complete three year period.

- C. For firms in existence for less than 1 financial year:** These will be New Units as defined under clause 2(12) of the Peer Review Guidelines. Refer **ANNEXURE IV**.

Other points to be considered by the Reviewer while selecting the sample

- (i) Sample selected should be representative of total population of assurance services
- (ii) Sample chosen must include assurance engagement assignment which has the highest turnover among the statutory audit population.
- (iii) At least 5 samples in total (in case less than 5 then 100% population) must be selected from the category 'Statutory Audit' of Listed entities, central/ State Public Sector Undertakings and Central Cooperative Societies
- (iv) At least 1 sample each from CSA audit of banks and Insurance Company, (if any). CSA will be substituted by SBAs in case PU does not undertake CSA.
- (v) Sample must include each 'type of assurance engagement' (viz. Statutory/Internal/concurrent/Tax/GST etc.) including services provided on tender.
- (vi) Sample must be picked from the assurance clients which contribute 15% or more to the total revenue of the firm (as mentioned under the concentration *Clause 18 of Part A of the Questionnaire*)
- (vii) Sample must be selected from each of the locations where the PU is rendering Assurance services. However, in case branch has a listed client, then that is mandatorily required to be included in the sample.
- (viii) There must be at least one sample from assurance service rendered by each partner of the PU.
- (ix) Sample must be picked from each year under review.

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- (x) Sample must necessarily include those clients in respect of whom advisory has been issued by FRRB or any regulator. (as mentioned under *Clause 14(ii) &14(iii) of Part B (II) of the Questionnaire*).

ANNEXURE IV

Peer Review of New Units

New Unit- Definition

As per Clause 2(12) of the Peer Review Guidelines 2022 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 Practice Unit in existence for a period exceeding 12 months but not rendering any assurance services.

Criteria to be fulfilled by such Units to get a Peer Review Certificate

The Board has decided that Peer Review of newly established Practice Units shall be carried out subject to fulfillment of certain criteria by these Practice Units. These confirmations regarding the fulfillment of the said criteria shall be given by the Practice Unit by applying through the desired clauses of Form 1- Application cum Declaration Form as prescribed by the Peer Review Guidelines 2022.

Either of the Following criteria must be fulfilled by the PU for being entitled to get a Provisional Peer Review Certificate

Criteria to be fulfilled	Corresponding clause of Form 1- Application cum Declaration Form as prescribed by the Peer Review Guidelines 2022
Practice Unit should have a partner or proprietor or employee Chartered Accountant, who is / was a partner/ proprietor of a firm having a Peer Review Certificate that is valid on the date of application.	<i>clause 8 (i) or (ii) or (iii)</i>
Policies, procedures and infrastructure of the Practice Unit is in conformity with the Standards on Quality Control i.e. SQC-1.	<i>clause 9</i>

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<p>The partner of the Practice Unit or the proprietor (in case of proprietorship firm) has carried out audit of Listed company in last three years</p> <p>Note: It is not mandatory for Employee Chartered Accountant that he has carried out audit of any Listed company in last three years.</p>	<p><i>clause 10 (i) or (ii)</i></p>
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OR

<p>Criteria to be fulfilled</p>	<p>Corresponding clause of Form 1- Application cum Declaration Form as prescribed by the Peer Review Guidelines 2022</p>
<p>The partner or the proprietor of the Practice Unit, as the case may be, is an Empanelled Peer Reviewer who has qualified the test organised by the Board.</p>	<p><i>clause 8 (iv) or (v)</i></p>
<p>Policies, procedures and infrastructure of the Practice Unit is in conformity with the Standards on Quality Control i.e. SQC-1.</p>	<p><i>clause 9</i></p>
<p>The partner of the Practice Unit or the proprietor (in case of proprietorship firm) has carried out audit of Listed company in last three years</p> <p>Note: It is not mandatory for Employee Chartered Accountant that he has carried out audit of any Listed company in last three years.</p>	<p><i>clause 10 (i) or (ii)</i></p>

Sample Selection by Reviewer

The Reviewer should select 100% population from the list of assurance clients provided by New Practice Unit in Clause 22 A to K of Part A of Application cum Questionnaire (i.e. Form 1). In case, the Practice Unit has not rendered any assurance service, the fact should be mentioned in the report.

Procedure of Review and Reporting by the Peer Reviewer

As per clause 8 (1) of the Peer Review Guidelines, the Reviewer has to verify the facts submitted by the Practice Unit in Form 1-Declaration cum application and conduct an onsite visit of the Practice Unit which shall be restricted to 1 day. Thereafter the Peer Reviewer shall submit his report in the Format as prescribed by the Board.

As per clause 9 (10) of the Peer Review Guidelines, 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. Thereafter, the Peer Reviewer should submit the Peer Review report in the format hosted at <https://resource.cdn.icaai.org/72108prb58063.pdf>

Cost of Peer Review: The Board has recommended the following Minimum fee where the Review period is less than 3 years. Hence the same scale will be applicable for New Units also.

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.

Validity of Certificate

A Peer Review Certificate of 18 months validity is issued. Thereafter, for secondary and subsequent cycles, a Peer Review certificate will be issued with validity of 18 months until the Peer Review is conducted for complete three year period.

CHAPTER 3

QUESTIONNAIRE FOR PRACTICE UNITS

3.01 As a part of the peer review process, each Practice Unit is required to complete the Questionnaire (Which is a Part of Form1 - Application cum Questionnaire) designed by the Board, and send the same to the Reviewer (refer Paragraph 2.16 of the Manual).

3.02 The Questionnaire has been designed to ascertain the existence of internal controls within a Practice Unit that ensure the quality of assurance services rendered by it. The questionnaire is divided into different sections- Part A; Part B and Part C. Under Part A the Practice Unit has to provide its profile. Particulars regarding constitution of the Practice Unit; Chartered Accountants Employed; Details of Other Employees; branches etc. should pertain to the Peer Review Period and should tally with ICAI Firm card. Part B of the Questionnaire deal with various aspects of the quality controls within the Practice Unit like policies and procedures addressing leadership responsibility, ethical requirements, acceptance and continuance of client relationship, human resource, engagement performance and monitoring etc. Under Part C of the questionnaire the Practice Unit has to provide self-evaluation scores for each clause/ sub-clause using AQMMv1.0. Part C is 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). A Guidance to the Practice Unit as well as the Peer Reviewers has been provided in the '*Handbook on Peer Review Application and Forms*' for filling and checking Questionnaire.

3.03 The questionnaire has been prepared in such a manner that the responses to the questionnaire would help in identifying the quality controls as narrated above that would normally be existing in a Practice Unit although it is not intended to be exhaustive. It is possible that some Practice Units may not have some of these controls considering the level of practice. Non-existence of some of the controls by itself need not be construed as a deficiency in the quality of systems prevalent in such practice unit. The

Questionnaire for Practice Units

reviewer would use the responses to the Questionnaire to plan the review.

3.04 During his visit to the Practice Unit, the Reviewer would evaluate the reasonableness and accuracy of the responses to the Questionnaire. Based on his evaluation of the responses to the Questionnaire, the Reviewer may consider that the system adopted by the Practice Unit is not adequate. It is also possible that the system of Practice Unit is considered to be satisfactory for its type of practice, though the same has not been adequately explained in the Questionnaire.

3.05 Attention of the Reviewer is also invited to Clause 7 of the Peer Review Guidelines. It is reiterated that apart from the information given in the Questionnaire, the Reviewer is entitled to seek such other information as he/she considers necessary to facilitate the selection of sample of assurance services engagements, which appropriately represents the practice unit's client portfolio.

3.06 It is also probable that large Practice Units while responding to the Questionnaire may simply make a cross-reference to their own Quality Control Manuals. In such a case, the reviewer shall have to consider the need for an additional visit to the practice unit before actually planning the on-site review of controls. Such additional visit would enable the reviewer to understand the prevalent controls in operation while performing assurance services.

3.07 The Board recognizes that the responses to the questions may contain confidential information. The Reviewer, therefore, should take appropriate measures to strictly ensure that such information is not made available or known to any other person. Attention is also invited to Clause 32 of the Peer Review Guidelines which lays down the confidentiality requirements related to the process of peer review.

QUESTIONNAIRE
(PART A - PROFILE OF PRACTICE UNIT (PU))

1. Name of the Practice Unit:
2. Peer Review of **HO** **Branch**
3. Address (As per ICAI records) _____

4. Email ID and website of PU _____
5. Status: Partnership Proprietorship
Limited Liability Partnership Practicing in individual name
6. Date of establishment of the PU:
7. Firm Registration Number:
(Membership No. in case of an individual practicing in own name)
8. Is there any networking firm and if yes, please provide
(i) Name of network: _____
(ii) Since when the Networking is entered into: _____
(iii) Is there any exit from the Networking recently: _____. And if Yes, what is the reason or such exit: _____
9. Period of assurance service under review
from: To:
10. Contact person of PU for Peer Review (along with Mobile No. and Email id) _____

11. Particulars about the constitution of the PU during the period under review (as per Form 18 filled with the ICAI). Is there assurance service

Questionnaire for Practice Units

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)

12. Particulars of Chartered Accountants / Employed / Paid Assistant or Consultants as on <_____>:(last date of block period of peer review)

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

13. Details of Other Employees as on <_____>:(last date of block period of peer review)

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

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

S.No	Member in	No. of staff	Membership	Address	Whether

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	Charge		No		assurance services rendered

15. How is the control procedure followed by the Branch/es. And whether any periodic sample testing of clients handled by branch/es is done by HO?

16. 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 (Rs. in Lakhs) to be given:

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

OR

Total Gross receipts of the Practice Unit [both H.O. and branch(es)] as per books of accounts for the period under review. In case of centralized billing the branch turnover may be added with HO otherwise separate figures (Rs. in Lakhs) to be given:

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

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

Questionnaire for Practice Units

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

18. Whether PU has ever undertaken self-evaluation as per 'Digital Competency Maturity Model-2? _____ If yes, when _____?
19. Has the PU been subjected to a Peer Review in the past? _____. If yes, the Certificate number issued by the Board _____.
20. Whether any Partner/Employee of Practice Unit has been found guilty by the Disciplinary Committee in the past 3 years in any capacity.

Name of Partner/Employee	Membership No.	Case No.	Whether found guilty YES/NO

21. Whether any client obtained through the process of tendering? _____
22. Please provide details of assurance clients where report/certificate has been signed during the period under review, financial year wise and branch wise as per Annexure A (Please use additional sheet for year-wise details):

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/h/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										
F3										
G	Any Body corporate including trusts which are covered under public interest entities.									

Questionnaire for Practice Units

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										

***Type of engagement (1) Central Statutory Audit (CSA), (2) Statutory Audit (SA), (3) Tax Audit (TA), (4) Internal Audit (IA), (5) Others (Concurrent, GST, certification work etc.)**

Note: Type of assurance service engagements include Central Statutory Audit, Statutory Audit, Tax Audit, GST Audit, Internal Audit, Certification work but does not include:

- (i) Management consultancy Engagements;
- (ii) Representation before various authorities;
- (iii) Engagements to prepare tax return or advising clients in taxation matter;
- (iv) Engagements for the compilation of financial statement;

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- (v) Engagements solely to assist the client in preparing, compiling or collating information other than financial statement;
- (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 provide by the client; and
- (viii) Engagements for due diligence.

PART B
GENERAL CONTROLS (Based on SQC 1)

(Not applicable for New Units)

The Standard on Quality Control i.e. SQC-1 has been made mandatory by ICAI on and from (1st April 2009). Hence, 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.

Broadly, PU system of quality control should include policies and procedures addressing leadership responsibility, ethical requirements, acceptance and continuance of client relationship, Human Resources, Engagement Performance and Monitoring etc. A Questionnaire based on these criteria is given in Part B(I); B(II); B(III); B(IV); B(V) and B(VI) herein below.

[Notes:

- (i) The application of SQC-1 will depend on various factors such as the size and operating characteristics of the PU and whether it is part of network.]
- (ii) Refer to implementation Guide to SQC1: https://resource.cdn.icai.org/20913frpubcd_aasb1.pdf

PART B (I)

LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN THE FIRM

S.No.	Policies and Procedures	Remarks/Yes/No/Na
1	Does the PU have a Quality Control Manual in place?	
2	Whom has the firm entrusted with the responsibility for developing, implementing, and operating the Firm's QC system?	
3	Who is ultimately responsible for ensuring the effectiveness of the firm's System of QC and setting a tone that emphasizes the importance of quality?	
4	Whether the same has been formally documented and agreed upon by partners?	

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S.No.	Policies and Procedures	Remarks/Yes/No/Na
5 (i)	Who evaluates the client relationships and specific engagements to ensure that commercial considerations do not override the objectives of the system of QC?	
5 (ii)	How often is this evaluation carried out?	
6	What is the procedure followed by firm to ensure that fee considerations and scope of services do not infringe upon the quality of work and proper documentation as envisaged in SQC 1 is maintained?	
7 (i)	How and when are the Firm's QC policies and procedures shared with the personnel working in the Firm?	
7 (ii)	Whether refresher sessions are taken periodically?	
8	Does the firm's compensation system provide incentives and advancement to the personnel who demonstrate quality of work and compliance with professional standards?	
9	Has the PU come across any instances where the QC was overridden?	
10	Which of the following resources have the firm deployed for developing, implementing and maintaining Firm's QC policies and procedures:	
(i)	Manpower	
(ii)	IT tools	
(iii)	Library	
(iv)	Regular review mechanism etc.	

Questionnaire for Practice Units

**PART B (II)
ETHICAL REQUIREMENTS**

S.No.	Policies and Procedures	Remarks/Yes/No/Na
1	Which of the following procedures does the PU have in place for ensuring that the personnel adhere to ethical requirements those contained in the code:	
(i)	Designated Independence and Ethics Partner who is responsible for all aspects of independence and ethics of the PUs partners and professional staff	
(ii)	If answer to (i) above is yes, name of the Partner	
(iii)	Is the Partner same as QC Partner?	
(iv)	Has the PU established a system for identifying all services performed for each client and evaluating whether any of the services impair independence?	
(v)	Does the PU regularly update itself with the changes in professional ethics and independence standards/ requirements?	
(vi)	What checks are put in place to ensure that all personnel follow the independence and ethics policies of the PU?	
2.	Which of the following checks does the PU put in place to ensure that the independence requirements are communicated to its personnel:	
(i)	Does the PU maintain a list of entities with which PU personnel and others, if any, are prohibited from having a financial or business relationship?	
(ii)	Does the PU make the list available to the concerned personnel so that they evaluate their independence?	

Peer Review Manual

S.No.	Policies and Procedures	Remarks/Yes/No/Na
(iii)	Are the changes in the list notified to the personnel as soon as such changes occur?	
(iv)	Does the PU provide frequent reminders of professional responsibilities to personnel?	
3.	Which of the following policies, procedures and the safeguards the PU has in place to mitigate threats to its independence?	
(i)	Do the Engagement Partners provide the PU with relevant information about client engagement to enable it to evaluate the overall impact on independence requirements?	
(ii)	Does the PU provide training to partners and professional staff on what constitutes threat to independence and the safeguards that may be taken to reduce the threats to an acceptable level?	
(iii)	Accumulating and communicating relevant information to appropriate personnel	
(iv)	How and to whom the personnel notify of circumstances and relationships that cause threat to independence?	
(v)	What are the steps taken by PU so that the self-interest threat to independence is mitigated?	
(vi)a.	How the PU is mitigating the self-review threats.	
(vi)b.	Is there any checklist where the steps have been outlined?	
(vii)a.	How the PU is mitigating the risk of advocacy threats.	
(vii)b.	Can the PU demonstrate the same?	
(viii)a.	How the PU is mitigating the familiarity threats.	

Questionnaire for Practice Units

S.No.	Policies and Procedures	Remarks/Yes/No/Na
(viii)b.	Can PU demonstrate the same?	
(viii)c.	Is the relationship with client personal disclosed in the Independence form?	
(ix)a.	Can the PU demonstrate that professional skepticism was used in the entire assignment?	
(ix)b.	What measures are taken to mitigate the same?	
4.	What policies, processes and safeguards has the PU established with regard to threats to its independence:	
(i)	Is it ensured that the PU does not have any financial interests in audit clients, their owners and officials?	
(ii)	Does the ethics policy of the PU emphasize that the members of PU must not have other than business relationships in audit clients, their owners and officials?	
(iii)a.	Does the PU have the policy of rotating out senior personnel from the assurance engagements after a certain length of service at a particular engagement?	
(iii)b.	If yes what is the length of service?	
(iv)	Whether there is a policy that the personnel declares - the acceptance of gifts & hospitality from clients/owners	
(v)	Does the PU have the policy to obtain annual independence declaration from all personnel?	
(vi)	As a step in the engagement program, is the Engagement Partner required to sign a compliance with independence requirements?	
(vii)	In case professional service is conducted	

Peer Review Manual

S.No.	Policies and Procedures	Remarks/Yes/No/Na
	jointly with other auditor, is the annual independence confirmed for the other auditor?	
5.	Are the number of audit assignments held by the PU, at any time, more than the specified number of audit assignments:	
(i)	Under the prevailing Companies Act and/or the limit prescribed by the ICAI.	
(ii)	Tax audit assignments as per ICAI notification	
6.(i)	Has the PU accepted appointment as Statutory Auditor of – PSU(s)/Government Company(ies)/ Listed company(ies) and other Public Company(ies) having turnover of more than Rs. 50 crores or more in a year and accepted other work or assignment or service in regard to the same entity(ies) on a remuneration which in total exceeds the fee payable for carrying out statutory audit of the same entity.)	
6(ii)	If yes, specify reasons	
7.(i)	Has the PU accepted appointment as an auditor of a concern while it/he is indebted to the concern or has given any guarantee or provided any security in connection with the indebtedness of any third person to the concern, for the limits fixed in the statute and in other cases for amount not exceeding Rs.1,00,000.	
7(ii)	If yes, specify reasons.	
8.(i)	Has the PU received fees from a client below the minimum scale of fees recommended for audit assignments by the ICAI?	
8(ii)	If yes, reason for accepting fee below recommended scales	

Questionnaire for Practice Units

S.No.	Policies and Procedures	Remarks/Yes/No/Na
9.(i)	Has the PU, being statutory auditor of a client rendered any services to the same client, as mentioned in section 144 of Companies Act 2013	
9.(ii)	(if yes, specify reason with name of the entities and year in which such service was rendered)	
10.(i)	Has the PU, as incoming auditor for an entity, followed the direction given by the ICAI not to accept an appointment as auditor in the case of unjustified removal of earlier auditor?	
10.(ii)	If no, reasons for non-adherence to the direction	
11.(i)	Does the PU or a Network, as a good and healthy practice, make a disclosure of the payment received by it for other services through the medium of a different firm or firms in which the said PU or Network or its partners may have an ownership interest.	
11.(ii)	(If no, specify reasons)	
12.	Has the PU followed the Guidelines issued by the ICAI in respect of engagement/(s) procured through Tender?	
13.	Is the website of the PU in conformity with Institute's guidelines/ directions issued on posting of particulars on website by Practice Unit(s)?	
14.	Whether your firm has been reviewed by:	
(i)	The Quality Review Board (QRB)	
(ii)	Financial Reporting Review Board (FRRB)	
(iii)	Any regulator (Pls. specify)	

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S.No.	Policies and Procedures	Remarks/Yes/No/Na																				
(iv)	If yes, details as under:																					
	<table border="1"> <thead> <tr> <th>Yr. of Review</th> <th>Name of entity</th> <th>Broad description of deficiencies</th> <th>Dt. Of Submission of compliance report (where ever reqd.)</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Yr. of Review	Name of entity	Broad description of deficiencies	Dt. Of Submission of compliance report (where ever reqd.)																	
Yr. of Review	Name of entity	Broad description of deficiencies	Dt. Of Submission of compliance report (where ever reqd.)																			
15.	Have any Government Bodies/ Authorities evaluated the performance of the firm to the extent of debarment/ blacklisting?																					

PART B (III)

Acceptance and Continuance of Client Relationships and Specific Engagements

S.No.	Policies and Procedures	Remarks/Yes/No/Na
1.	Whether PU documents the decisions taken relating to acceptance and continuance of client relationships/ engagements?	
(i)	Does the PU maintain a client engagement/ acceptance and continuance form?	
(ii)	Who is responsible for completing the client engagement/acceptance and continuance form?	
(iii)	If No, how has the client engagement/ acceptance been documented Pls. elaborate.	
2.	Which of the following processes does the PU have in place when accepting or deciding to continue a client relationship:	

Questionnaire for Practice Units

S.No.	Policies and Procedures	Remarks/Yes/No/Na
(i)	Informing Firm personnel of the policies and procedures for accepting and continuing clients	
(ii)	Usage of Client Acceptance/engagement acceptance checklists listing down:	
a)	Obtaining and evaluating relevant information before accepting or continuing clients	
b)	Performing Background checks for the business, KMP, sister concerns, and other person(s) in questions	
c)	Considering the integrity of the client	
d)	Communicating with previous auditor when required or recommended by professional standards	
e)	Evaluating the risk of providing services to clients for which the firm's objectivity or independence may be impaired	
f)	Whether all KYC norms issued by ICAI are fulfilled?	
3.	Who evaluates the information about the client and gives final approval for acceptance/continuance of client engagement?	
4.	Which of the following procedures the firm has in place for assessing its capability before taking up new engagements/continuance of existing clients:	
(i)	Evaluating whether the firm has sufficient personnel with necessary capabilities and competence	
(ii)	Specialists in terms of specific industry experience or certain skill sets are available, if needed	

Peer Review Manual

S.No.	Policies and Procedures	Remarks/Yes/No/Na																		
(iii)	Individuals meeting the criteria and eligibility requirements to perform an engagement QC review are available, when needed, whether internally or externally																			
(iv)	Assessment that the firm would be able to complete the engagement within agreed deadline																			
5.(i)	Does the PU prepare engagement letter documenting the understanding with the client?																			
5.(ii)	Is the engagement letter signed by the client?																			
6.	Has the PU withdrawn from an engagement and/or from client relationship during the period of review?																			
a)	If yes, has the reason for withdrawal been documented																			
b)	If yes, please mention the Names /Codes of the clients alongwith the year and the reason for withdrawal- (Pls. use extra sheet, if required)																			
	<table border="1"> <thead> <tr> <th>Client Name/ Code</th> <th>Year of withdrawal</th> <th>Reason for Withdrawal</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td></tr> </tbody> </table>	Client Name/ Code	Year of withdrawal	Reason for Withdrawal																
Client Name/ Code	Year of withdrawal	Reason for Withdrawal																		
7	Did the PU face any issues relating to acceptance or continuance of client relationships and specific engagements during the period of review?																			
a)	If yes, how was it resolved?																			
b)	Who has the custody of such documents?																			

Questionnaire for Practice Units

**PART B (IV)
Human Resources**

S.No.	Policies and Procedures	Remarks/Yes/No/Na
1.	Which of the procedures does the PU have in place for managing the Human Resource function:	
(i)	Does the PU have a designated individual to be responsible for managing Human Resource function?	
(ii)	How frequently the designated person/ PU evaluate the PUs personnel needs?	
(iii)	Is there a formal documented process for hiring by the PU, covering:	
a)	Does the PU have an established criterion for determining which individuals would be involved in hiring process?	
b)	Has the PU laid down any qualification, experiences, attributes required for the entry level and experienced personnel to be hired?	
c)	Additional procedures like performing background checks etc. been put in place?	
d)	Whether joining check-list is maintained?	
2.	Does the firm maintain and monitor the employee turnover ratio and identify measures to keep it minimal?	
3.	Does the firm maintain a minimum Staff to Partner Ratio, Partner to Manager, Manager to Articles, Client to Staff ratio, etc.	
4.	Which of the following considerations does the PU have in place to select the engagement partner & team required for an engagement:	
a)	Understanding the role of PUs Quality Control	

Peer Review Manual

S.No.	Policies and Procedures	Remarks/Yes/No/Na
	and Code of Ethics issued by the Institute in ensuring the integrity of the accounting, auditing and attest functions to user of reports	
b)	Performance, supervision and reporting aspects of the engagement, which ordinarily are gained through training or participation in similar engagements	
c)	The industry in which the client operates, including its organization and operating characteristics, sufficient to identify areas of high or unusual risk associated with engagement	
d)	The skills that contribute to sound professional judgment, including the ability to exercise professional skepticism	
e)	Adequate mix of different level personnel in the team	
f)	How the auditee uses information technology and the manner in which information systems are used to record and maintain financial information	
5.	Which of the following procedures does the PU follow to determine the capabilities and competencies possessed by personnel:	
(i)	Does the PU have an established criterion for evaluating personal characteristics such as integrity, competence and motivation?	
(ii)a.	Does the PU evaluate the personnel atleast annually to determine their capabilities and competencies?	
(ii)b.	If yes, whether this is documented?	
6.	Does the PU have any policy for assigning responsibility for engagements to an engagement partner?	

Questionnaire for Practice Units

S.No.	Policies and Procedures	Remarks/Yes/No/Na
7.	Does the PU have following parameters in place to ensure that the knowledge of its personnel get updated on an ongoing process:	
(i)	Requires personnel (including articled trainees) to participate in the CPED programs in accordance with firm guidelines to keep them updated on the current developments	
(ii)	Maintains/tracks record of CPE status of its professional personnel as per the requirements of the ICAI	
(iii)	Provides CPED course materials / access to digital content on the latest changes in accounting, auditing, independence requirement	
(iv)	Provides orientation and training programs for new hires	
(v)	Employees are equipped with technological skill sets – like AI, Blockchain, Audit & Data analytical tools, etc.	
(vi)	Does the PU sponsor any of skill development tools?	
(vii)	Does the PU provide access to technology, infrastructure and methodology for better enablement of day to day work?	
(viii)	Does the PU organize self-developed programs like group discussions, mock presentation, short reviews by Team Leader etc.?	
8.	Does the PU have policies and procedures for career advancement of its personnel?	
9.	Is there a system for evaluating the performances on timely basis with the individual being evaluated?	
10.	Is there a fast track advancement policy for star performers?	

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**PART B (V)
Engagement Performance**

S.No.	Policies and Procedures	REMARKS/YES/NO/NA
1.(i)	Does the PU plan for performing engagements in accordance with professional standards and regulatory and legal requirements?	
(ii)	If yes, what does the plan encompass:	
a)	Are the responsibilities assigned to appropriate personnel during the planning phase?	
b)	Is the background information on the client and the engagement developed/updated and team briefed accordingly?	
c)	Does the firm prepare a planning document mentioning the staffing requirements/the risks/time allocation etc.?	
d)	Whether checklist of relevant Laws/Rules including those related with Accountancy & audit is shared with the engagement team?	
e)	Whether industry briefing about nature, structure & vertical, and important points from previous year audit summary memorandum are provided to team during planning of the engagement?	
f)	Any other (pls. specify)	
2.	Does the PU conduct pre-assignment meeting with the clients, liaison office etc. to understand the preparedness of the client to start the professional functions.	
3.	Does the PU prepare and document Audit Summary Memorandum to provide the	

Questionnaire for Practice Units

S.No.	Policies and Procedures	REMARKS/YES/NO/NA
	history of the planned risks, the audit procedures which mitigated the risk, conclusions on controls etc.?	
4.	Does the PU prepare standardized forms, checklists and questionnaires used in performance engagements?	
5.	Does the team leader/Engagement Partner keep a track of the audit findings, other significant issues at various stages of the engagement (including disposal/discussion with the TCWG)?	
6.	How does the PU ensure that	
(i)	the qualified team members review the work performed by other team members on a timely basis?	
(ii)	Is there any document maintained by the PU for the supervision of work performed?	
7.	What is the mode for maintaining the working papers? Electronic mode or in physical form or in a hybrid manner?	
8.	What tool does the PU use for maintaining the working in electronic form?	
9.	Which of the following procedures does the PU have in place to maintain confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation:	
(i)	Documenting when and by whom the engagement documentation was prepared and reviewed	
(ii)	Protecting integrity of information at all stages of engagement especially when the information was shared through electronic means	

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S.No.	Policies and Procedures	REMARKS/YES/NO/NA
(iii)	Preventing unauthorized changes in engagement documentation	
(iv)	Allowing access to engagement documentation by engagement team and other authorized parties only	
(v)	Enabling confidential storage of hardcopies of engagement documentation	
(vi)	Requiring use of passwords by engagement team members and data encryption to restrict access to electronic engagement documentation to authorized users	
(vii)	Maintaining appropriate backup routines at appropriate stages during the engagement	
(viii)	Enabling the scanned copies to be retrieved and printed by authorized personnel	
10.	Which procedures does the PU follow to ensure that it maintains engagement documentation for a period of time sufficient to meet the needs of the firm, professional standards, laws and regulations:	
(i)	For how many years the PU maintains engagement documentation?	
(ii)	How does the PU enable retrieval of, and access to engagement documentation during the retention period in case of electronic documentation as the underlying technology may be upgraded or changed overtime	
(iii)	Does the PU ensure that, record of changes made to engagement documentation after assembly of files has been completed?	

Questionnaire for Practice Units

S.No.	Policies and Procedures	REMARKS/YES/NO/NA
(iv)	Does the PU ensure that only authorized external parties access and review specific engagement documentation for QC or other purposes?	
11(i)	Does the PU have the policy for documenting the issue requiring consultation, including any decisions that were taken, the basis for those decisions	
11(ii)	And how they were implemented?	
12.	Who resolves with the differences of professional judgement among members of the engagement team?	
13.	Is there a formally designed an escalation matrix, in case the differences are not resolved at certain level?	
14.	Are the conclusions reached properly documented?	
15.	What happens if the members of the team continue to disagree with the resolution?	
16.	When does the PU release the report in cases where differences in opinion exist?	
17.	Does the PU have a policy of having engagement quality review conducted for all audit of financial statements of listed entities?	
18.	Which of the criteria does the PU have in place for carrying out the engagement QC review for its engagements (other than covered above):	
(i)	Certain class of engagements (mention the class)	
(ii)	Risks in an engagement (mention type/level)	

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S.No.	Policies and Procedures	REMARKS/YES/NO/NA
(iii)	Unusual circumstances (mention the particular circumstance)	
(iv)	Required by law or regulation (quote the law/regulation)	
(v)	Any other like size (pls. elaborate)	
19.	Which of the following procedures are followed by the PU for addressing the nature, timing, extent, and documentation of engagement QC review:	
(i)	Discuss significant accounting, auditing and financial reporting issues with the engagement partner	
(ii)	Discuss with the EP the engagement team's identification and audit of high risk assertions and transactions	
(iii)	Confirm with the EP that there are no significant unresolved issues	
(iv)	Read the financial statements and the report and consider whether the report is appropriate	
(v)	The procedures required by the firm's policies on engagement QC review have been performed	
(vi)	The engagement QC review has been completed before the report is released	
(vii)	Resolving conflict between the engagement partner and the engagement QC reviewer regarding significant matters	
20.	Which of the following are the PU's established criteria for eligibility of 'Engagement Quality Assurance Reviewers':	

Questionnaire for Practice Units

S.No.	Policies and Procedures	REMARKS/YES/NO/NA
(i)	Selected by QC partner or the Managing Partner	
(ii)	Has technical expertise and experience	
(iii)	Carries out the responsibilities with objectivity and due professional care without regard to relative positions	
(iv)	Meets the independence requirements relating to engagement reviewed	
(v)	Does not participate in the performance of the engagement except when consulted by the engagement partner	
(vi)	Any other (Pls. specify)	

**PART B (VI)
Monitoring**

S.No.	Policies and Procedures	Remarks/Yes/No/Na
1.(i)	Does the PU have Policies and Procedures to confirm on the adequacy and relevance of Quality Control procedures adopted?	
(ii)	If yes, what document is in place to establish the procedure	
2.	Who is responsible to evaluate the Quality and Control policies and procedures to ensure the relevance, adequacy, effectiveness and appropriateness with current trends?	
3.	How frequently are the processes and the procedures related to QC revised?	
4.	When was the last revision to the Quality Control policies and procedures carried out?	
5.(i)	Did the PU follow ongoing consideration and evaluation system of quality	

Peer Review Manual

S.No.	Policies and Procedures	Remarks/Yes/No/Na
5.(ii)	controls?	
	If yes, what document is in place to establish the same	
6.	Which of the following monitoring procedure, the PU has in place for QC:	
(i)	Designated partner/(s) for performing annual inspection	
(ii)	Deciding how long to retain detailed inspection documentation	
(iii)	Reviewing correspondence regarding consultation on independence, integrity and objectivity matters and acceptance and continuance decisions	
(iv)	Preparing summary inspection report for the partner and sets forth any recommended changes that should be made to the firm's policies and procedures	
(v)	Reviewing and evaluating Firm practice aids, such as audit programs, forms, checklists and considering that they are up to date relevant	
(vi)	Reviewing summary of CPED records of firms professional personnel	
(vii)	Reviewing other administrative and personnel records pertaining to QC elements	
(viii)	Soliciting information on the effectiveness of training programs from the Firm's personnel	
(ix)	Any other (Pls. elaborate)	

Questionnaire for Practice Units

PART C

(Scores obtained by self-evaluation using AQMMv1.0)

[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) and recommendatory for other Practice Units]

Section 1- Practice Management –Operation

Competency Basis	Score Basis	Max Scores	Scores obtained
1	Practice Management – Operation		
1.1.	Practice Areas of the Firm		
I	Revenue from audit and assurance services	(i) 50% to 75% – 5 Points (ii) Above 75% – 8 Points	8
ii	Does the firm have a vision and mission statement? Does it address Forward looking practice statements/Plans?	For Yes – 4 Points For No – 0 Point	4
	Total		12
1.2.	Work Flow - Practice Manuals		
i.	Presence of Audit manuals containing the firm's methodology that ensures compliance with auditing standards and implementation thereof.	For Yes – 8 Points For No – 0 Point	8
ii.	Availability of standard formats relevant for audit quality like - - LOE - Representation letter - Significant working papers - Reports and implementation thereof	For Yes – 8 Points For No – 0 Point	8
	Total		16

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Competency Basis	Score Basis	Max Scores	Scores obtained	
1.3.	Quality Review Manuals or Audit Tool			
i.	Usage of Client Acceptance/engagement acceptance checklists and adequate documentation thereof.	For Yes – 4 Points For No – 0 Point	4	
ii.	Evaluation of Independence for all engagements (partners, managers, staff, trainees) based on the extent required. The firm must identify self-interest threat, familiarity threat, intimidation threat, self-review threat, advocacy threat and conflict of interest.	For Yes – 4 Points For No – 0 Point	4	
iii.	Does the Firm maintain and use the engagement withdrawal/ rejection policy, templates, etc.	For Yes – 4 Points For No – 0 Point	4	
iv.	Availability and use of standard checklists in performance of an Audit for Compliance with Accounting and Auditing Standards	For Yes – 4 Points For No – 0 Point	4	
v.	Availability and use of standard formats for audit documentation of Business Understanding, Sampling basis, Materiality determination, Data analysis, and Control Evaluation	For Yes – 4 Points For No – 0 Point	4	
vi.	Are the documents related to Quality control mentioned from (i) to (v) above reviewed and updated on a frequent basis (say annually) or with each change in the respective regulation or statute and remedial action taken?	For Yes – 4 Points For No – 0 Point	4	
	Total		24	

Questionnaire for Practice Units

Competency Basis	Score Basis	Max Scores	Scores obtained
1.4	Service Delivery - Effort monitoring		
i.	Does the firm carry out a Capacity planning for each engagement?	For Yes – 4 Points For No – 0 Point	4
ii.	Is a process of Budgeting & Planning of efforts required maintained (hours/days/weeks)?	For Yes – 4 Points For No – 0 Point	4
iii.	Are Budget vs Actual analysis of time and effort spent carried out to identify the costing and pricing?	Up to 10% – 0 Point More than 10% and up to 30% – 4 Points More than 30% and up to 50% – 8 Points More than 50% and up to 70% – 12 Points More than 70% and up to 90% – 16 Points More than 90% – 20 Points	20
iv.	Does the firm deploy technology for monitoring efforts spent - Utilisation of tools to track each activity (similar to Project management - Say timesheets, task management, etc.)? Note: DCMM Version 2 may be referred to arrive at the technical maturity of the firm/CA.	For Yes – 8 Points For No – 0 Point	8
	Total		36
1.5	Quality Control for engagements		
i.	Does the firm have a Quality	For Yes – 8 Points	8

Peer Review Manual

Competency Basis		Score Basis	Max Scores	Scores obtained
	Review of all Listed audit engagements as per para 60 of SQC1? Is there a document of time spent for review of all engagements?	For No – 0 Point		
ii.	Total engagements having concluded to be satisfactory as per quality review vs No of engagements quality reviewed	Up to 10% – 0 Point More than 10% and up to 30% – 4 Points More than 30% and up to 50% – 8 Points More than 50% and up to 70% – 12 Points More than 70% and up to 90% – 16 Points More than 90% – 20 Points	20	
iii.	No. of engagements without findings by ICAI, Committees of ICAI and regulators that require significant improvements	10% to 30% – 4 Points More than 30% and up to 50% – 8 Points More than 50% and up to 70% – 12 Points More than 70% and up to 90% – 16 Points More than 90% – 20 Points	20	
iv.	Documentation of the firm in accordance with SQC 1	For the presence of documentation in the critical areas of Ethical requirements, Acceptance and continuance of client relationships and specific	12	

Questionnaire for Practice Units

Competency Basis		Score Basis	Max Scores	Scores obtained
		engagements, and Engagement performance – 6 Points For the presence of documentation in the areas of Leadership responsibilities for quality within the firm, Human resources, and Monitoring – 6 Points		
v.	Does the firm have Accounting and Auditing Resources in the form of soft copies of archives Q&As, firm thought leadership, a dedicated/ Shared Technical desk?	For Yes – 8 Points For No – 0 Point	8	
vi.	Is appropriate time spent on understanding the business, risk assessment and planning an engagement? Have risks been mitigated through performance of audit procedures?	For Yes – 12 Points For No – 0 Point	12	
Total			80	
1.6 Benchmarking of service delivery				
i.	Does the firm follow/ implement Standard delivery methodology – the adoption of audit manuals, adherence to practice standards and tools?	For Yes – 4 Points For No – 0 Point	4	
ii.	The number of statutory audit engagements re- worked (filing errors, information insufficiency, wrong interpretation of provisions,	Less than 5% – 0 Point More than 5% to 15%: (-1) Point More than 15% to	0	

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Competency Basis		Score Basis	Max Scores	Scores obtained
	etc.)	30%: (-2) Points More than 30% to 50%: (-3) Points More than 50%: (-4) Points		
iii.	Number of client disputes (other than fees disputes) and how they are addressed.	Less than 5% – 0 Point More than 5% to 15%: (-1) Point More than 15% to 30%: (-2) Points More than 30% to 50%: (-3) Points More than 50%: (-4) Points	0	
iv.	Is the timing of audit interactions with management planned in such a way that integrates with the auditor's requirements so that audit timelines can be met? [Review frequency of backlog, engagement agreed upon and not commenced, WIP, etc. (Excl. of client-side delays)]	For Yes – 12 Points For No – 0 Point	12	
	Total		16	
1.7	Client Sensitisation			
i.	Awareness meetings and Knowledge dissemination meetings/articles/document sharing with clients including: 1) Updating client on audit issues, formally-effectiveness of the process of communication with	For Yes – 8 Points For No – 0 Point	8	

Questionnaire for Practice Units

Competency Basis		Score Basis	Max Scores	Scores obtained
	<p>management and those charged with Governance;</p> <p>2) Updating client on changes in accounting, legal, audit aspects, etc. with client specific impact; and</p> <p>3) Follow through on previous audit observations and updates to management and those charged with Governance.</p>			
ii.	Monitoring planned hours vs actual hours across engagement; the focus is on the existence of a monitoring mechanism	For Yes – 8 Points For No – 0 Point	8	
	Total		16	
1.8	Technology Adoption			
(i)	Technology adoption at			
	Office –			
	<ul style="list-style-type: none"> Internal communication – chats 	For Yes – 4 Points For No – 0 Point	4	
	<ul style="list-style-type: none"> Has the firm automated its office with automated Attendance System and Leave management? 	For Yes – 4 Points For No – 0 Point	4	
	<ul style="list-style-type: none"> Project or activity management/ Timesheet management, 	For Yes – 4 Points For No – 0 Point	4	
	<ul style="list-style-type: none"> Digital storage of records (scan, etc.), 	For Yes – 4 Points For No – 0 Point	4	
	<ul style="list-style-type: none"> Centralised server/ Cloud 	For Yes – 4 Points For No – 0 Point	4	
	<ul style="list-style-type: none"> Digital Library (Own or ICAI) 	For Yes – 4 Points For No – 0 Point	4	

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Competency Basis		Score Basis	Max Scores	Scores obtained
	<ul style="list-style-type: none"> Client interaction (Alerts, updates, availability of information in website, etc.), 	For Yes – 4 Points For No – 0 Point	4	
	<ul style="list-style-type: none"> Video conferencing facilities adopted, 	For Yes – 4 Points For No – 0 Point	4	
	<ul style="list-style-type: none"> Does the firm use only licensed operating system, software etc.? 	For Yes – 4 Points For No – 0 Point	4	
	<ul style="list-style-type: none"> Own E-mail domains, E-mail usage policies, etc. 	For Yes – 4 Points For No – 0 Point	4	
	<ul style="list-style-type: none"> Use of anti-virus and malware protection tools, 	For Yes – 4 Points For No – 0 Point	4	
	<ul style="list-style-type: none"> Data security, etc. 	For Yes – 4 Points For No – 0 Point	4	
	<ul style="list-style-type: none"> Cyber security measures 	For Yes – 4 Points For No – 0 Point	4	
ii.	Awareness and Adoption of Technology for Service delivery – Say, use of Audit tools, usage of analytical tools, use of data visualisation tools or adoption of an audit tool. Note: DCMM Version 2 may be referred to arrive at the technical maturity of the firm/ CA.	For Yes – 12 Points For No – 0 Point	12	
	Total		64	
1.9	Revenue, Budgeting & Pricing			
i.	Whether the client wise revenue is in compliance with the Code of Ethics (currently fees from one client should not exceed 40% of total revenue unless safeguards are put in place) and once the deferred clauses of Part A are implemented this will be reduced to 15%.	For Yes –4 Points For No – 0 Point	4	

Questionnaire for Practice Units

Competency Basis		Score Basis	Max Scores	Scores obtained
ii.	Fee considerations and scope of services should not infringe upon the quality of work and documentation as envisaged in SQC 1 under Leadership is responsible for quality within the firm.	Yes – 8 Points For No – 0 Point	8	
iii.	Adherence to a minimum scale of fees standards recommended by ICAI	For up to 50% of the engagements- 2 Points For More than 50% of the engagements – 4 Points For None – 0 Point	4	
Total			16	
Total of Section 1			280	
2	Human Resource Management			
2.1.	Resource Planning & Monitoring as per the firm's policy			
i.	Does the firm have a process of Employee/ Resource Planning for the engagements based on skill set requirement, experience, etc.?	For Yes – 4 Points For No – 0 Point	4	
ii.	Methods/Tools used by the firm for Resource Allocation (use of spreadsheets, work flow tools, etc.)	For Yes – 4 Points For No – 0 Point	4	
iii.	Is there a method of tracking the employee activity, to identify resource productivity (e.g., timesheet)?	For Yes – 4 Points For No – 0 Point	4	
iv.	Does the firm maintain a minimum Staff to Partner Ratio, Partner to Manager, Manager to Articles, Client to Staff ratio, etc.	For Yes – 8 Points For No – 0 Point	8	

Peer Review Manual

Competency Basis		Score Basis	Max Scores	Scores obtained
v.	Does the firm monitor the Utilisation & Realisation rate per employee	For Yes – 4 Points For No – 0 Point	4	
vi.	Does the firm document the resource plan for each engagement and file it for reference during the engagement?	For Yes – 4 Points For No – 0 Point	4	
Total			28	
2.2.	Employee Training & Development			
i.	Does the firm have an employee training policy?	For Yes – 4 Points For No – 0 Point	4	
ii.	Number of Professional Development hours/days spent (Frequency) as a firm – per employee	60 hours per year for junior- level: 2 Points for general training and 6 points for specialised technical training 30 - 60 hours per year for mid- level: 2 Points for general training and 6 points for specialised technical training More than 30 hours for partners: 2 Points for general training and 6 points for specialised technical training	24	
iii.	Employees are equipped with technological skill sets – AI, Blockchain, Audit & Data analytical tools, etc. and sponsored by the firm to develop the same: 1. Knowledge of	Use of Analytical Tools for the listed entity, Banks other than co-operative banks (except multi-state co-operative banks) and	8	

Questionnaire for Practice Units

Competency Basis		Score Basis	Max Scores	Scores obtained
	<p>technological skill sets will be more relevant for large audits (Like Audit Engagements of Listed entity, Banks other than co-operative banks (except multi-state co-operative banks) and Insurance Companies etc.). Hence, the question should be relevant only for such audit engagements.</p> <p>2. The audit Teams should be aware of Data Analytics Tools and comprehend the results of the tools to adjust the audit strategy.</p> <p>3. Technologies like AI and blockchain may be considered as an incremental factor for differentiation purposes, if the firms are scored at the same level.</p>	<p>Insurance Companies audit engagements: For Yes – 8 Points For No – 0 Point / NA</p>		
iv.	Whether the firm has a performance management culture that rewards high performing employees and those who demonstrate high levels of quality and ethics?	For Yes – 8 Points For No – 0 Point	8	
	Total		44	
2.3.	Resources Turnover & Compensation Management			
i.	Does the Firm evaluate a team composition overall to build the Team Strength - say, Number of Managers, Assistant Managers, Paid Assistants,	For Yes – 8 Points For No – 0 Point	8	

Peer Review Manual

Competency Basis		Score Basis	Max Scores	Scores obtained
	Article Assistants, Other Degree holders?			
ii.	Does the firm maintain and monitor the employee turnover ratio and identify measures to keep it minimal?	For Yes – 8 Points For No – 0 Point	8	
iii.	Qualified professionals retained by the firm (resources available to a partner)	10 and above – 20 Points 8 to 9 – 16 Points 6 to 7 – 12 Points 4 to 5 – 8 Points Up to 3 – 4 Points	20	
iv.	Does the firm evaluate the Employee relation with the firm (No. of Professionals vs. No. of years employed with firm) to identify reasons for turnover if any?	For Yes – 4 Points For No – 0 Point	4	
v.	Statutory contributions wherever applicable, Health Insurance and other benefits, available in the firm for staff members and partners	For Yes – 8 Points For No – 0 Point	8	
vi.	Does the firm evaluate for which kind of audits does it have a revolving door (between different engagements) for people below partner level?	For Yes – 4 Points For No – 0 Point	4	
vii.	Progress of people through an established framework and time commitment of Managers and Partners – Engagement level review and overall performance evaluation and rewards mechanism for differentiated performance levels	For Yes – 8 Points For No – 0 Point	8	
viii.	Access and use of technology, infrastructure, methodology for better enablement of day-to-	For Yes – 8 Points For No – 0 Point	8	

Questionnaire for Practice Units

Competency Basis		Score Basis	Max Scores	Scores obtained
	day work / including favorable remote working policies			
ix.	Coaching and mentoring program investment, especially for women colleagues to enhance the diversity of audit leaders in the profession	For Yes – 8 Points For No – 0 Point	8	
x.	Special policies to provide people time to rejuvenate especially after busy audit seasons	For Yes – 4 Points For No – 0 Point	4	
xi.	Focused policies and support for staff well - being, engagement and communication	For Yes – 8 Points For No – 0 Point	8	
xii.	An established mechanism to listen to people and their views and suggestions. Credible Employee survey and its outcome demonstrate how well people are taken care of and heard.	For Yes – 8 Points For No – 0 Point	8	
xiii.	Standards of recruiting people – Assessment methodology, evaluation of quality and fitment to the job and culture	For Yes – 4 Points For No – 0 Point	4	
xiv.	Are the employees of the firm compensated as per a defined approach where salary is mapped to the knowledge and experience level of the employee?	For Yes – 4 Points For No – 0 Point	4	
	Total		104	
2.4.	Qualification Skill Set of employees and use of Experts			
i.	Number of Professionally qualified members – ACA/FCA If evaluation is being done for a firm that primarily offers Statutory and Tax Audit Services then only ACA / FCA	Upto 30% – 4 Points More than 30% to 50% – 8 Points Above 50% – 12 Points	12	

Peer Review Manual

Competency Basis		Score Basis	Max Scores	Scores obtained
	should be considered for evaluation purposes.			
ii.	<p>Post Qualification Certifications obtained from professional bodies or similar organisations (DISA, IP, etc.)</p> <p>DISA and IP are courses that are required in Information System Audits.</p> <p>If qualified resource is not available in the firm, whether the services of expert are taken?</p> <p>Whether all partners have complied with CPE requirements of ICAI?</p>	<p>Applicable – 8 Points</p> <p>Not Applicable – 0 Point</p>	8	
iii.	<p>Members with Specialisation courses or Certifications – (Ranking can be based on newer areas or international qualification – say, Dip. IFRS or Firm Ind AS / IFRS Accreditation Requirements, etc.)</p>	<p>Upto 30% – 4 Points</p> <p>30% to 50% – 8 Points</p> <p>Above 50% – 12 Points</p>	12	
Total			32	
2.5 Performance evaluation measures carried out by the firm (KPI's)				
i.	Does the firm have written KPIs for performance evaluation of the firm and partners?	<p>For Yes – 8 Points</p> <p>For No – 0 Point</p>	8	
ii.	Method for measurement and evaluation as mentioned above (i) are determined / specific.	<p>For Yes – 8 Points</p> <p>For No – 0 Point</p>	8	
iii.	There is a decided frequency for the evaluation and is consistently applied	<p>For Yes – 8 Points</p> <p>For No – 0 Point</p>	8	
iv.	Are engagement partners reviewed based on the review results of the engagements of each partner	<p>For Yes – 8 Points</p> <p>For No – 0 Point</p>	8	
Total			32	
Total of Session 2			240	

Questionnaire for Practice Units

Competency Basis	Score Basis	Max Scores	Scores obtained
3	Practice Management – Strategic/Functional		
3.1	Practice Management		
	Does the firm Manage the following attributes relating to Assurance partners to maintain the same at optimum levels as deemed fit for the respective organisations?		
i.	Does the firm have a balanced mix of experienced and new Assurance partners?	For average partner experience of partners > 5 years – 4 Points For average partner experience of partners > 10 years – 8 Points	8
ii.	Is the firm compliant with the ICAI Code of Ethics, Companies Act 2013 and other regulatory requirements in relation to Professional Independence and Conflict of Interest?	For Yes – 8 Points For No – 0 Point	8
iii.	Is there is a 'whistle blower' policy?	For Yes – 4 Points For No – 0 Point	4
	Total		20
3.2	Infrastructure – Physical & Others		
i.	Number of Branches & Associates and network firms and affiliates	Upto 3 – 2 Points 4 to 7 – 4 Points 8 to 15 – 6 Points More than 15 – 8 Points	8
ii.	Are branch level activities Centralised/ Decentralised in accounting, Invoicing, and Payroll processing	Centralised – 8 Points Decentralised – 4 Points	8

Peer Review Manual

Competency Basis		Score Basis	Max Scores	Scores obtained
iii.	Physical & Logical Security of Information are extended and implemented across locations?	For Yes – 8 Points For No – 0 Point	8	
iv.	Are there adequate DA tools and IT infrastructure available and are they being used for the relevant assignment?	For Yes – 12 Points For No – 0 Point	12	
v.	Is the infrastructure adequate in terms of internet/intranet network bandwidth/ VPN/Wi-Fi etc. for remote working?	For Yes – 12 Points For No – 0 Point	12	
Total			48	
3.3	Practice Credentials			
	What are the credentials of the firm that distinguish the firm or stands as testimony to the quality of the firm?			
i.	Is the firm ICAI Peer Review certified?	For Yes – 4 Points For No – 0 Point	4	
ii.	Empanelment with RBI / C&AG	For Yes – 8 Points For No – 0 Point	8	
iii.	Is there an advisory as well as a decision, to not allot work due to unsatisfactory performance by the CAG office?	For Yes – (-5) Points For No – 0 Point	0	
iv.	Have any Government Bodies/ Authorities evaluated the performance of the firm to the extent of debarment/ blacklisting?	For Yes – (-10) Points For No – 0 Point	0	
v.	Any negative assessment in the report of the Quality Review Board?	For Yes – (-5) Points For No – 0 Point	0	
vi.	Has there been a case of professional misconduct on	For Yes – (-5) Points For No – 0 Point	0	

Questionnaire for Practice Units

Competency Basis		Score Basis	Max Scores	Scores obtained
	the part of a member of the firm where he has been proved guilty?			
	Total		12	
Total of Section 3			80	
Grand Total			600	

Signature :

Name of Proprietor/Partner/ individual :
Practicing in own name:

Membership No. of the Signatory :

Mobile No. of the Signatory :

Stamp of Firm :

Date :

CHAPTER 4

REVIEW PROCEDURES

INTRODUCTION

Review procedures basically comprise of the compliance and substantive procedures based on the information and explanation obtained during Review. This Chapter outlines the procedures to be followed by the reviewer.

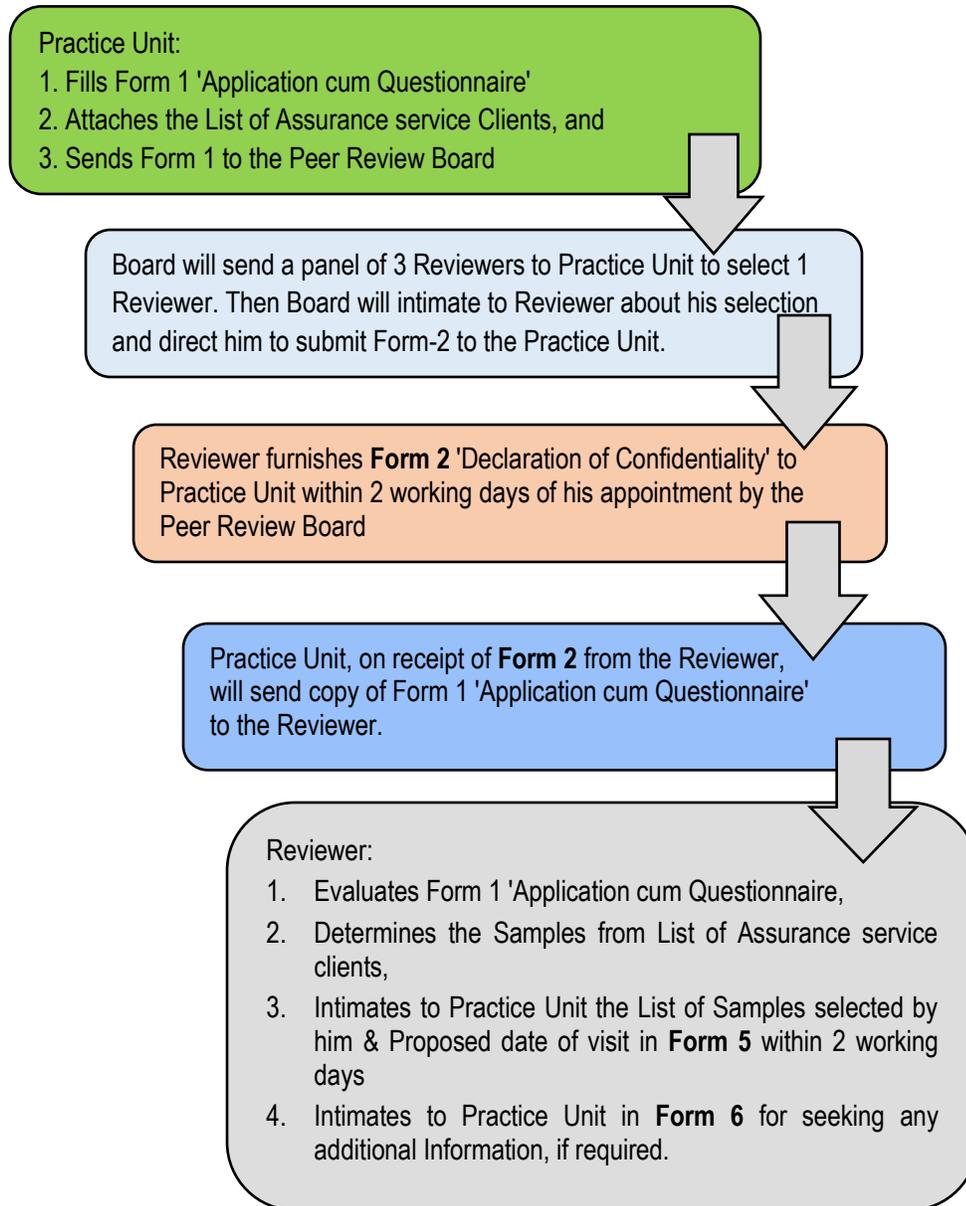
METHODOLOGY OF ARRIVING AT THE FAIR POPULATION

- The Reviewer shall commence the review on receipt of copy of the Application cum Questionnaire in Form 1 from the Practice Unit (PU).
- The Reviewer shall review the Questionnaire and understand about the quality controls which are in place with regard to the Practice Unit's assurance services.
- There should also be a fair methodology to review whether the list of services provided by the PU is an exhaustive one and no services are omitted intentionally for the Reviewer to perform his functions.
- Such exhaustive list should be mapped with the list of UDINs generated by the partners of the firm.
- Further the UDIN portal has a facility for tracing to the name of the clients for which attestation functions are being carried out.
- The exhaustive list may also be mapped with the invoices raised, GST returns and other related billing documents.
- Cognizance of such list with the list of services provided by the PU can be carried out to know the procedure for arriving at the population.

1. OFF SITE PROCEDURE

Following flow chart depicts the flow of activities the Reviewer follows during the off-site review:

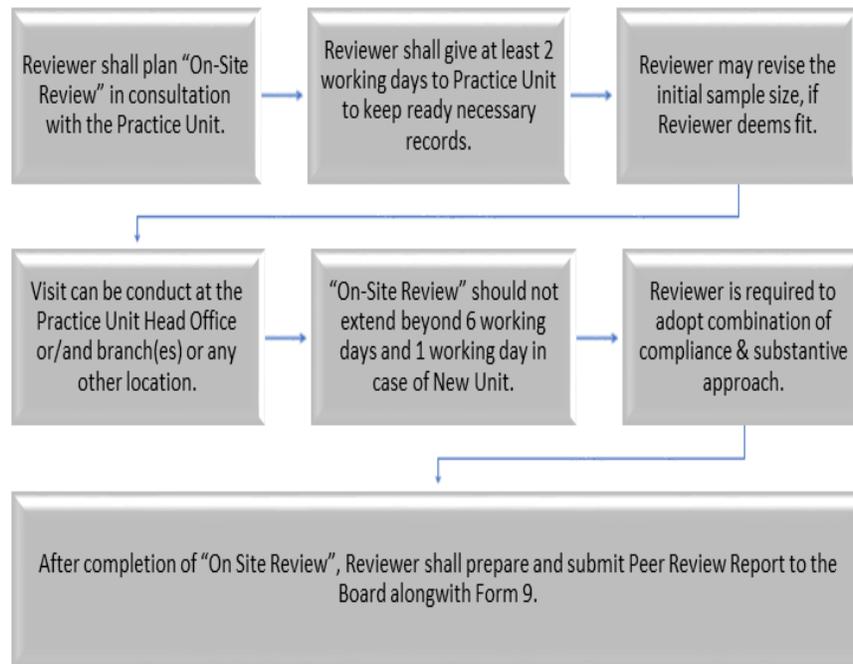
Review Procedures



The above Flowchart is for the purpose of providing an overview only. Reviewer shall perform onsite compliance procedures and substantive procedures to obtain necessary evidences.

2. ON-SITE PROCEDURE

Following flow chart depicts the flow of activities the Reviewer follows during the on-site review:



COMPARISON OF AUDIT PROGRAMME WITH WORKFLOW

- (i) **Planning:** Reviewer should collect the audit programme as devised at the beginning of the audit. Such audit programme should be compared with actual workflow the PU follows.
- (ii) **Execution:** Reviewer to check if the work of the executive and audit in-charge are logged and time involved is in line with audit programme as devised.
- (iii) **Conclusion:** Reviewer should check if the final discussions are made by the partner of the PU with those charged with governance and such discussions are logged appropriately for documentation.

Reviewer's Workflow:

- Validate the information provided by PU under Part A of Form 1.

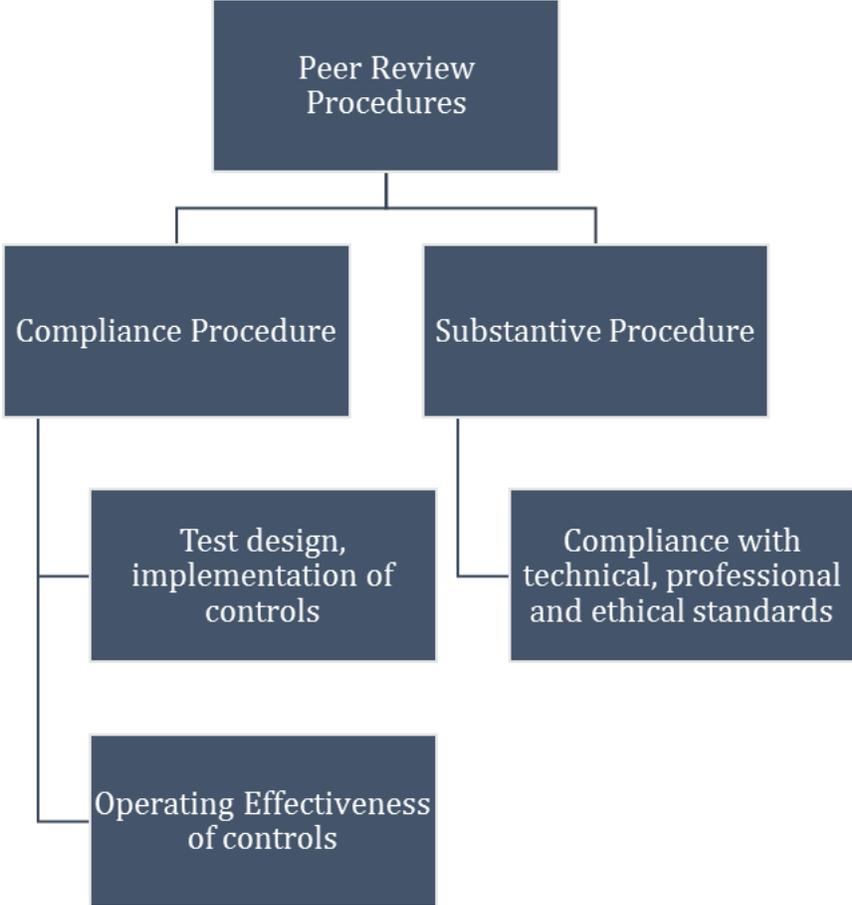
Review Procedures

- PU Profile details may be validated with the data available on SSP portal, MEF and other similar forms submitted to regulators and other entities.
- PU control procedures with respect to its branches, if any, should be evaluated by following a fair methodology.
- Obtain the details of fee charged for the list of clients provided in Form 1 to validate the total fees from assurance services and for arriving at the concentration of fees.
- Obtain self-declaration for the Disciplinary proceedings initiated, pending and closed during the past 3 years.
- Calculate and communicate in Form 5 the sample selected to the PU as per the criteria laid down by the Board.
- For any additional information or clarification on the information provided in Form 1 by the PU, Reviewer shall communicate in Form 6.
- If any extension of time limit is required either by PU or by the Reviewer, the same shall be in Form 7.

3. METHODS TO OBTAIN SUFFICIENT APPROPRIATE AUDIT EVIDENCE



4. PEER REVIEW PROCEDURE



5. COMPLIANCE REVIEW PROCEDURE



(a) Independence

- Does the practice unit have a policy to ensure independence, objectivity and integrity on the part of the partners and staff. Who is responsible for this policy.
- Does the practice unit communicate these policies and the expected standards of professional behaviour to all staff.
- Does the practice unit monitor compliance with policies and procedures relating to Independence.
- Does the practice unit periodically review the Practice Unit's association with clients to ensure objectivity and independence.
- It should be further checked if the financial statements are prepared by the PU or those charged with governance. It would

give an indication on the degree of independence exercised by PU.

(b) Professional Skills and Standards

- Does the Practice Unit have an established plan for personnel needs at all levels, based on current and anticipated clientele, business growth, impending retirements, etc.
- Does the Practice Unit have an established recruitment policy.
- Are applicants and new personnel informed of the personnel policies and procedures relevant to them.
- Does the practice unit have continuing education programmes for partners and staff.
- How easily the current and relevant professional literature, including Accounting and Auditing Standards and pronouncements by professional bodies are available to the partners and staff.
- Does the practice unit conduct programmes for developing expertise in specialised areas and industries.

(c) Outside Consultation

- Is there a policy for consulting experts (both internal and external).
- Has the Practice Unit built up a network of other accountants, solicitors and advocates, and technical consultants in industries in which its clients operate.

(d) Staff Supervision and Development

- Does the Practice Unit have written guidelines on the responsibility at each level, and on the expected performance and qualifications necessary for advancement to the next level.
- Does the Practice Unit have a system for gathering and evaluating information on the performance of personnel.
- Does the Practice Unit have a system of periodically counselling its personnel on performance and career opportunities.
- Does the Practice Unit have a system of assigning an audit to the most appropriate Personnel. Are requirements of specialised expertise and personnel skills given due consideration.

- Does the practice unit have written guidelines for maintaining working papers (form and content).
- Does the Practice Unit have standardised forms, checklists, and questionnaires to assist in the conduct of audit.

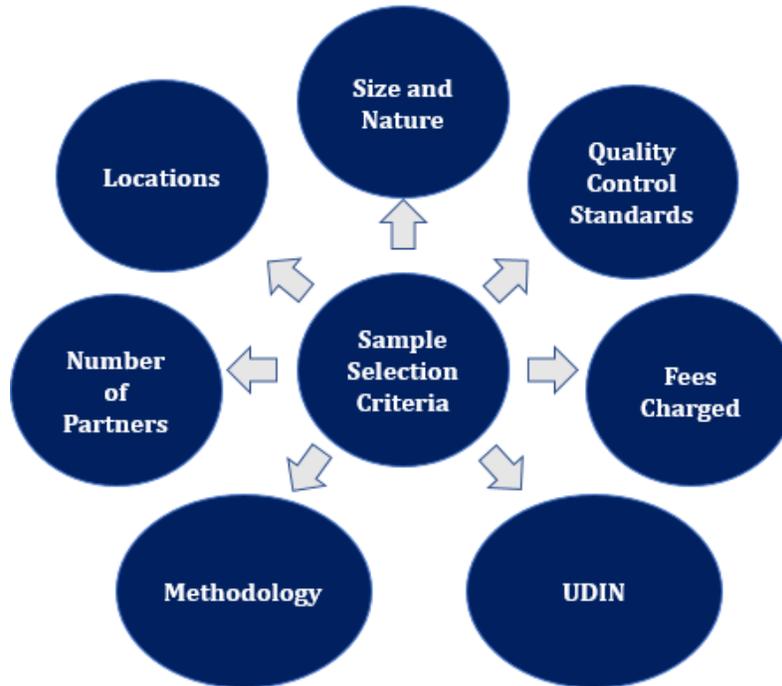
(e) Office Administration

- Does the Practice Unit have established procedures for record retention, including security aspects.
- Does the Practice Unit maintain a record containing particulars such as client's name, nature of engagement, particulars regarding date of commencement of audit, date of audit report, billing, etc.
- Does the Practice Unit maintain staff register.
- Does the office have a proper library containing relevant books and all publications of the Institute of Chartered Accountants of India.

6. WHY PERFORM COMPLIANCE PROCEDURE



7. CRITERIA FOR SAMPLE SELECTION



- It should be noted that the above list is an indicative list and not an exhaustive one. The Reviewer can also select the samples based on the risk factor of the assurance functions. He can categorise the entire samples as high, medium and low. The nature of business of the clientele can be an indication to categorise as per the above parameters. For e.g. industries like banking and insurance, real estate, online platform services, manufacturing can be categorised as high. Trading and retail sector, venture capital undertaking, alternate investment funds (AIF's), co-operative societies can be categorised as medium.
- Further while selecting the samples, it should be kept in mind that assurance activities handled by each and every partner of the PU should be covered in a sample. Such list should further be mapped with the UDIN generated to bifurcate clearly whether the partner is an engagement partner or an in-charge of assignment.

Review Procedures

- Distinction between engagement partner and partner in charge needs to be made to ensure independence.
- Any associate concern of PU should be clearly identified, and sample should be selected to cover such instances also. A clear non conflict of interest policy to be drawn and exceptions should be immediately flagged.
- When there has been a rotation of auditors, Reviewer to check if outgoing auditors are related to the incoming auditors to comply with the regulations.
- Procedures followed at HO is circulated to all the branches in order to ensure uniform adoption of processes along the firm.
- All the locations of the PU should be taken into consideration while selecting the samples.
- The fees charged in excess of prescribed limit would normally be interpreted as the high fee assignments. It should also cover the assignments which are quoted much below the prescribed minimum fees as per the ICAI guidelines.
- It would be an interesting case to check the files of those clientele which have been disassociated with the PU for professional and non-professional reasons. Such list can be cross verified with ADT-3 filed with the Ministry of Corporate Affairs (MCA).
- An exhaustive list of other services to such clientele where assurance services are provided should be noted down. A study should be made to check if other consultancy services are more billable than assurance services. Sample should include such instances too.

Part B of Questionnaire – Reviewer’s Workflow

Leadership Responsibilities For Quality Within The Firm

- Validate if PU’s SQC Manual is in line with Implementation Guide to SQC 1 (https://resource.cdn.icai.org/20913frpubcd_aasb1.pdf) issued by ICAI.
- Reviewer shall review the SQC Manual of the firm to understand the roles and responsibilities of all partners of the PU.

Peer Review Manual

Ethical Requirements

- Reviewer shall ensure that PU has Independence declaration and monitoring mechanism.
- Reviewer shall evaluate the procedures of PU for Independence, Self-review and Advocacy threats as per the Guidance Note on Independence of Auditors issued by ICAI.
- Reviewer shall obtain client-wise billing summary to review clause 5 (i) and 5 (ii) of Part B II.
- Reviewer shall obtain a self-declaration regarding the information provided under clause 6 of Part B II and also cross verify the same with the client wise billing summary provided by the PU.
- Reviewer shall obtain a detailed self-declaration regarding the information provided under clause 7 of Part B II.
- Reviewer shall validate the adherence to the Guidelines on Responding to Tendering (Guideline No. 1-CA(7)/03/2016 - <https://www.icai.org/post/notification-responding-to-tenders-08-04-2016>) by the PU while validating the response to clause 12 of Part B II.

Acceptance and Continuance of Client Relationships and Specific Engagements

- Review the PU's SQC Manual, Checklist and validate if it is in line with the Implementation Guide to SQC 1 (https://resource.cdn.icai.org/20913frpubcd_aasb1.pdf) published by ICAI
- Review the PU's Office Management Manual and validate if it is in line with Office Management Manual For Members In Practice (<https://resource.cdn.icai.org/60284cmp49102.pdf>) issued by ICAI
- Review Form ADT-3 filed with MCA for statutory audit engagements during the period under review for any resignation or withdrawal. For other than statutory audit engagement resignations or withdrawals, check whether any procedure laid down in PU's SQC Manual is being followed.
- Reviewer shall ascertain list of clients where undisputed fee is due for long period in line with para R410.8 of Code of Ethics Volume-I (<https://resource.cdn.icai.org/55133CodeofEthics-2019.pdf>) and Council General Guidelines, 2008 (<https://resource.cdn.icai.org/63139esb51087.pdf>).

Review Procedures

- Reviewer shall obtain Engagement letter for all the assurance engagements during the period under review and validate whether they are in line with SA 210 (<https://resource.cdn.icai.org/16837sa210revised.pdf>) and Implementation Guide to Standard on Auditing (SA) 210, “Agreeing the Terms of Audit Engagements” (<https://resource.cdn.icai.org/68844aasb-igsa210.pdf>) published by ICAI.

Human Resources

- Review the PU's HR Manual, Policy and validate if it is in line with the Implementation Guide to SQC 1 (https://resource.cdn.icai.org/20913frpubcd_aasb1.pdf) published by ICAI

Engagement Performance

- Reviewer shall obtain Audit Plan and performance document and validate whether it is in line with SQC Manual and Engagement Planning Memorandum given in Annexure IV of Implementation Guide to SQC 1 (https://resource.cdn.icai.org/20913frpubcd_aasb1.pdf) issued by ICAI.
- Reviewer shall ensure whether PU has checklist for compliance with Laws and Regulations.
- Reviewer shall ensure that the PU has a policy for Engagement Documentation regarding consultation and resolution of differences noted during the course of engagement.

Monitoring

Reviewer shall obtain PU's Quality Control procedures for monitoring the engagements and validate whether it is in line with SQC Manual and Implementation Guide to SQC 1 (https://resource.cdn.icai.org/20913frpubcd_aasb1.pdf) issued by ICAI.

8. ILLUSTRATIVE CHECKLISTS OF THE PRACTICE UNIT

A checklist which illustrates the contents of the audit programme of a reviewee Practice Unit for the guidance of the reviewer is given hereunder

Peer Review Manual

Sl. No.	Subject
	<i>Preliminary Review Procedures</i>
1	Check whether pre-audit minutes of meeting are available for commencing the audit.
2	Appointment letter and the relevant resolution for the appointment- <ul style="list-style-type: none"> • Check whether the terms and relevant clauses of the engagement are included therein • Check the manner for determining the audit fees
3	In case of first audit, check whether ADT-1 is filed and whether NOC is obtained from predecessor auditor, wherever applicable.
4	Check whether audit risk is assessed by using the professional judgement and audit procedures to ensure that it is reduced to an acceptable low level
5	Check whether all relevant information like organizational hierarchy and permanent documents like AOA and MOA of the client are gathered for understanding- <ol style="list-style-type: none"> a) the nature of business of the entity b) internal control system including owner/manager controls.
6	Preliminary estimates of materiality for the audit as a whole- <ul style="list-style-type: none"> • Check whether appropriate checklist w.r.t identification of materiality is maintained • Check the basis for identification of materiality and whether the materiality basis selected for such entity is logical
7	Check whether preliminary analysis checklist is maintained for identifying the applicability of small company, CSR, Internal Audit, IFC and CARO for the client.
8	Check whether the Audit team is well deployed based on the nature and risk involved in the assignment.
9	Check whether overall audit strategy and plan for carrying out the audit are well documented and communicated amongst the Audit team.
10	Reviewer to ensure that due procedures are carried out in accepting assignments during the year.

Review Procedures

Sl. No.	Subject
11	In respect of clients in continuation for a long time, the reviewer should check whether client continuation procedures have been carried out.
12	Ensure that the terms of engagement have been agreed in writing and the same is in line with Standards on Auditing.
13	Competency of the team to be assessed before going onboard with the assignment.
14	Ensuring that the quality control procedures that are applicable to the audit engagement are complied with.
15	Check whether Statement of Profit and Loss account, Balance sheet, Auditors' and Directors' reports of the previous year and the reports of Internal Auditor have been referred to while conducting the audit.
16	Check if the fundamental accounting assumptions, i.e., consistency, going concern and accrual basis of accounting are followed by the client in the preparation and presentation of financial statements.
17	Review whether items of significant importance have been properly checked by the Audit team members depending on the constitution of the client.
	<i>In case of Company</i>
	a) Check whether shareholding pattern has been obtained by the auditor from the management
	b) Check if there is any fresh issue and whether all the relevant documents are filed with ROC. Also check if the auditor has verified the Board Minutes and Secretarial records.
	c) Check whether the auditor has verified the shareholder's agreement
	d) Check whether the auditor has verified the MCA records online.
	<i>In case of Partnership firm or LLP</i>
	a) Check the PSR ratio of the partners from the partnership deed.

Peer Review Manual

Sl. No.	Subject
	b) In case of LLP, check the signatory details and designated partner from the MCA records
18	Check whether journal entries testing checklist is prepared to ensure that the risk of fraud or misstatement through the posting of journal entries is addressed.
19	Performance of analytical review procedures, substantive tests of detail to obtain sufficient, relevant and reliable audit evidence for each audit objective.
20	Check whether audit programme checklist is prepared.
21	Check whether any checklist is prepared for Inter-team discussions.
22	Check whether Statutory Audit Checklist and Accounting Standards Checklist have been prepared for complying with applicable Accounting Standards.
23	Check whether CARO Checklist and GST Checklist are prepared for complying with the legal and regulatory requirements.
24	Check if disclosure of change in an accounting policy which has a material effect is documented.
25	Check whether all the major issues/discussion points are documented and communicated to the management and TCWG.
	Audit Planning
26	Whether management team from PU is in contact with the entity especially with those charged with governance.
	Whether the PU has followed the following procedures diligently:
	<ul style="list-style-type: none"> • Developed an audit strategy taking into consideration the scope of the engagement; • Considered business and the regulatory environment in which the entity operates; • Considered entity specific issues including reliance on the work of internal audit; • Preliminary setting of materiality levels, preliminary review of risk including fraud risk.

Review Procedures

Sl. No.	Subject
27	Whether the audit plan devised by PU includes the nature, timing and extent of the audit procedures to be performed in order to reduce the audit risk to an acceptably low level; the nature of tests to be adopted; procedures to be conducted at the assertion level; and tailoring the audit programmes.
28	Audit strategy and the audit plan is signed off.
	<i>Performance</i>
29	To oversee whether engagement has proceeded according to plan and whether the partner in-charge has interjected and guided the engagement team when required.
30	Whether there is a procedure for conducting timely reviews to ensure that significant matters are resolved on a timely basis, and where appropriate, modifying the planned audit approach.
31	Identifying those areas which require consultation and how PU has approached the same.
	<i>Senior Review Checklists</i>
32	Check whether the working papers contain all audit evidence and are cross-referenced.
33	Summary of work done, problems, important judgements and audit conclusions.
34	Review by senior in-charge of work of all assistants, audit programme followed, and work performed as per time schedule.
35	Updating of audit working papers including permanent records.
36	Check whether the checklists prepared are reviewed by the audit manager in-charge.
37	Comparison of budgeted time to actual and reasons for major variations.
38	Review of unadjusted errors to determine whether individual and aggregate effect is material.
39	Ensure that all the balances appearing in the draft financials matches with the work papers prepared

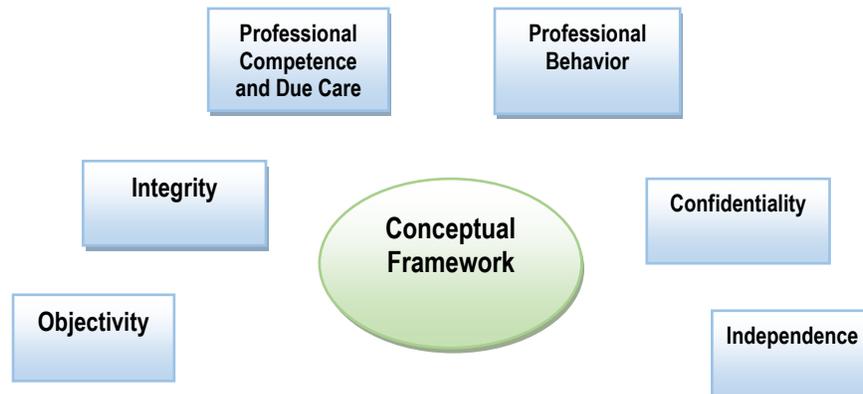
Peer Review Manual

Sl. No.	Subject
40	Review the draft financials and ensure that it is as per the accepted accounting principles.
41	Formulation of draft audit opinion and audit report.
42	Check whether any significant events have occurred subsequent to the balance sheet date which should be disclosed or reflected in the financial statements or the audit report.
43	Check whether final deliverables checklist is prepared by the audit manager and approved by the audit partner in-charge.
44	Planning of next year's audit
	Partner Review Checklists
45	Check whether all the documents and working papers are available and are stored appropriately.
46	Ensure that the final clearance has been obtained from independent reviewer for tax computation.
47	Check the final deliverables checklist prepared by audit manager in-charge
48	Review the Auditor's report for appropriateness of reporting and the qualification and comments are discussed with Management before signing off.
	Final Audit File and checkpoints
49	Review of final audit files should typically include summary of conclusions, all checklists, cross referenced documentation, whether all open points are closed etc.
50	Items which required partner's attention and ensuring that these are satisfactorily closed.
51	Summary of unadjusted errors and ensuring that these are not individually and collectively material.
52	Lead schedules and audit conclusions for each material area and where necessary, a more detailed review of the specific areas.
53	Further all the memorandum of changes (MOC's) and audit adjustments (typically known as audit JV's) should be signed off by those charged with governance and documented in the audit file.
54	Also, whether audit qualifications are being discussed and concurred with those charged with Governance before issuing to the

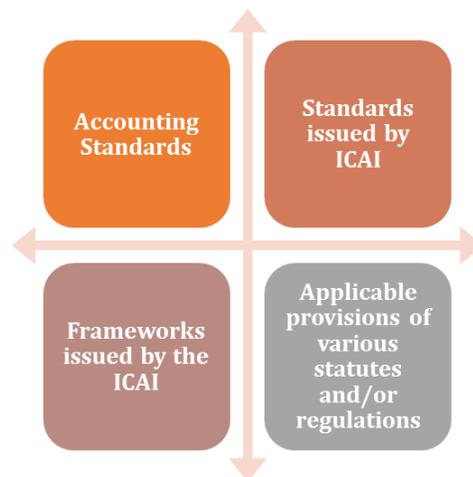
Review Procedures

Sl. No.	Subject
	investors and necessary documents for the same should be in order supporting the claim.
55	It is a very good practice to have closing trial balance signed off by the appropriate authority and documented by the PU. Such a measure would also support the opinion as expressed by the auditor in his report, "Whether financial statements are in agreement with books of account".

9. ETHICS



10. COMPLIANCE WITH TECHNICAL, PROFESSIONAL AND ETHICAL STANDARDS



Standards on Auditing (SAs)

Standards on Auditing (SAs)	Key Checkpoints for Reviewer
SA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing	<ul style="list-style-type: none"> • The reviewer should identify whether the Practice Unit has conducted the audit as per the Standards on Auditing. • The reviewer should identify whether the auditor has exercised professional judgement and maintained professional skepticism throughout the planning and performance of the audit.
SA 210 Agreeing the Terms of Audit Engagements	<ul style="list-style-type: none"> • The reviewer should review the engagement letter and check whether the scope and roles and responsibilities have been clearly brought out. • The reviewer should verify whether the fees quoted in engagement letter is reasonable.
SA 220 Quality Control for an Audit of Financial Statements	<ul style="list-style-type: none"> • The reviewer should assess at the firm level and at the engagement level, the quality control as required by this Standard. • The reviewer should access the leadership responsibilities for quality on audits, whether the practice unit follows relevant ethical requirements, whether the practice unit follows acceptance and continuance of client relationships. • The reviewer should also access whether the engagement performance is being monitored.
SA 230 Audit Documentation	<ul style="list-style-type: none"> • The reviewer should review the working papers of the Practice Unit to establish compliance by the practice unit with the technical, professional and ethical standards and to evaluate the work done and the conclusions reached. • The reviewer needs to verify whether the

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Standards on Auditing (SAs)	Key Checkpoints for Reviewer
	<p>working papers are maintained for the period as specified in SQC 1 read with SA 230.</p> <ul style="list-style-type: none"> • The reviewer should ensure that the firm has adequate policies and procedures to ensure compliance with SA 230 in respect of assembly of file. • The reviewer should verify whether the permanent file contains all the relevant information and whether the same is updated regularly to reflect the changes in the information contained in the file. • The reviewer is also concerned with verifying that the procedures used by the Practice Units generate sufficient appropriate evidence to support the conclusions arrived at in relation to the assurance engagement being reviewed.
SA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	<ul style="list-style-type: none"> • The reviewer should verify whether the auditor has inquired with the management, internal audit team and those charged with governance of any instance of actual or alleged fraud that has occurred in the past and obtain their respective views on the risk of fraud. • The reviewer should verify whether the auditor has identified any unusual or unexpected relationship while performing analytical procedure and whether he has evaluated them to assess the risk of material misstatement due to fraud. • The reviewer should verify whether the auditor has investigated any inconsistent responses from the management related to the inquiries.

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<i>Standards on Auditing (SAs)</i>	<i>Key Checkpoints for Reviewer</i>
SA 250 Consideration of Laws and Regulations in an Audit of Financial Statements	<ul style="list-style-type: none"> • The reviewer should verify whether the auditor has requested management and where appropriate, those charged with governance, to provide written representations that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements, have been disclosed to the auditor.
SA 260 Communication with Those Charged with Governance	<ul style="list-style-type: none"> • The reviewer should verify whether significant findings from the audit have been communicated to those charged with governance. • The reviewer should verify whether the form, timing and expected general content of communications have been communicated to those charged with governance.
SA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	<ul style="list-style-type: none"> • The reviewer should verify whether significant deficiencies in internal control identified during the audit have been communicated in writing to those charged with governance on a timely basis.
SA 300 Planning an Audit of Financial Statements	<ul style="list-style-type: none"> • The reviewer should verify whether the auditor has established an overall audit strategy that sets the scope, timing and direction of the audit, and guides the development of the audit plan. • The reviewer should verify whether the auditor has planned the nature, timing and extent of direction and supervision of engagement team members and the review of their work.

Review Procedures

Standards on Auditing (SAs)	Key Checkpoints for Reviewer
	<ul style="list-style-type: none"> • The reviewer needs to verify whether the auditor has documented - <ol style="list-style-type: none"> (a) overall audit strategy (b) audit plans (c) significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes.
SA 315 Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment	<ul style="list-style-type: none"> • The reviewer needs to verify whether the auditor has obtained an understanding of- <ol style="list-style-type: none"> a) Relevant industry, regulatory, and other external factors including the applicable financial reporting framework. b) The nature of the entity, including its operations, ownership & governance structures, types of investments that the entity is making, the way that the entity is structured and how it is financed. c) The entity's objectives and strategies, and those related business risks that may result in risks of material misstatement. d) The measurement and review of the entity's financial performance.
SA 320 Materiality in Planning and Performing an Audit	<ul style="list-style-type: none"> • The reviewer shall verify whether the auditor has determined Materiality and Performance Materiality when planning an audit. • The reviewer shall verify whether the auditor has documented the following- <ol style="list-style-type: none"> a) Materiality for the financial statements as a whole b) If applicable, the materiality level or levels for particular classes of transactions, account balances or

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<i>Standards on Auditing (SAs)</i>	<i>Key Checkpoints for Reviewer</i>
	<p>disclosures</p> <p>c) Performance materiality</p> <p>d) Any revision of (a)-(c) as the audit progressed.</p>
<p>SA 330 The Auditor's Responses to Assessed Risks</p>	<ul style="list-style-type: none"> • The reviewer shall verify whether the auditor has designed and performed further audit procedures whose nature, timing and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level. • The reviewer shall verify whether the auditor has designed and performed tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls. • The reviewer shall verify whether the auditor has documented the following- <ul style="list-style-type: none"> a) overall responses to address the assessed risks of material misstatement at the financial statement level, and the nature, timing and extent of the further audit procedures performed; b) linkage of those procedures with the assessed risks at the assertion level; c) results of the audit procedures, including the conclusions where these are not otherwise clear.
<p>SA 450 Evaluation of Misstatements Identified During the Audit</p>	<ul style="list-style-type: none"> • The reviewer shall review whether the auditor has accumulated misstatements identified during the audit, other than those that are clearly trivial. • The reviewer shall review whether the auditor has communicated on a timely basis, all misstatements accumulated during the audit

Review Procedures

Standards on Auditing (SAs)	Key Checkpoints for Reviewer
	<p>with the appropriate level of management, unless prohibited by law or regulation.</p> <ul style="list-style-type: none"> • The reviewer shall verify whether the auditor has documented the following- <ol style="list-style-type: none"> a) The amount below which misstatements would be regarded as clearly trivial b) All misstatements accumulated during the audit and whether they have been corrected c) The auditor's conclusion as to whether uncorrected misstatements are material, individually or in aggregate, and the basis for that conclusion.
SA 500 Audit Evidence	<ul style="list-style-type: none"> • The reviewer should review whether the auditor has obtained sufficient and appropriate audit evidence while performing his audit. • The reviewer should verify the samples selected by the auditor for testing the sufficiency and appropriateness of the audit evidence.
SA 501 Audit Evidence— Specific Considerations for Selected Items	<ul style="list-style-type: none"> • The reviewer should verify whether the auditor has obtained sufficient and appropriate audit evidence regarding the following: <ol style="list-style-type: none"> (a) Existence and condition of inventory; (b) Completeness of litigation and claims involving the entity; and (c) Presentation and disclosure of segment information in accordance with the applicable financial reporting framework.
SA 505 External Confirmations	<ul style="list-style-type: none"> • The reviewer should verify whether external confirmations are sought as an audit evidence.

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<i>Standards on Auditing (SAs)</i>	<i>Key Checkpoints for Reviewer</i>
	<ul style="list-style-type: none"> • The reviewer should identify whether the auditor has obtained further audit evidence to resolve the doubts about the reliability of the response to a confirmation request. • The reviewer should identify whether the auditor has performed alternative audit procedures to obtain relevant and reliable audit evidence in case of non-response to such confirmation request.
SA 510 Initial Audit Engagements – Opening Balances	<ul style="list-style-type: none"> • The reviewer should verify whether last year's audited financials and audit report are obtained by the auditor for verification of opening balances. • The reviewer should verify whether the materiality of the opening balances relative to the financial statements for the current period have been identified by the auditor.
SA 520 Analytical Procedures	<ul style="list-style-type: none"> • The reviewer should identify whether the auditor has determined the suitability of particular substantive analytical procedures for given assertions, taking account of the assessed risks of material misstatement and tests of details, if any, for these assertions. • The reviewer should identify whether the auditor has evaluated the reliability of data from which the auditor's expectation of recorded amounts or ratios is developed, taking account of the source, comparability, and nature and relevance of information available, and controls over preparation. • The reviewer should identify whether the auditor has developed an expectation of recorded amounts or ratios and evaluated whether the expectation is sufficiently precise to identify a misstatement that, individually or when aggregated with other misstatements,

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Standards on Auditing (SAs)	Key Checkpoints for Reviewer
	<p>may cause the financial statements to be materially misstated.</p> <ul style="list-style-type: none"> • The reviewer should verify whether the amount of any difference of recorded amounts from expected values that is acceptable has been determined by the auditor.
SA 530 Audit Sampling	<ul style="list-style-type: none"> • The reviewer should verify whether the auditor has considered the purpose of the audit procedure and the characteristics of the population when designing an audit sample. • The reviewer should identify whether the sample size selected by the auditor is sufficient to reduce sampling risk to an acceptably low level. • The reviewer should verify whether the auditor has selected items for the sample in such a way that each sampling unit in the population has a chance of selection.
SA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	<ul style="list-style-type: none"> • The reviewer should verify whether the auditor has made inquiries of management about changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates. • The reviewer should identify whether the auditor has obtained an understanding of how the management makes accounting estimates, and an understanding of the data on which they are based. • The reviewer should verify whether the auditor has reviewed the outcome of accounting estimates included in the prior period financial statements, or, where applicable, their subsequent estimation for the purpose of the current period.

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<i>Standards on Auditing (SAs)</i>	<i>Key Checkpoints for Reviewer</i>
SA 550 Related Parties	<ul style="list-style-type: none"> • The reviewer should verify whether the auditor has made inquiries of management regarding- <ul style="list-style-type: none"> a) The identity of the entity's related parties, including changes from the prior period. b) The nature of the relationships between the entity and these related parties c) Whether the entity entered into any transactions with these related parties during the period and, if so, the type and purpose of the transactions. • The reviewer should verify whether the auditor has identified and reviewed the related party transactions to ensure that those are in accordance with the applicable financial reporting framework.
SA 560 Subsequent Events	<ul style="list-style-type: none"> • The reviewer should verify whether the auditor has obtained an understanding of any procedure the management has established to ensure that subsequent events are identified. • The reviewer should verify whether the auditor has inquired the management and, where appropriate, those charged with governance as to whether any subsequent events have occurred which might affect the financial statements. • The reviewer needs to verify whether the minutes of meetings which have been held after the date of the financial statements have been obtained by the auditor and whether the auditor has inquired about matters discussed at any such meeting for

Review Procedures

Standards on Auditing (SAs)	Key Checkpoints for Reviewer
	<p>which minutes are not yet available.</p> <ul style="list-style-type: none"> • The reviewer needs to verify whether entity's latest subsequent interim financial statements have been obtained by the auditor.
SA 570 Going Concern	<ul style="list-style-type: none"> • The reviewer should identify whether the auditor is alert throughout the audit for audit evidence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. • The reviewer should identify whether the auditor has evaluated management's assessment of the entity's ability to continue as a going concern.
SA 580 Written Representations	<ul style="list-style-type: none"> • The reviewer should verify whether the auditor has obtained written representations from the management and, where appropriate, those charged with governance that they believe that they have fulfilled their responsibility for the preparation of the financial statements and for the completeness of the information provided to the auditor.
SA 610 Using the Work of Internal Auditors	<ul style="list-style-type: none"> • The reviewer should verify if the external auditor has determined whether the work of the internal auditors is likely to be adequate for purposes of the audit and the planned effect of the work of the internal auditors on the nature, timing or extent of the external auditor's procedures. • The reviewer needs to identify whether the external auditor has evaluated- <ol style="list-style-type: none"> a) objectivity of the internal audit function b) technical competence of the internal

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Standards on Auditing (SAs)	Key Checkpoints for Reviewer
	auditors
SA 700 Forming an Opinion and Reporting on Financial Statements	<ul style="list-style-type: none"> • The reviewer should verify whether the financial statements are prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. • The reviewer shall review whether all the contents of the report are included in the Auditor's report. • The reviewer shall verify whether key audit matters are communicated in the auditor's report in accordance with SA 701 in case of audits of complete sets of general-purpose financial statements of listed entities.
SA 705 Modifications to the Opinion in the Independent Auditor's Report	<ul style="list-style-type: none"> • The reviewer shall verify whether the auditor has modified the opinion in the auditor's report if- <ul style="list-style-type: none"> a) he concludes that based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or b) he is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.
SA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	<ul style="list-style-type: none"> • The reviewer shall check whether the auditor has communicated with those charged with governance regarding the expectation to include Emphasis of matter paragraph and the wording of this paragraph
SA 710 Comparative Information—Corresponding Figures and Comparative	<ul style="list-style-type: none"> • The reviewer shall review if the auditor has evaluated whether the comparative information agrees with the amounts and other disclosures presented in the prior

Review Procedures

Standards on Auditing (SAs)	Key Checkpoints for Reviewer
Financial Statements	<p>period.</p> <ul style="list-style-type: none"> • The reviewer shall review if the auditor has evaluated whether the accounting policies reflected in the comparative information are consistent with those applied in the current period or, if there have been changes in accounting policies, whether those changes have been properly accounted for and adequately presented and disclosed.
SA 720 The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements	<ul style="list-style-type: none"> • The reviewer shall review if the auditor has made appropriate arrangements with management or those charged with governance to obtain other information prior to the date of the auditor's report. • The reviewer shall identify whether the auditor has determined any material inconsistency in relation to such other information and check whether the audited financial statements or the other information needs to be revised.
SA 800 Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks	<ul style="list-style-type: none"> • The reviewer shall identify whether the auditor has obtained an understanding of the following- <ol style="list-style-type: none"> a) The purpose for which the financial statements are prepared; b) The intended users; and c) The steps taken by the management to determine that the applicable financial reporting framework is acceptable in the circumstances.
SA 805 Special Considerations—Audits of Single Financial Statements and Specific	<ul style="list-style-type: none"> • The reviewer shall review whether the auditor has complied with all the SAs relevant to the audit.

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Standards on Auditing (SAs)	Key Checkpoints for Reviewer
Elements, Accounts or Items of a Financial Statement	
SA 810 Engagements to Report on Summary Financial Statements	<ul style="list-style-type: none"> • The reviewer shall review whether before accepting an engagement to report on summary financial statements, the auditor has- <ul style="list-style-type: none"> a) determined whether the applied criteria are acceptable b) obtained agreement of management that it acknowledges and understands its responsibilities c) agreed with management the form of opinion to be expressed on the summary financial statements. • The reviewer shall review if the auditor has evaluated whether the summary financial statements adequately disclose their summarised nature and identify the audited financial statements. • The reviewer shall review whether the summary financial statements obtained by the auditor adequately disclose the applied criteria.

Checklist for Reviewer regarding Practice Unit:

Sl. No	Particulars	Y/N/NA	Remarks
	Technical Standards		
1	Obtain the years of professional experience in practice		
2	Understand the field of expertise of such PU		
3	Whether the PU complies with the Accounting		

Review Procedures

Sl. No	Particulars	Y/N/NA	Remarks
	Standards issued by ICAI while performing the audit of its clients		
4	Whether the Secretarial Standards issued by Institute of Company Secretaries of India have been complied with wherever necessary		
5	Whether Framework for the preparation and presentation of Financial Statements are followed by the PU		
6	Whether Standards on Auditing, Standards on Assurance Engagements, Standards on Quality Control and Guidance Notes on related services have been complied with by the PU		
7	Whether the relevant notifications/directions issued by ICAI have been considered by the PU		
8	Whether the samples collected by the PU are sufficient and appropriate to draw conclusions or provide an opinion		
9	Whether material facts are appropriately being disclosed by PU in case of any Audit clients		
10	Whether working papers are properly maintained by the PU and process adopted for sharing the same with any external parties		
11	Whether going concern assumptions have been appropriately considered by the PU in the engagements wherever relevant		
	Ethical Standards		
1	Understand the qualification of the PU		
2	Whether the internal policies and practices of the PU adhere to the Code of Ethics issued by ICAI		

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Sl. No	Particulars	Y/N/NA	Remarks
3	Obtain the list of policies or safeguards followed by the PU to protect themselves from the threat to its Independence		
4	What steps are followed by the PU to comply with professional ethics such as integrity, confidentiality, objectivity etc.		
5	Whether the PU has any other business relationship with the clients other than ordinary business relationship		
6	Understand whether PU has been alleged with professional misconduct at any point in his professional career		
7	Whether the PU or his relative have any substantial interest in the audit clients or officers of such clients which affects the Independence of the PU		
8	Determine whether any long-term association with any of its client has been established which might pose a threat to its independence		
9	Instances wherein the PU has withdrawn from the engagements to protect its independence		
10	Whether the number of audit clients are within the limits specified under Companies Act and the guidelines provided by ICAI		
11	In case of new client, ensure if NOC has been obtained by the PU from the outgoing auditor of such companies		
12	Understand the practices followed while referring the assignments to external experts		
13	Check if the PU has accepted any audit assignment wherein there was unjust removal of earlier auditor or where the auditor's fees was withheld by the company		
14	Check whether at any point of time the PU has		

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Sl. No	Particulars	Y/N/NA	Remarks
	accepted the fee which is below the minimum scale of fees recommended by ICAI		
15	Check if PU, being a statutory auditor has rendered any negative listed service provided under Section 144 of the Companies Act 2013 to any of its audit clients		
16	Whether the website of the PU is in line with the requirements of Institute's guidelines/directions		
17	Whether the PU is complying with the requirements of Quality Review Board		
18	The process and approach followed by the PU in terms of client approach to understand if any solicitation of work is involved		
19	Understand whether proper care and diligence has been exercised before performing any attestation services		
20	In case any client has advanced money to the PU to be spent on their behalf (such as TDS payment, advance tax payment) whether such amount has been kept/accounted separately by the PU		
21	Whether the PU is indebted to any of its audit clients for an amount exceeding INR 1,00,000		
22	How does PU maintain confidentially, safe custody and retrievability of engagement documents		
23	What measures and actions are taken by the PU in case of conflict of Interest (either within the partners or with the clients)		
24	In case the Financial Statements are prepared by PU, this may lead to self-review threat. Obtain the measures undertaken to overcome the same		

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Sl. No	Particulars	Y/N/NA	Remarks
25	Whether there has been any acceptance of gifts/hospitality which leads to self-interest in the clients		
	SAMPLE CHECKLIST UNDER EACH OF THE ACCOUNTING STANDARD		
	AS-1 - Disclosure of Accounting Policies		
1	Whether all the significant accounting policies have been disclosed at one place and as a part of the financial statements.		
2	If there is any change in the accounting policies whether it has been disclosed separately with quantification of its impact on financial statements.		
3	Whether the fundamental accounting assumptions i.e. going concern, consistency or accrual been followed.		
4	If not, has the fact been disclosed.		
	AS-2 - Valuation of Inventories		
1	Check whether accounting policies adopted in measuring the inventories, including the cost formulae used have been disclosed.		
2	Whether all inventories been valued at the lower of cost and NRV.		
3	Does the financial statements disclose the following: (a) the accounting policies adopted in measuring inventories, including the cost formula (e.g., FIFO) used; and (b) the total carrying amount of inventories and		

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Sl. No	Particulars	Y/N/NA	Remarks
	its classification appropriate to the enterprise.		
	AS-3 - Cash Flow Statements		
1	Ensure that a cash flow statement of the current year is prepared and cash flows are classified as operating, investing and financing activities.		
2	Whether the enterprise has reported cash flows from operating activities using direct or indirect method.		
3	Whether cash flows from transactions in a foreign currency recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the cash flow. (A rate that approximates the actual rate may be used if the result is substantially the same as would arise if the rates at the dates of the cash flows were used.)		
4	Check whether the cash flows associated with extraordinary items been classified as arising from operating, investing and financing activities as appropriate and separately disclosed.		
5	Whether non cash investing and financing transactions been excluded from cash flow statement.		
	AS-4 - Contingencies and Events Occurring After the Balance Sheet Date		
1	Whether the contingencies mentioned below have been taken into consideration:-		

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Sl. No	Particulars	Y/N/NA	Remarks
	<ul style="list-style-type: none"> - Warranties and claims - Disputed income tax, GST or other taxes/duties - Claims against the company not acknowledged as debts - Bills discounted etc. 		
2	Have assets and liabilities been adjusted for events occurring after the balance sheet date that provide additional evidence to assist the estimation of amounts relating to conditions existing at the balance sheet date.		
3	Check whether it is ensured that no contingent gains have been recognized in the financial statements.		
4	Does any event after the balance sheet date indicates that the fundamental accounting assumption of going concern is not appropriate. If so, have assets and liabilities been adjusted.		
	AS-5 - Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies		
1	Are the prior period income/expenses disclosed separately in the profit & loss account in a manner that their impact on the current profit / loss is perceived clearly.		
2	Has there been any extraordinary event occurring during the reporting period. Is it disclosed separately in the profit & loss account so as to understand its impact.		
3	Is there any change in accounting estimate which has material financial impact either in the current period or in future periods.		

Review Procedures

Sl. No	Particulars	Y/N/NA	Remarks
4	Whether the effect of change in accounting estimate disclosed properly as mentioned in AS		
5	Is there any change in accounting policy. If yes, then whether the material impact is disclosed in the financial statements.		
	AS-7 - Construction Contracts		
1	Does the same method of accounting (percentage of completion method or the completed contract method) been used for all construction contracts that meet similar criteria.		
2	Does the profit in the case of fixed price contracts been recognized only when the work has progressed to a reasonable extent.		
3	Whether the enterprise has disclosed the following assets: (i) the gross amount due from customers for contract work as an asset? and (ii) the gross amount due to customers for contract work as a liability?		
4	Whether the enterprise has disclosed any contingencies in accordance with AS 29- Provisions, Contingent Liabilities and Contingent Assets. e.g., warranty costs, penalties or possible losses?		
	AS-9 - Revenue Recognition		
1	Have you ensured that revenue is recognized only when there is certainty to its collection		
2	Check whether the revenue from a sale been recognized when all the following conditions are satisfied: (a) The property in the goods has been		

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Sl. No	Particulars	Y/N/NA	Remarks
	<p>transferred for a price or all significant risks and rewards of ownership have been transferred to the buyer, and the seller retains no effective control of the goods to a degree usually associated with ownership.</p> <p>(b) There exists no significant uncertainty regarding the amount of the consideration derived from the sale.</p> <p>(c) It is not unreasonable to expect ultimate collection of the consideration</p>		
3	<p>Have you ensured the following in case of performance in rendering of services:</p> <p>(a) Method of recognizing revenue is either completed service contract method or proportionate completion method.</p> <p>(b) There is no significant uncertainty regarding amount of consideration</p>		
4	Whether revenue arising from royalty, interest and dividend is recognized when there is no significant uncertainty as to measurability and collectability		
5	Check whether a provision has been made to reflect the uncertainty where uncertainty relating to collectability arises subsequent to recognition		
	AS-10 - Property, Plant and Equipment		
1	Is there a list of fixed assets. If so, is there is a fixed asset register. Is the register updated. Ensure that the items included in the register are the assets of the company and not for sale		
2	Have the stand-by equipment and servicing equipment been capitalized		

Review Procedures

Sl. No	Particulars	Y/N/NA	Remarks
3	<p>Check whether the following been included in the cost of fixed assets:</p> <p>(a) Purchase price (including import duties and other non-refundable taxes or levies and excluding trade discounts and rebates); and</p> <p>(b) any attributable cost of bringing the asset to its working condition for its intended use</p>		
4	<p>Check whether the following fixed assets been eliminated from the financial statements:</p> <p>(a) those disposed of; and</p> <p>(b) those from which no further benefit is expected from use and disposal</p>		
5	<p>Check whether revaluation is justified. Is it applied to the entire lot of assets. If not, is the selection systematic. The basis should be disclosed</p>		
6	<p>Check whether goodwill been recorded only when paid for in:</p> <p>(a) money, or</p> <p>(b) money's worth or</p> <p>(c) on acquisition of business where consideration exceeds the value of net assets</p>		
7	<p>Check whether on disposal/retirement of fixed assets carried at cost, any resulting gains or losses been transferred to the profit and loss account</p>		
8	<p>Check whether depreciation is provided as per Schedule II of the Companies Act 2013 and if there is any deviation, proper disclosures as required is given</p>		

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Sl. No	Particulars	Y/N/NA	Remarks
	AS-11 - The Effects of Changes in Foreign Exchange Rates		
1	Whether initial recognition of foreign currency transaction has been made at the rate as on the transaction date		
2	Whether following rules have been followed for recognition on Balance Sheet date: (a) Foreign currency monetary items should be shown at closing rate (b) Non-monetary items, carried at historical cost should be reported at spot rate (c) Non-monetary items, carried at fair value should be reported at the rate when the valuation was done		
3	In case a rate other than that at the transaction date is used (e.g. average rate for a week or a month) does it approximate the actual rate		
4	Has the net exchange difference arising on translation of items in the financial statements been recognized as income or as expense for the period, except to the extent adjusted in the carrying amount of fixed assets		
	AS-12 - Accounting for Government Grants		
1	Whether grant in non-monetary asset form have been recognized at cost or nominal value		
2	In case a government grant has characteristics similar to those of a promoter's contribution, has it been credited to the capital reserve.		
3	Whether proper treatment of grants for depreciable or non-depreciable assets has been followed		

Review Procedures

Sl. No	Particulars	Y/N/NA	Remarks
4	In case of grant for specific asset, grant is shown as deduction from cost of asset or not		
5	Whether the contingency or refund, if any have been recognized as per AS-4 and AS-5 respectively		
6	Whether following disclosures have been made: (a) Policy adopted for grants (b) Method of presentation (c) Nature and extent of grant recognized		
	AS-13 - Accounting for Investments		
1	Ensure that investments are classified as long-term investments and current Investments		
2	Have acquisition charges (such as brokerage, duties and fees) been included in the cost of the investments		
3	If yes, has the fair value of such shares or securities been taken as the cost of acquisition		
4	Has any investment been acquired by way of exchange for another asset		
5	If yes, has the fair value of the asset given up or investment acquired been taken as the cost of acquisition		
6	Have all changes in carrying amount of investments been taken to the profit and loss account		
7	Have gains or losses on disposal of investments been taken to the profit and loss account		

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Sl. No	Particulars	Y/N/NA	Remarks
	AS-14 - Accounting for Amalgamations		
1	Check in case there has been an amalgamation during the year, determine whether it is an amalgamation in the nature of merger i.e. does it satisfy all five conditions stipulated in this regard		
2	Whether pooling of interest method is used in case of amalgamation in the nature of merger		
3	Whether purchase method is used in case of amalgamation in the nature of purchase		
4	When non cash elements are included in the consideration paid, whether they have been considered at fair value		
5	Where the scheme of amalgamation sanctioned under a statute prescribes the treatment to be given to the reserves of the transferor company after amalgamation, has this been followed		
6	When an amalgamation is effected after the balance sheet date but before the issuance of the financial statements of either party, whether disclosure is made in accordance with AS-4		
	AS-15 - Employee Benefits		
1	Has the PU obtained the list of employee benefits provided by the client		
2	Whether PU has obtained the grouping of defined benefits into defined contribution plan or defined benefit plan		
3	Whether any termination benefit is paid or payable during the year and is recognized as an expense		

Review Procedures

Sl. No	Particulars	Y/N/NA	Remarks
4	Whether the classification of employee benefits into long term, short term, retirement or post retirement employee benefits appropriately captured		
5	Whether the PU has considered/obtained the actuarial valuation reports as on Balance sheet date		
6	Whether the accounting for ESOP complies with the guidance note issued by ICAI		
7	Whether the Financial Statements disclose all the facts as required under the Standard		
	AS-16 - Borrowing Cost		
1	Whether due care has been taken by the PU in identifying the qualifying asset		
2	Whether borrowing costs which are directly attributable to acquisition, construction or production of qualifying assets have been capitalized		
3	Whether there is any income arising from temporary investment of such borrowing and the same has been deducted from borrowing cost		
4	Whether due care has been applied in accepting the capitalization rate considered by the client to determine the borrowing costs		
5	Whether capitalization of borrowing cost suspended during the period when active development is interrupted without any technical or administrative reason		
6	Has capitalization of borrowing cost ceased when substantially all the activities relating to the asset are completed		

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Sl. No	Particulars	Y/N/NA	Remarks
7	Whether disclosure of accounting policy adopted, and the amount of borrowing cost capitalized during the year has been appropriately considered		
	AS-17 - Segment Reporting		
1	Whether primary and secondary segment reporting formats been identified correctly		
2	Whether the segment revenue includes only that portion of enterprise revenue which is directly attributable to a segment or portion of revenue attributable to particular segment or revenue from transactions with other segments		
3	Whether identification of amounts with particular segment is appropriately made to measure the segment revenue, segment expense, segment assets and liabilities of reportable segments is done		
4	Whether proper disclosures of primary and secondary activities have been considered by the PU		
	AS-18 - Related Party Disclosures		
1	Whether the PU has obtained the list of related party details which is signed by the client		
2	Has the PU co related the transaction recorded in the register maintained u/s 189 of Companies Act, 2013		
3	Whether the disclosure requirement under this Standard has been considered by the PU		

Review Procedures

Sl. No	Particulars	Y/N/NA	Remarks
	AS-19 – Leases		
1	Has the PU verified the lease agreement which transfers the right to the client to use the assets		
2	Ensure whether depreciation has been appropriately provided		
3	Whether lease income and expenses from operating lease recognized in the Profit and Loss account on a straight-line basis over the lease term		
4	Whether the disclosure requirement under this Standard has been considered by the PU		
5	Whether any finance lease has been identified and if so proper treatment as required under AS is given in the Financial Statements		
	AS-20 - Earnings per Share		
1	Whether the PU has applied due care in verifying weighted average number of shares for the purpose of determining EPS		
2	Whether basic and diluted EPS has been presented on the face of Statement of Profit and Loss account and the figures are appropriate		
3	In case of dilutive EPS, whether adjustments to the net profits have been properly considered		
	AS-21 - Consolidated Financial Statements		
1	Has the PU obtained the list of associate/subsidiary/joint venture from the client		
2	Whether the PU has considered the consolidated financial statements in case the client has either an associate/subsidiary/joint		

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Sl. No	Particulars	Y/N/NA	Remarks
	venture		
3	Whether the reasons for not consolidating either an associate/subsidiary/joint venture been disclosed in the consolidated financial statements		
4	Whether the pre and post incorporation profits have been calculated considering all the facts		
5	Whether the adjustment for minority interest has been given correctly		
6	Has the inter-group holding adjustments and the elimination on intergroup unrealized profits been appropriately considered		
7	Whether the disclosure requirements have been complied accordingly		
	AS-22 - Accounting for taxes on Income		
1	Has the PU ascertained the timing differences and permanent differences		
2	Has the PU verified the deferred tax calculations provided by the client		
3	Whether the PU has verified that deferred tax asset has been recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized		
4	Whether the entity has a legally enforceable right to set off assets against liabilities representing current tax		
5	Whether the presentation and disclosure as provided by the Standard been complied with		

Review Procedures

Sl. No	Particulars	Y/N/NA	Remarks
	AS-23 - Accounting for Investments in Associates		
1	Whether the list of associates signed by the client been obtained by the PU		
2	Whether goodwill/capital reserve been computed on the investment in an associate as the difference between cost of acquisition & the entity's share of the equity of the associate and adjustments have been provided accordingly		
3	Has the gross share of profit and loss attributable to the holding company been debited or credited to holding company's profit and loss account		
4	Whether disclosure requirements have been complied accordingly		
	AS-24 - Discontinuing Operations		
1	Whether PU has obtained the list of major line of business or operation which have been discontinued		
2	Whether the PU has measured the changes in the assets, liabilities, revenue and expenses relating to discontinuing operation as set out in other Accounting Standards		
3	Whether prior period figures restated to segregate assets, liabilities, revenue, expenses and cash flow of continuing and discontinuing operations as disclosed in current year		
	AS-25 - Interim Financial Reporting		
1	Whether the PU has obtained the understanding if the client is required to		

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Sl. No	Particulars	Y/N/NA	Remarks
	prepare and present interim financial reports by regulatory authorities		
2	Whether the client has applied the same accounting policies in its interim financial statements as are applied in its last annual financial statements		
3	Whether presentation and disclosure as required under the Standard has been complied with		
	AS-26 - Intangible assets		
1	Whether the recognition criteria have been verified by the PU		
2	Ensure that the internally generated goodwill is not considered as asset		
3	Whether the treatment of expenses incurred during research and development phases has been accordingly treated in the books of accounts		
4	In case the expenditure incurred during the development stage has been capitalized, whether all the conditions are demonstrated on every Balance sheet date. If any of the conditions is not satisfied, whether the same has been charged to Profit and Loss account		
5	Whether the accounting treatment is in line with the Standard		
6	Whether the disclosure requirements on life, depreciation method etc. have been complied with accordingly		

Review Procedures

Sl. No	Particulars	Y/N/NA	Remarks
	AS-27 - Financial Reporting of Interest in Joint Ventures		
1	Whether the PU has obtained the agreement between two or more parties to undertake an economic activity under joint control		
2	Whether proper adjustments with regard to joint venture have been made in the books of accounts of the client		
3	Whether disclosure requirements have been complied with accordingly		
	AS-28 - Impairment of Assets		
1	Whether the PU has obtained any explanation with regard to indication on impairment of an asset as on Balance sheet date		
2	Has the determination of net selling price been verified by the PU		
3	Whether there is any reversal of impairment of assets		
4	Whether the accounting treatment of impairment loss has been verified		
5	Whether there is revaluation of impaired asset		
	AS-29 - Provisions, Contingent Liabilities and Contingent Assets		
1	Whether the conditions for creating provisions been tested by PU		
2	Whether PU has verified if any liability has been disclosed as provision		
3	Whether proper disclosures for contingent liability have been made in the financial statements		

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Sl. No	Particulars	Y/N/NA	Remarks
4	Whether PU has checked that contingent assets are not recognized in the financial statements unless the realization of income is virtually certain		

IND AS CHECKLIST

	Ind AS 115- "Revenue from Contracts with Customers"		
1	The reviewer should identify whether the business unit has recognised its revenue as per Ind AS-115.		
2	Whether contract has been checked to identify whether the revenue accrues over a period of time or accrues on time.		
3	The reviewer should identify whether the disclosure requirements of Ind AS 115 is being followed at the business unit including-		
	a) Whether revenue recognised from contracts with customers are separately disclosed from other sources of revenue		
	b) Whether impairment losses recognised on receivables are separately disclosed from other impairment losses		
	c) Disaggregation of revenue, i.e categories that depict the nature, amount, timing and uncertainty of revenue and cash flows		
	d) Information about contract balances, including opening and closing balances of contract assets, liabilities and receivables		
	e) Explanation of relationship between timing of satisfying performance obligations and payments		

Review Procedures

	f) Information about performance obligations including nature of goods and services; obligations for returns, refunds; types of warranties and related obligations		
	g) Transaction price allocated to performance obligations that are unsatisfied and an explanation as to when the entity expects to recognise such revenue		
	h) Assets recognised from the costs to obtain or fulfil a contract including amortisation method used; judgements made in determining the costs.		
	Ind AS 116- "Leases"		
1	The reviewer needs to identify whether the lease has appropriately been classified as operating or financing lease by the business unit as per Ind AS 116.		
2	The reviewer needs to identify whether the lease expenses are recognised appropriately by the business unit as per Ind AS 116.		
3	The reviewer should identify whether the business unit has disclosed the leases in accordance with Ind AS-116 including the following-		
	a) Any additions made to right-to-use assets		
	b) Carrying value of right-to -use assets at the end of reporting period by class		
	c) Maturity Analysis of lease liabilities separately from other liabilities based on Ind AS 107 requirements		
	d) Depreciation for assets by class		
	e) Interest expense on lease liabilities		

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	f) Variable lease payments expensed		
	g) Any income derived from sub-leasing		
	h) Gains or losses arising from sale and lease back transactions		
	i) Total cash outflow for leases		
	Ind AS 24- "Related Party Disclosures"		
1	The reviewer needs to identify whether appropriate disclosures have been made by the business unit for related party transactions as per Ind AS 24 including-		
	a) Whether the business unit has disclosed the name of its parent, and, if different, the ultimate controlling party		
	b) whether total compensation to KMP has been appropriately disclosed		
	c) compensation for each of the following categories-		
	> short-term employee benefits		
	> post employee benefits		
	> other long term benefits		
	> termination benefits		
	> share-based payments		
	d) Nature of related party relationship		
	e) Information about the related party transactions and outstanding balances, including commitments		
	f) Expenses recognised during the period in respect of bad or doubtful debts due from related parties		
	g) Whether separate disclosures are made for the following categories-		
	> the parent		

Review Procedures

	> entities with joint control or significant influence over the entity		
	> subsidiaries		
	> associates		
	> joint ventures		
	> KMPs		
	> Other related parties		
	Ind AS 16- "Property, Plant and Equipment"		
1	The reviewer needs to identify whether the PPE has appropriately been measured by the business unit as per Ind AS 16.		
2	The reviewer needs to identify whether appropriate disclosures have been made by the business unit for PPE as per Ind AS 16 including-		
	a) measurement bases used		
	b) depreciation method used		
	c) useful life or the depreciation rates used		
	d) the gross carrying amount and the accumulated depreciation at the beginning and end of the period		
	e) the existence and amounts of restrictions on title and PPE pledged as security for liabilities		
	f) impairment losses recognised/reversed in profit or loss in accordance with Ind AS 36		
	g) assets classified as held for sale in accordance with Ind AS 105.		
	Ind AS 38-"Intangible Assets"		
1	The reviewer needs to identify whether the intangible assets have appropriately been measured by the business unit as per Ind AS 38.		

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2	The reviewer should identify whether the business unit has disclosed the following for each class of intangible assets, distinguishing between Internally generated intangible assets and other intangible assets-		
	a) whether the useful lives are indefinite or finite and if finite the useful lives or amortisation rates used		
	b) the gross carrying amount and the accumulated amortisation at the beginning and end of the period		
	c) impairment losses recognised/reversed in profit or loss in accordance with Ind AS 36		
	d) increases or decreases during the period resulting from revaluations or impairment		
3	The reviewer should also identify the aggregate amount of research and development expenditure recognised as an expense during the period		
	Ind AS 108- "Operating Segments"		
1	The reviewer should identify whether the business unit has disclosed the information as required by Ind AS 108 including the following-		
	a) the basis of accounting for any transaction between reportable segments		
	b) the nature of any differences between the measurements of the reportable segments profit or losses and the business unit's profit or loss before income tax expense		
	c) the nature of any difference between the measurements of the reportable segments assets and the business unit's assets		
	d) the nature of any difference between the measurements of the reportable segments liabilities and the business unit's liabilities		

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	e) the nature of any changes from prior periods in the measurement methods		
	f) the nature and effect of any asymmetrical allocations to reportable segments		
	g) factors used for identifying entity's reportable segments including the basis of organisation		
	h) the judgements made by the management in applying the aggregation criteria		
	i) types of products and services from which each reportable segment derives its revenues		
	j) revenues from external customers		
	k) interest revenue		
	l) interest expense		
	Ind AS 109- "Financial Instruments"		
1	The reviewer should identify whether the financial instruments are measured and recognised appropriately as per Ind AS-109.		
2	The reviewer shall also check whether appropriate disclosures as required by the Ind AS have been made, including the following-		
	a) Financial assets and financial liabilities measured at fair value through profit or loss		
	b) Financial assets and financial liabilities measured at amortised cost		
	c) Financial assets measured at fair value through other comprehensive income		
3	The reviewer needs to verify whether the business unit has reclassified any financial assets and whether such reclassification is in accordance with Ind AS 109		

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4	The reviewer needs to verify whether the business unit has offset financial assets and financial liabilities and whether such offset in accordance with Ind AS 32		
5	The reviewer needs to verify whether the business unit has pledged its financial assets as collateral for liabilities or contingent liabilities. In this case, the reviewer needs to verify the terms and conditions relating to such pledge		
6	The reviewer shall identify whether the business unit has disclosed, compound financial instruments with multiple embedded derivatives as per the Standard		
7	The reviewer shall identify whether the hedge accounting disclosures adopted by the business unit are appropriately disclosed		
	Ind AS 19- "Employee Benefits"		
1	The reviewer should verify whether the employee benefits are measured and recognised appropriately as per Ind AS-19.		
2	The reviewer shall also check whether appropriate disclosures as required by the Ind AS have been made, including the following-		
	a) Information about the characteristics of its defined benefit plans		
	b) a description of the risks to which the plan exposes the business unit		
	c) a description of any plan amendments, curtailments and settlements		
	d) Actuarial assumptions used to determine the present value of defined benefit obligation		
	Ind AS 110- "Consolidated Financial		

Review Procedures

	Statements"		
1	The reviewer needs to verify whether all disclosures are made by the business unit in the consolidated financial statements including the following-		
	a) Significant judgements and assumptions made in determining-		
	> Nature of interest in another entity or arrangement		
	> Type of joint arrangement in which it has invested		
	> That it meets the definition of an investment entity		
	b) Information about its interest in-		
	> subsidiaries		
	> arrangements and associates		
	> structured entities that are not controlled by the business unit		
	c) Status of the investment entity		
	d) Interest in unconsolidated subsidiaries		
	e) Interest in joint ventures and associates		
	f) Summarised financial information for subsidiaries, joint ventures and associates		
	Ind AS 23- "Borrowing Costs"		
1	The reviewer needs to verify whether borrowing cost has been appropriately calculated using the capitalisation rates in accordance with Ind AS 23.		
2	The reviewer needs to identify if there are any cases of suspension or cessation during the period and whether it has been properly dealt with in accordance with this Standard		
3	The reviewer needs to verify whether all disclosures are made by the business unit in		

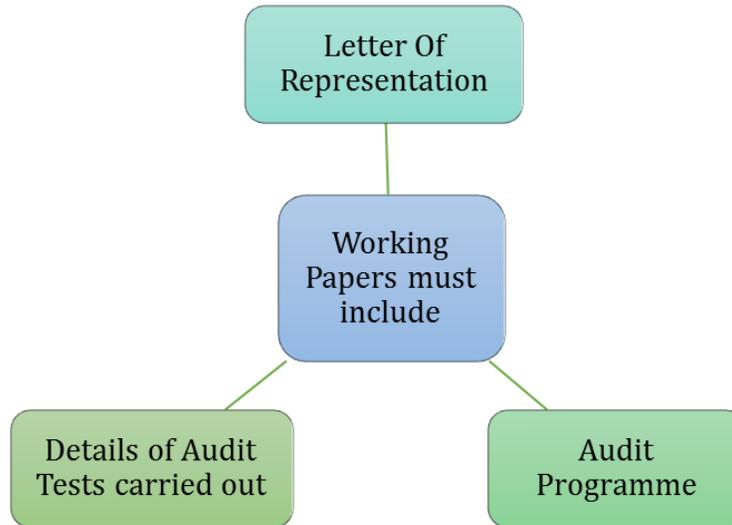
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	the financial statements including the following-		
	a) the amount of borrowing cost capitalised during the period		
	b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation		

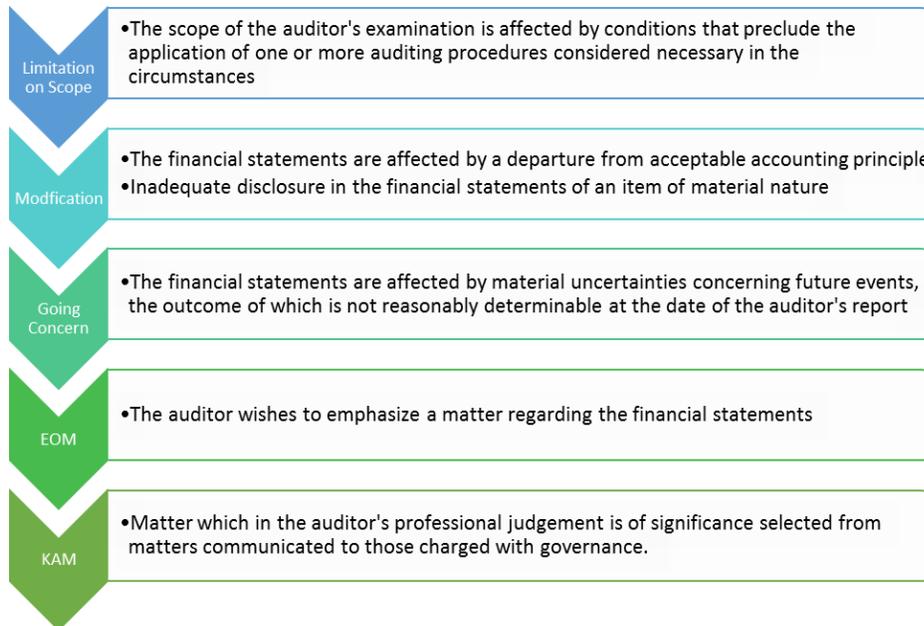
11. QUALITY OF REPORTING – SUPERVISION IN ENGAGEMENT



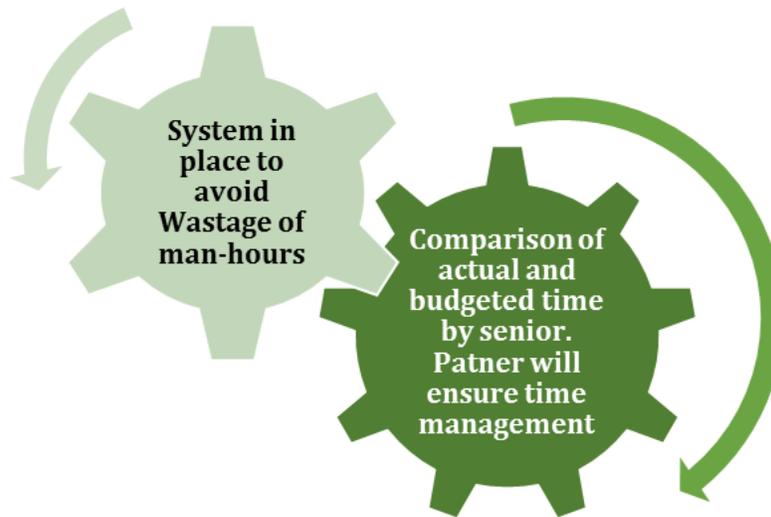
12. WORKING PAPERS



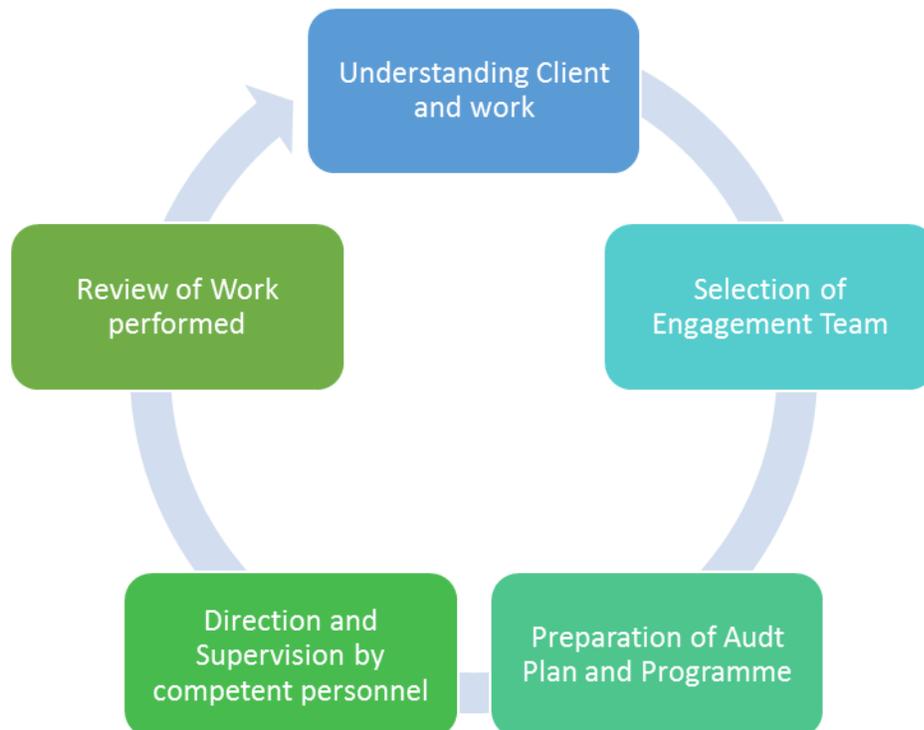
13. KEY AUDIT MATTERS



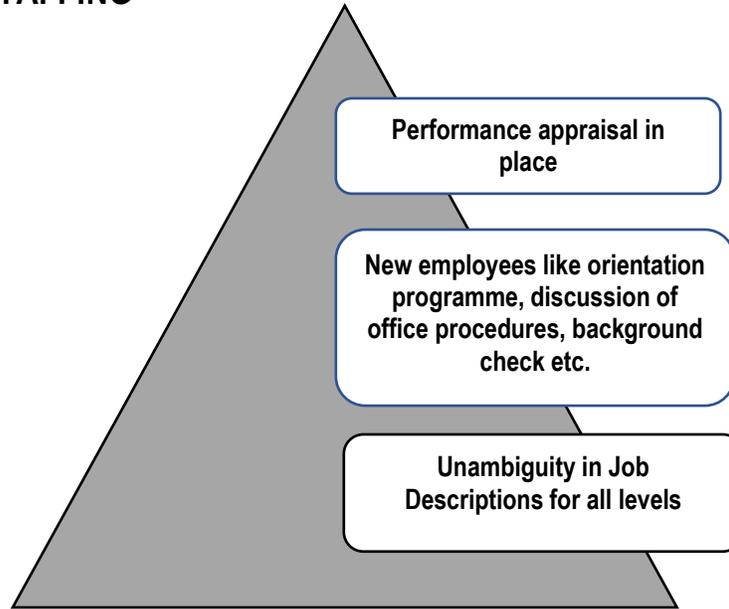
14. TIME BUDGET



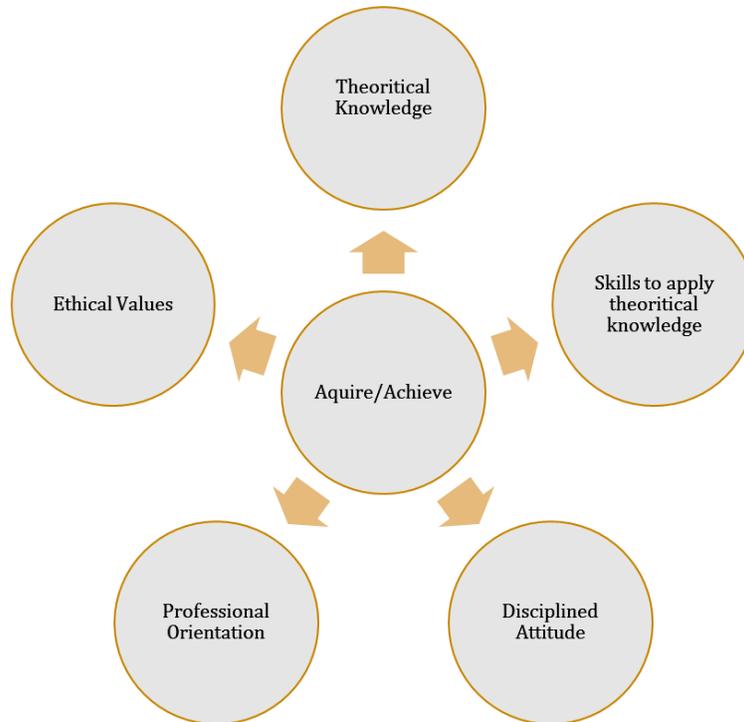
15. OFFICE PROCEDURE



16. STAFFING



17. TRAINING AND OFFICE ADMINISTRATION



18. DESIGN TRAINING PROGRAMME



AUDITOR'S REPORT FOR AUDITS CONDUCTED IN ACCORDANCE WITH STANDARDS ON AUDITING

- A. **Title:** The auditor's report shall have a title that clearly indicates that it is the report of an independent auditor.
- B. **Addressee:** The auditor's report shall be addressed as required by the circumstances of the engagement.
- C. **Auditor's Opinion:** The auditor's report shall include a section with the heading "*Opinion*". When expressing an unmodified opinion on financial statements prepared in accordance with a fair presentation framework, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases, which are regarded as being equivalent:
 - (a) The financial statements present fairly, in all material respects, in accordance with [the applicable financial reporting framework]; or
 - (b) The financial statements give a true and fair view in accordance with [the applicable financial reporting framework].

When expressing an unmodified opinion on financial statements prepared in accordance with a compliance framework, the auditor's

opinion shall be that the financial statements are prepared, in all material respects, in accordance with [the applicable financial reporting framework].

If the reference to the applicable financial reporting framework, in the auditor's opinion, is not to the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) or Accounting Standards, notified by the Central Government as the Companies (Accounting Standards) Rules, 2006, or the Accounting Standards for Local Bodies issued by the Institute of Chartered Accountants of India, as may be applicable, the auditor's opinion shall identify the jurisdiction of origin of the framework.

If expressing a Modified Opinion, the Auditor will clearly mark the paragraph as "Qualified Opinion", "Adverse Opinion" or "Disclaimer of Opinion" as the case may be.

- D. *Basis For Opinion:*** The Auditor will state the reasons for modified opinion, as the case may be.
- E. *Key Audit Matters:*** In case of certain entities, the Auditor will provide Key Audit issues handled during the Audit and state how the same were resolved. This will be material aspects concerning Financial Statements.
- F. *Emphasis of Matter:*** Certain items although not a qualification in nature but requires attention of the reader of the Financial Statement needs to be given in this section by appropriate reference to the Notes to Accounts.
- G. *Management's Responsibility for the Financial Statements:*** The auditor's report shall include a section with the heading "*Management's [or other appropriate term] Responsibility for the Financial Statements*". This section of the auditor's report describes the responsibilities of those in the organisation who are responsible for the preparation of the financial statements. The auditor's report need not refer specifically to "management", but shall use the term that is appropriate in the context of the legal and/or regulatory framework applicable to the entity. In case of some entities, the appropriate reference may be to those charged with governance.

The auditor's report shall describe management's responsibility for the preparation of the financial statements in the manner in which that

responsibility is described in the terms of the audit engagement. The description shall include an explanation that management is responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework; this responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Where the financial statements are prepared in accordance with a fair presentation framework, the explanation of management's responsibility for the financial statements in the auditor's report shall refer to "the preparation and fair presentation of these financial statements" or "the preparation of financial statements that give a true and fair view", as appropriate in the circumstances.

- H. **Auditor's Responsibility:** The auditor's report shall include a section with the heading "*Auditor's Responsibility*". The auditor's report shall state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.

The auditor's report shall state that the audit was conducted in accordance with Standards on Auditing issued by the Institute of Chartered Accountants of India. The auditor's report shall also explain that those Standards require that the auditor comply with ethical requirements and that the auditor plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

The auditor's report shall describe an audit by stating that:

- (a) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements;
- (b) The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In circumstances when the auditor also has a

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responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that “the auditor’s consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control”; and

- (c) An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.
- (d) Where the financial statements are prepared in accordance with a fair presentation framework, the description of the audit in the auditor’s report shall refer to “the entity’s preparation and fair presentation of the financial statements” or “the entity’s preparation of financial statements that give a true and fair view”, as appropriate in the circumstances.

The auditor’s report shall state whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor’s opinion.

- I. **Other Reporting Responsibilities:** If the auditor addresses other reporting responsibilities in the auditor’s report on the financial statements that are in addition to the auditor’s responsibility under the SAs to report on the financial statements, these other reporting responsibilities shall be addressed in a separate section in the auditor’s report that shall be sub-titled “*Report on Other Legal and Regulatory Requirements,*” or otherwise as appropriate to the content of the section.

If the auditor’s report contains a separate section on other reporting responsibilities, the headings, statements and explanations shall be under the sub-title “*Report on the Financial Statements.*” The “*Report on Other Legal and Regulatory Requirements*” shall follow the “*Report on the Financial Statements.*”

- J. **Signature of the Auditor:** The auditor’s report shall be signed.
- K. **Date of the Auditor’s Report:** The auditor’s report shall be dated not earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor’s opinion on the financial statements, *including* evidence that:

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- (a) All the statements that comprise the financial statements, including the related notes, have been prepared; and
 - (b) Those with recognised authority have asserted that they have taken responsibility for those financial statements.
- L. **Place of Signature:** The auditor's report shall name the specific location, which is ordinarily the city where the audit report is signed.

CHAPTER 5

DOCUMENTATION

1. DEFINITION OF AUDIT DOCUMENTATION

What is an Audit

Audit, according to Spicer and Pegler, “may be said to be such an examination of the books, accounts and vouchers of a business as will enable the auditor to satisfy that the Balance Sheet is properly drawn up, so as to give a true and fair view of the state of affairs of the business and the Profit or Loss for the financial period, according to the best of his information and the explanations given to him and as shown by the books, and if not, in what respect he is not satisfied.”

As per the Standards on Auditing, “An audit is independent examination of financial information of any entity, whether profit oriented or not, and irrespective of its size or legal form, when such an examination is conducted with a view to expressing an opinion thereon.”

What is a 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.

What is audit documentation

Audit documentation as defined in 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***.

2. WHY IS DOCUMENTATION IMPORTANT

Documentation is essential because:

- (a) It helps in planning an audit

- (b) It assists supervision and review
- (c) It results in better conceptual clarity, clarity of thought and expression
- (d) It facilitates better understanding and helps avoid misconception
- (e) It supports and evidences work performed and compliance with Standards

3. KEY INFORMATION IN AUDIT DOCUMENTATION

Audit documentation is very important for an auditor especially in areas of quality control of the audit. It is required that the audit documentation should be prepared in such form that other experienced auditor who is not involved with the audit engagement previously could understand the work that he performs when he reviews the documents.

The following is the key information that should be a part of the audit documentation:

- (a) The nature, timing and extent of the audit procedures performed to comply with the SAs and applicable legal and regulatory requirements.
- (b) The evidence that auditor obtains, the procedures that they use for testing and the result of testing should be properly and clearly documented in the audit working papers. This is to ensure that the reviewer could easily perform the quality review and to prove that the relevant Standards are implemented.
- (c) The auditor should clearly document significant matters related to financial statements, their ethics, as well as their process, during audit.
- (d) Testing or sampling requires auditors' use of their professional judgment and it is important to document these judgments.

The Statement/Chapter suggests the following:

- To maintain certain minimum records/documentation that represents the adequacy of quality control policies and procedures followed by the Practice Unit.
- To provide an insight into the documentation requirements applicable to the Practice Units and the procedures or areas on which the reviewer should concentrate to form his opinion on the policies and procedures followed by the Practice Unit.

- To assist the reviewer to assess at the firm level and at the engagement level, the quality control as required by:
 - (a) **SQC 1-** “Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements” which is mandatory from 1 April 2009 on all the assurance engagements.
 - (b) **SA 200-** Quality Control for audit of Financial Statements which has been applicable from 1 April 2010.

A. Quality Control Policies and Procedures

The firm should 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.

The firm’s system of quality control should include policies and procedures addressing each of the following elements:

- (a) Leadership responsibilities for quality within the firm.
- (b) Ethical requirements.
- (c) Acceptance and continuance of client relationships and specific engagements.
- (d) Human resources Development and Training.
- (e) Engagement performance.
- (f) Monitoring.

The firm should establish policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control.

How such matters are documented is the firm’s decision. For example, large firms may use electronic databases to document matters such as independence confirmations, performance evaluations and the results of monitoring inspections. Smaller firms may use more simple and informal methods such as manual notes, checklists and forms.

Documents needed for Quality Control for Audit of Financial Statements

<i>Title</i>	<i>Information Contained</i>
<ul style="list-style-type: none"> • Compliance with the Relevant Ethical and independence requirements • Acceptance and Continuance of Client relationship and audit engagements. • Consultations. 	<ul style="list-style-type: none"> • Issues identified with respect to compliance with relevant ethical requirements and how they were resolved. • Confirmation of independence and documenting the same. • Conclusions on compliance with independence requirements that apply to the audit engagement, and any relevant discussions with the firm that support these conclusions. • Conclusions reached regarding the acceptance and continuance of client relationships and audit engagements. • The nature and scope of, and conclusions resulting from, consultations undertaken during the audit engagement.
<p>Engagement Quality Control Review - Timing and Procedures.</p>	<p>The engagement quality control reviewer document:</p> <ul style="list-style-type: none"> • The procedures required by the firm's policies on engagement quality control review have been performed; and activities performed with respect to this could be documented • The engagement quality control review has been completed on or before the date of the auditor's report; and • The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that significant judgments the engagement team made and the conclusions they reached, were not appropriate.

Documentation of Consultations	<ul style="list-style-type: none">• Documentation of consultations with other professionals that involve difficult or contentious matters that is sufficiently complete, detailed and contributes to an understanding of:• the issue on which consultation was sought; and• the results of the consultation, including any decisions taken, the basis for those decisions and how they were implemented.• level and professional competence of consultant appropriate in relation to the consultation sought.
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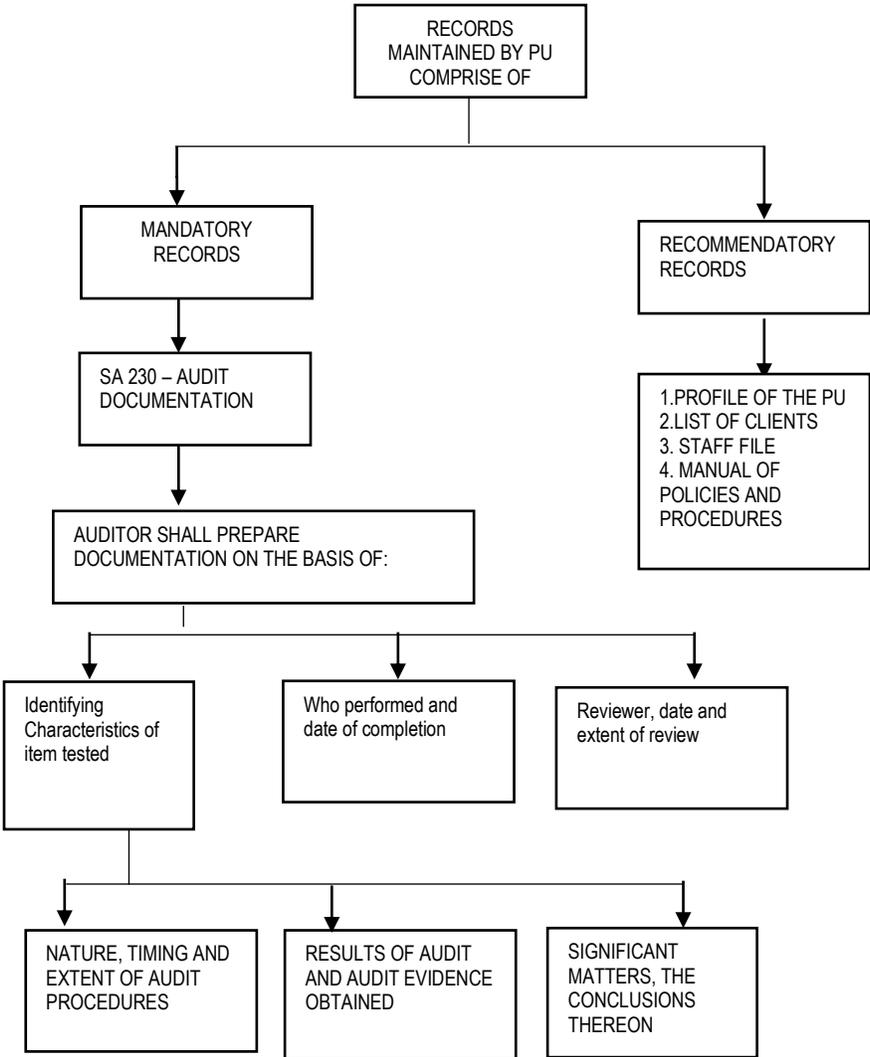
B. Documentation requirements

The maintenance of adequate documentation does not necessarily mean that the quality control policies and procedures of the Practice Unit are adequate. The other factors that should be considered are the audit procedures, summarization of observations and translation of those observations into the final report. Further, the ICAI has issued SA 230 - "Audit Documentation" which should be read in conjunction with other Standards on Auditing (SAs) having a bearing on documentation. The mandatory nature of these Standards implies that while discharging their attest function, it is the duty of the members of the ICAI to ensure that the SAs are followed in the audit of financial information covered by their audit reports. If, for any reason, a member has not been able to perform an audit in accordance with the SAs, his report should draw attention to the material departures therefrom.

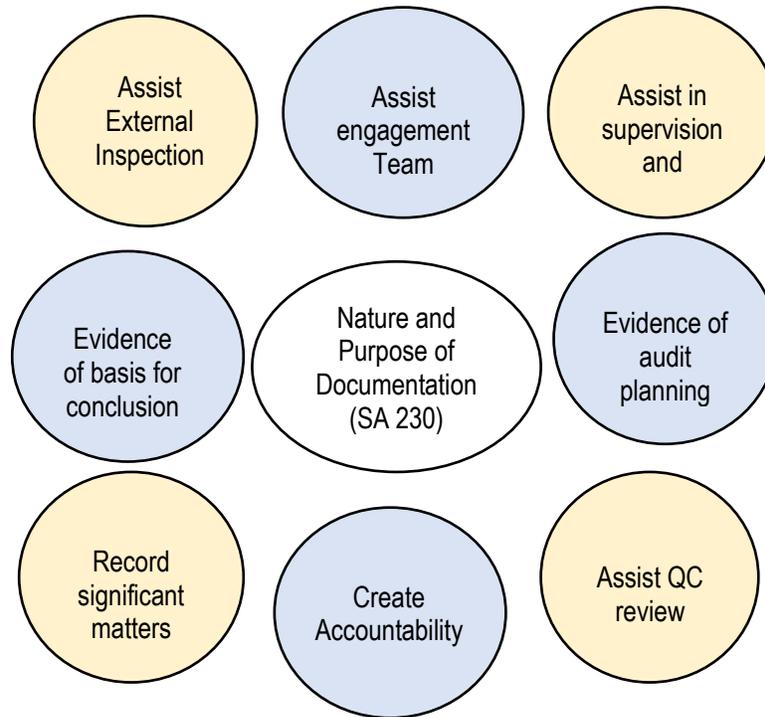
Audit documentation may be in the form of physical papers or in electronic form, more commonly referred to as hard copy and electronic copy respectively.

The records maintained by the Practice Units fall into two categories, i.e., mandatory records and recommendatory records. Working papers maintained by the Practice Units pursuant to SA 230 are mandatory records. A summary of the same is depicted below:

Peer Review Manual



Nature and purpose of audit documentation

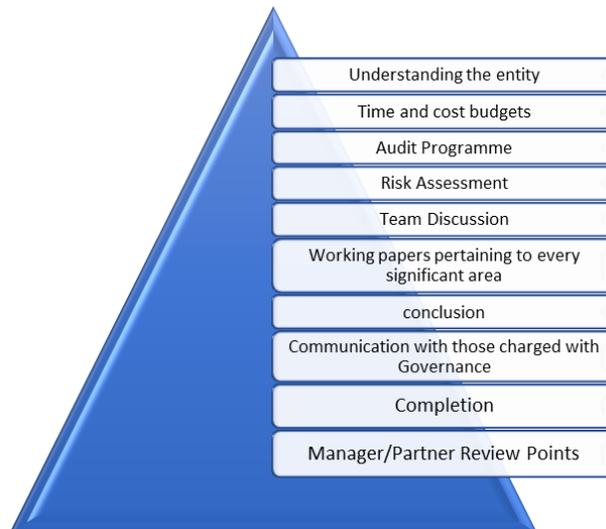


Form and Content of Documentation

Factors to consider when determining the form and content of documentation evidencing the operation of each of the elements of the system of quality control include the following:

- (a) Size of the firm and the number of offices.
- (b) Degree of authority both personnel and offices have.
- (c) Nature and complexity of the firm's practice and organization
- (d) Records maintained by the client
- (e) Internal controls in operation

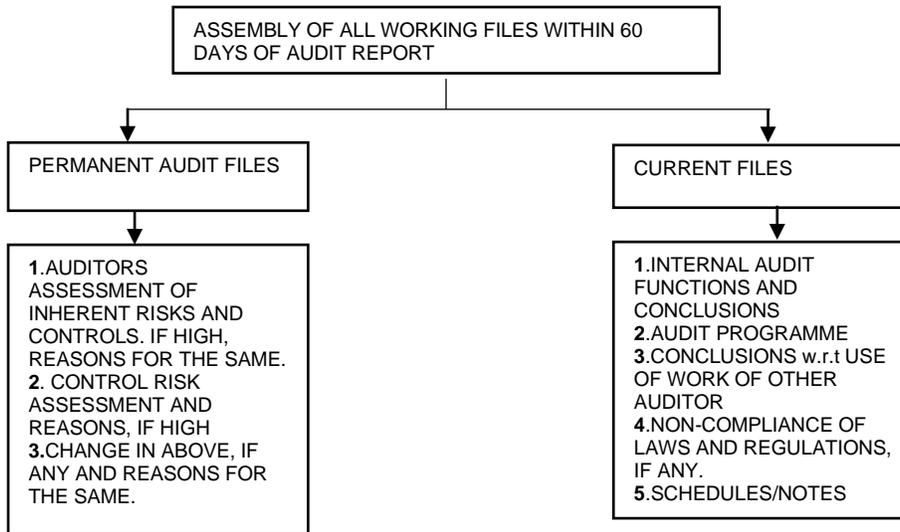
Typical documentation spans the following:



According to SA 230 - "Audit Documentation", documents are segregated into those forming part of PAF (Permanent Audit File) and CAF (Current Audit File):

- a. Permanent audit file contains those documents, the use of which is not restricted to one time period and extends to subsequent audits also. E.g. Engagement letter, Communication with previous auditor, Memorandum of Association, Articles of Association, Organization structure, List of directors/partners/trustees/bankers/lawyers, etc.
- b. On the other hand, a current audit file contains those documents relevant for that time period of audit.

Documentation



Assembly of file

The reviewer should ensure that the firm has adequate policies and procedures to ensure compliance with SA 230 in respect of assembly of file. The final audit file is required to be assembled within 60 days after the date of Auditor's Report. However, after assembly of file, *no document should be added or deleted subject to exceptional circumstances wherein the auditor shall mention the specific reasons for making them and when and by whom they were made and reviewed.* The process of assembly is only an administrative exercise to organize data. No new evidence can be received at the time of such assembly.

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.

The reviewer, after obtaining an understanding of the engagement letter, should examine the permanent file regarding the engagement. The reviewer should also verify that the permanent file is updated regularly to reflect the changes in the information contained in the file. For example, the reviewer may observe that since computerisation by the client, the auditor's understanding of the accounting and internal control has been reflected in the permanent file.

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In the case of review of an audit engagement, the reviewer should also verify that the permanent audit file contains the following documentation:

- (a) the auditor's (Practice Unit) assessment of inherent risk and control risk.
- (b) where the auditor (Practice Unit) has made an assessment that inherent risk is high, the reasons for such assessment;
- (c) where the auditor (Practice Unit) has made an assessment that the control risk is less than high, the basis for such assessment made by the auditor.
- (d) if in any year there is a change in the above, the change should also be reflected in the permanent audit file along with reasons for the change.

The following table illustrates the contents of a permanent file to be maintained by a Practice Unit as a part of audit documentation:

<i>Title</i>	<i>Information Contained</i>
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
Background and Organisation Structure	<ul style="list-style-type: none">• Nature and history of the business• Profile of ownership• Registered office details• Management structure including organisation chart• Industry specification with reference to client's size, economic factors affecting the industry, seasonal fluctuations and demands

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	<ul style="list-style-type: none"> • 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 • Significant audit observations of past • Statistical information showing 5 years comparison of performance indicators (major accounting ratios) Industry statistics
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
Group	<ul style="list-style-type: none"> • Group structure - subsidiaries, associates • Joint venture

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	<ul style="list-style-type: none">• 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

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.

The reviewer should examine the audit file with regard to the engagement documentation of the following matters which are important in providing evidence that the engagement was carried out in accordance with the basic principles mentioned in *SA 200- Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing*.

- (a) General and specific evaluation of the internal audit function and conclusions in this respect (relevant only in case of audit and other functions of similar nature).
- (b) Audit programme, significant changes in the audit programme and the reasons for such change.
- (c) In the case of an audit, when other auditor's work has been used in relation to the components of the client of the Practice Unit whose financial information were audited by other auditors, their significance to the financial information of the entity (client of the Practice Units) as a whole, the auditing procedures performed and conclusions drawn by the Practice Unit with regard to the use of the work of another auditor; where the other auditor's report was modified, the manner in which the modifications made by other auditors are dealt with.
- (d) In case the engagement under review was executed jointly with another Practice Unit(s), the division of work amongst the Practice

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Units and other joint auditor(s) as well as the areas of work covered by all of them.

- (e) Communication of division of work to the client.
- (f) Evidence that the work performed by assistants has been reviewed.
- (g) Non-compliance of laws and regulations by the entity (client of the practice unit).

The following table illustrates the contents of an audit file:

<i>Title</i>	<i>Information Contained</i>
Engagement	<ul style="list-style-type: none"> • Acceptance of annual reappointment
Accounts	<ul style="list-style-type: none"> • Copy of draft financial statement • Copy of final signed financial statement
Reports and Final Papers	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Planning programme • Time and cost summary • Briefing notes • Copy of planning letter to client • Points carried forward from previous year
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

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	<ul style="list-style-type: none">• 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
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• Analytical review, comments and observations

Retention of Workings Papers

The auditor should retain the working papers for a period enough to meet the needs of his practice and satisfy any pertinent legal or professional requirements of record retention.

Circumstances may require additions to audit documentation after the report release date. Audit documentation must not be deleted or discarded after the documentation completion date; however, information may be added. Any documentation added must indicate the date the information was added, the name of the person who prepared the additional documentation, and the reason for adding it.

Ensuring non editable backups of audit documentation stored in electronic format.

Ownership and Custody

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”, issued by the Institute, provides that, unless otherwise specified by law or regulation, audit documentation is the property of the auditor. He may at his discretion, make portions of, or extracts from, audit documentation available to clients, provided such disclosure does not undermine the validity of the work.

Departure from the Requirement of the Standard

In the event the auditor is not in a position to comply with a particular requirement of the Standard, it should document the reasons for the same and the alternative procedure adopted to achieve the given objective.

Matters arising after the date of the Audit Report

In some exceptional cases where auditor performs additional procedure after the date of the Audit Report which has bearing on the Financial Statement, the same shall be documented as to the impact on the auditor’s report, the reasons for such circumstances and by whom such review was undertaken and additional documents received.

It is an important principle in respect of Documentation – “What is NOT documented is NOT done.

Guidance to Reviewer on review of Audit Documentation

1. Given below is an illustrative checklist of the aspects a reviewer needs to examine when conducting a Practice Unit client’s audit file review. This checklist is not exhaustive, and reviewers are certainly not precluded from looking into the PU client’s audit workpapers for evidence of compliance with the technical standards outside this checklist.
 - (a) Understand the Client’s business, accounting systems and control environment
 - (b) Review of the past financial statement & reports of internal/statutory auditors

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- (c) Working papers to have adequate audit evidence for assertion made in the financial statements
 - (d) Working papers to appropriately agree with the books of accounts
 - (e) Perform financial statements review
 - (f) Ensure updation of permanent audit file
 - (g) Review individual and aggregate effect of unadjusted errors
 - (h) Check compliance with legal and regulatory requirements, ICAI Accounting Standards
2. The above checklist which clearly defines the details to be verified by the reviewers and the process followed by the reviewers to verify these documents, should also be subsequently cross-checked to ensure that proper review mechanism is followed by the reviewer for verification of documents. If need be, these documents can be disclosed to the Practice Unit to ensure appropriate cost-benefit analysis.
 3. In case of any discrepancies observed by the reviewer in terms of non-co-operation/un-availability of information by the PU, such discrepancies must be documented and submitted on a timely manner to the Board to avoid delays.
 4. A proper mechanism to be defined by the reviewer to ensure that all the branches and other offices of the Practice Unit are covered under the review, which can be decided on the basis of the number of transactions, turnover, employee head count etc. The mechanism followed for verifying the details of the branches/other offices should be clearly documented and reviewed by the Board to ensure that all the requisite details of other offices/branches are covered as a part of the peer review process.

Tips for Auditors on documentation / working papers

1. Each audit working paper file should be contain the following information:
 - a. Name of the Client
 - b. Period covered by the audit

- c. Subject-matter
 - d. File reference
 - e. Initials of the member of the audit team who prepared it and the date on which it was prepared
 - f. Initials of the member of the audit team who reviewed the working paper.
 - g. Complete lead schedules
 - h. Working papers to agree with books of accounts, financials and are cross-referenced.
 - i. Audit Summary Memorandum
2. Along with the above documents, following are the general guidelines which can be adopted by the Practice Unit for preparation of working papers:
- a) *Clarity and Understanding* - Working papers should be clear and understandable without supplementary oral explanations. With the information the working papers reveal, a reviewer should be able to readily determine their purpose, the nature and scope of the work done and the preparer's conclusions.
 - b) *Completeness and Accuracy* – Working papers should be complete, accurate, and support observations, testing, conclusions, and recommendations. They should also show the nature and scope of the work performed.
 - c) *Pertinence* – Limit the Information in working papers to matters that are important and necessary to support the objectives and scope established for the assignment.
 - d) *Logical Arrangement* – File the working papers in a logical order.
 - e) *Legibility and Neatness* – Working papers should be legible and as neat as practicable. Sloppy work papers may lose their worth as evidence. Crowding and writing between lines should be avoided by anticipating space needs and arranging the work papers before writing.
 - f) *Safety*- Keep your work papers safe and retrievable

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- g) *Initial and Date*- Put your initials and date on every working paper
 - h) *Summary of conclusions*- Summarize the results of work performed and identify the overall significance of any weaknesses or exceptions found.
3. Proper guidance should be given to staff by the Practice Unit regarding the following:
- a) Filing/keeping of working papers
 - b) Checklist of documents to be obtained and maintained
 - c) Indexing of documents/ working papers
 - d) Proper numbering/ sequencing of working papers
 - e) Summarizing of overall findings
 - f) Writing of queries
 - g) Discussing with seniors on matters of importance
 - h) Disposing of query -at staff level/ senior level/ partner level
 - i) Importance of the working papers to be signed, dated and approved by relevant level of audit staff with enough cross reference
 - j) Importance of depicting the client's name, file number, accounting period, subject of working paper and reference of working paper with current or permanent file.

ILLUSTRATIVE CHECKLISTS

The specific audit documentation requirements in the respective SAs are as illustrated below:

SA	Title	Document needed	Yes/No/N A	Remarks
SA 200	The overall objective of the Independent Auditor and conduct of	Relevant papers collection at each stage of audit as necessary. Independence compliance		

Documentation

SA	Title	Document needed	Yes/No/N A	Remarks
	audit in accordance with the Auditing Standards			
SA 210	Agreeing with audit engagement terms	Audit engagement letter		
SA 220	Quality control for an audit of financial statements	Quality control policies and procedures by auditing firms for audit plans, personnel, etc.		
SA 230	Audit Documentation	<ul style="list-style-type: none"> - Audit programmes - Analyses - Issues memoranda - Summaries of significant matters. - Letters of confirmation and representation. - Checklists. - Correspondence (including e-mail) concerning significant matters. <p>The auditor may include abstracts or copies of the entity's records (for example, significant and specific contracts and agreements) as part of audit documentation.</p> <p><i>Audit documentation, however, is not a substitute for the entity's</i></p>		

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SA	Title	Document needed	Yes/No/N A	Remarks
		<i>accounting records.</i>		
SA 240	Auditor's Responsibilities Relating to fraud in an audit of financial statements	<ul style="list-style-type: none"> - Industry specific risk identifying factors - Documents on understanding of Internal control process - Inquiries and communication with entity's employees /management 		
SA 250	Consideration of Laws and Regulations in an Audit of Financial Statements	List of relevant registration with various states, legislations along with responsible person's inquiry, checklist of compliances for prevention and detection from non-compliances		
SA 260	Communication with those charged with governance	Not necessarily required to be documented unless some specific considerations		
SA 265	Communicating deficiencies in internal control to those charged with governance and management	Obtaining reply for the same is required		
SA 299	Joint Audit of Financial Statements	Clear bifurcation of scope and responsibility is to be done		

Documentation

SA	Title	Document needed	Yes/No/N A	Remarks
SA 300	Planning an Audit of Financial Statements	<ul style="list-style-type: none"> - Audit strategy and audit plan - Update audit plans as per the need like unexpected events, changes in conditions, - Before starting initial audit engagement: Client acceptance and previous auditor communications/correspondence 		
SA 315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment	Factors, operations, ownership, internal control understanding, as well documenting.		
SA 320	Materiality in Planning and Performing an Audit	Selection of Samples, Quantitative and Qualitative factors for materiality		
SA 330	The Auditor's Responses to Assessed Risks	Material misstatement addressed to management, test of controls for its effectiveness		
SA 402	Audit Considerations Relating to an Entity Using a Service Organization	Differs from Service to Service		

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SA	Title	Document needed	Yes/No/N A	Remarks
SA 450	Evaluation of Misstatements Identified during the Audit	Needs to be documented with proper evaluation and conclusion.		
SA 500 & SA 501	Audit Evidence	Reliability of relevant test of evidences, non-conflict with other evidences on same matter		
SA 505	External Confirmations	Procedures for confirmation requests from related to third parties – For e.g. Bank, Receivable, Payable, Stock, Loans, Investment		
SA 510	Initial Audit Engagements – Opening Balances	Recent financial statements and previous auditor report		
SA 520	Analytical Procedures	Comparison of information for prior period, data reliability, significant fluctuations		
SA 530	Audit Sampling	Technical analysis for sample selection, substantive procedures, etc.		
SA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	Management Representation Letter with appropriate assumptions made and its reasonableness		

Documentation

SA	Title	Document needed	Yes/No/N A	Remarks
SA 550	Related Parties	List of parties' transactions entered, minutes books relevant details, Identifications of information provided by management transactions		
SA 560	Subsequent Events	Adequate disclosure representation from those charged with governance		
SA 570	Going Concern	Relevant factors of sustainability		
SA 580	Written Representations	Specifying each item disclosed in balance sheet		
SA 610	Using the work of Internal Auditors	Report and Summary of Internal Audit report		
SA 620	Using the Work of an Auditor's Expert	Reliance and reliability of work performed		
SA 710	Comparative Information– Corresponding Figures and Comparative Financial Statements	Needs to be given and working paper to be maintained		
SA 720	The Auditor's Responsibility in Relation to Other Information	Financial and Non-Financial Information required as per law regulation or custom (other than financial statements and auditor's report), Inconsistent information		

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SA	Title	Document needed	Yes/No/N A	Remarks
SA 800	Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks	Engagement Letter, Purpose and Intended users, Steps to determine applicable framework by Management, Factors having impact on information presented. Interpretation is significant when Adoption of Another reasonable Interpretation would have produced a material difference in the information presented in the financial statements. Examples of special purpose frameworks are: <ul style="list-style-type: none"> • Cash Receipts and Disbursements – Cash Flow • Reporting provisions contained in Contract – like loan agreement, project grant or bond indenture 		
SA 805	Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial	Engagement Letter with clear scope identifying factors of the matters to be reported Examples: Single Financial Statement – only cash flow Element – Account or Group including relevant notes (Account		

Documentation

SA	Title	Document needed	Yes/No/N A	Remarks
	Statement	Receivable, Schedule of externally managed assets), etc.		
SA 810	Engagements to Report on Summary Financial Statements	Agreement with management for understanding scope of audit of summary financial statements in the event of non-acceptance of such agreement. In this case the audit reporting shall not be taken. Evaluation sheet Management criteria and its acceptance Audited Financial Statement Comparative list of summaries with complete set of financial statement		

General checklist of documents to be maintained by the Practice Unit either electronically or as hard copy files

Each business will be different and the decision on how best to handle file & data storage should be based on the specific needs & requirements of the company.

Understanding that there are some limitations in going completely digital, as well as any laws and regulations that require original files to be on record, it is recommend that businesses maintain important documents in multiple formats.

Considering the above, following is an illustrative general list of documents to be checked and maintained for an audit engagement by the Practice Units:

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Sr No	Particulars	YES/NO/NA	REMARKS	Page number of Hard Copy file	Electronic Copy reference
MASTER DATA/DOCUMENTS					
1	Audit engagement letter (with reference to SA 210)				
2	Opening and closing trial balance				
3	Last year signed financial statement				
4	List of various registrations obtained under other laws				
5	List of Branches				
6	List and place of books maintained				
7	Loan payment sch. & loan confirmation letter				
8	Cash balance confirmation letter along with denomination				
9	Bank balance confirmation				
10	Outstanding entry passed – provide supporting				

Documentation

	photocopy				
11	Draft financial statement				
12	Management representation letter				
DIRECT TAX REPORTING					
13	Copy of computation of income of last year				
14	Summary of disallowances to be made and allowances as per section 43b of I T Act				
15	Deferred tax working				
16	Form 26AS/AIS				
17	Advance tax payment challans				
18	Invoice of addition to fixed assets				
19	Invoice of sale of fixed assets				
20	TDS payments challans				
21	Cash Ledger with transaction more than Rs. 10,000/-				
22	Status of pending income tax assessment				

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23	Certificate under sec. 40(A)(3) & 269SS, 269ST & 269T Of Income Tax				
24	List of parties covered under section 40 A 2(b) with relations and transactions				
25	TDS details as per Clause 34				
26	Quantitative Details				
INDIRECT TAX REPORTING					
27	Applicability of GST				
28	Applicability of Customs				
29	Respective returns copy				
30	Respective challans copy				
31	Respective order status, if any				
32	Reconciliation statement of turnover declared and booked, wherever required				
COMPANY LAW					
33	Shareholding pattern				
34	List of Directors				

Documentation

35	List of KMP				
36	Register extracts of transactions with related parties				
37	Minutes of meetings				
38	List of related parties as Per As18				
39	Ledger of related party from tally having transaction				
40	Calculation of foreign exchange profit/loss				
41	Representation from Director for Qualification				
42	Any change in MOA/AOA				
43	Copy of annual return filled with MCA				
44	Calculation of director remuneration as per Companies Act				
45	CSR – Applicability and its compliances				
46	Cash flow statement by other than small and one person company				

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47	Consolidated financial statement preparation applicability				
48	Internal financial controls policy and monitoring process				
49	Schedule II – Depreciation Useful life if not the same technical report				
50	KMP appointment and its compliances				
51	Directorship list – appointment or disqualification if any				
52	Independent director and/or women director				
53	Deposits repayment other than directors (Compliance of Section 73)				
54	Annual return extracts – MGT 9				
55	Number of meetings by BOD (OM, EOM, BM) and its minutes				
56	Vigil mechanism				

Documentation

57	List of contracts or arrangements with related parties				
58	Various Committees to be formed				
59	Interest by directors				
60	Various Forms filed with ROC				
61	Corporate Governance				
62	Secretarial Audit Requirement or Compliance Certificate from Practicing CS				
63	Charge creation / Modification / Satisfaction				
64	Compliance with Section 185/186				
COMPLIANCE UNDER ALLIED LAWS					
65	PF payment challans and returns copy, if any				
66	Profession tax payment challans and returns copy, if any				
67	ESIC payment challans and returns copy, if				

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	any				
68	LWF payment challans and returns copy, if any				
69	SEBI Compliances				
70	MSME Compliances				

Fundamental Principles

1. Practice Unit to ensure that the basic documents of an audit (being those included in “Master Data/Documents” section in the above checklist) should be maintained in a hard copy file for ease of review. An appropriate reference to the electronic copy files should be provided for ease of interlinking documents.
2. Where the documents maintained are in electronic form only, appropriate links and references of storage of documents to be provided by the Practice Units.

Bibliography

Following documents issued by the ICAI:

1. SA 230 – “Audit Documentation”
2. 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”
3. SA 200 – “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing”
4. Implementation Guide to Standard on Auditing (SA) 230, Audit Documentation.

CHAPTER 6

REPORTING

01. Reporting Process

- After completing the on-site review, the Reviewer, shall submit the Peer Review Report to the Board along with Form 9 if in his opinion, the Practice Unit 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.
- In case, in the opinion of the Peer Reviewer, the systems and procedures of the Practice Unit 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.
- Reviewer submits its initial findings in a preliminary report to the Practice Unit before submitting the final report to the Board which will be enclosed to the final report.
- Practice unit must give the representation/comments to the reviewer within 2 working days of receipt of preliminary report. The reviewer, after considering the comments/ representation shall issue the final report to the Board.
- The purpose of this Chapter is to provide the guidelines on the form and contents of the reviewer's report issued pursuant to review of the Practice Unit.
- The reviewer should adhere to the requirements mentioned in this Chapter while preparing his report.
- The requirement mentioned in the Chapter apply to preliminary & final reports of the reviewer.

02. A reviewer qualifies the report due to one or more of the following: -

- Non-compliance with technical standards

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- Non-compliance with professional standards
 - Non-compliance with ethical standards
 - Deficiency in quality control system
 - Non-compliance with quality control policies and procedures
 - Non-existence of adequate training programs for staff.
03. Based on review, the reviewer should express his opinion on the factors mentioned above on system of quality control in the practice unit. The expression of opinion by the reviewer should be as clear as possible.
04. Peer Review Report should contain following:
- **Scope of work** - A reference to the description of the scope of the peer review conducted.
 - **Limitation of work** - Existence of limitation(s), if any, on the review conducted with reference to the scope as envisaged in the Statement on Peer Review.
 - **Procedure for quality control** - An indication about the quality control procedures with a specific reference to the quality control standards.
 - **Responsibility of PU** - A statement indicating that the system of quality control is the responsibility of the reviewed firm.
 - **Previous Peer Review Report findings & its implication** - All the deficiencies reported in previous peer review report are rectified & the recommendations given (if any) are adopted by PU.
 - **Compliances** - A statement indicating that the review did not necessarily disclose all instances of lack of compliance with technical, professional and ethical standards.
 - **Opinion** - An opinion whether the practice unit's system of quality control has been designed to meet the requirements of the quality control standards, technical, professional and ethical standards for assurance services.
 - **Best practice** - Reviewer can give recommendation on the best practices followed by other peer firms.

- **Suggestions** - Where the reviewer concludes that a modification in the report is necessary, description of the reasons for modification should be given. The report of the reviewer should also contain the suggestions.
- **Reference to preliminary Report** – Reference to preliminary report should be given in the Final Report.

05. The peer review report should be issued on the reviewer's (individual) letterhead and signed by the reviewer. The report should be addressed to the Peer Review Board and should be dated as of the date of the conclusion of the review.

06. Modification in Peer Review Report

In deciding on the type of report to be issued, a reviewer should consider the evidence obtained and should document the overall conclusions with reasons with respect to the year being reviewed in respect of following matters:

- Whether the policies and procedures that constitute the reviewed firm's system of quality control for its assurance services have been designed to ensure quality control to provide the firm with reasonable assurance of complying with technical, professional & ethical standards.
- Whether personnel of the reviewed firm complied with such policies and procedures in order to provide the Practice Unit with reasonable assurance of complying with technical, professional & ethical standards.
- Whether the Practice Unit has instituted adequate mechanism for training of staff.
- Whether the practice unit ensures the availability of expertise and/or experienced individuals for consultation with the consent of the auditee.
- Whether the skill and competence of assistants are considered before assignment of assurance engagement
- Whether the progress of assurance service is monitored, and work performed by each assistant is reviewed by the service in-charge and necessary guidance is provided to assistants

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- Whether the Practice Unit has established procedure to record the audit plan, the nature, timing and extent of auditing procedures performed, and the conclusions drawn from the evidences obtained.
- Whether the Practice Unit maintains Audit files as per the standards laid down by the ICAI.
- Whether the practice unit verifies compliance with laws and regulations to the extent it has material effect on financial statement.
- Whether internal controls within the Practice Unit contribute towards maintenance of quality of reporting.
- Whether the findings of last peer review have been implemented by the Practicing Unit.

APPENDIX I

PEER REVIEW GUIDELINES, 2022

To consolidate and prescribe Guidelines relating to requirement, procedure and administrative aspects of Peer Review of Chartered Accountant firms in practice.

Be the Peer Review Guidelines laid down by the Council of the Institute of Chartered Accountants of India

Chapter I Preliminary

1. Peer Review Guidelines, 2022

In exercise of the powers conferred by Section 15(2) (fa) of the Chartered Accountants Act, 2022, the Council of the Institute of Chartered Accountants of India hereby prescribes the following Guidelines, namely

Short title and commencement

- (1) These guidelines may be called the Peer Review Guidelines, 2022.
- (2) They shall come into force from 1st October, 2022.

2. Definitions

In these Guidelines, unless the context otherwise requires,-

- (1) **Act** – means the Chartered Accountants Act, 1949, (No. 38 of 1949);
- (2) **Assurance Engagement** – as defined in the *Framework for Assurance Engagements* issued by the Institute of Chartered Accountants of India and as may be amended from time to time 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 but does not include:
 - (i) Management Consultancy Engagements;

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- (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 the Guidelines interchangeably with Audit Services, Attestation Functions and Audit Functions.

- (3) **Board Member** – means a person appointed by the Council of the Institute as a Member of the Board;
- (4) **Branch office** - means in relation to a Practice Unit, any establishment described as such by the Practice Unit;
- (5) **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;
- (6) **Chairman** - means a person appointed as Chairman of the Board by the Council of the Institute, and includes a person, who, for the time being, is discharging the functions and duties of the Chairman;
- (7) **Committee** - means a Committee of the Council as defined under section 17 of the Chartered Accountants Act, 1949 including any Board;
- (8) **Council** – means the Council of the Institute as defined under Chapter III of the Chartered Accountants Act, 1949;
- (9) **Forms and Records** – shall mean forms and records of the Board under these Guidelines maintained on electronic form on computers or such other devices;

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- (10) **Institute** - means The Institute of Chartered Accountants of India constituted under the Chartered Accountants Act, 1949;
- (11) **Member** - means a member in practice within the meaning of sub-section (2) of section 2 of the Chartered Accountants Act, 1949;
- (12) **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 Practice Unit in existence for a period exceeding 12 months but not rendering any assurance services;
- (13) **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"];
- (14) **Peer Review** - means 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;
- (15) **Peer Review period** – means three 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;
- (16) **Peer Review Board Secretary** - means the Peer Review Board Secretary or any Additional or Joint or Deputy or Assistant Secretary appointed by the Council or any person acting as the Secretary under the directions of the Council; as defined under Regulation 2 (xv) of the Chartered Accountants Regulations, 1988;
- (17) **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;
- (18) **Prescribed form** - means a form prescribed under these Guidelines;

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- (19) **Reviewer** - means a member duly approved and empanelled by the Board on fulfilling the qualifications prescribed for a Reviewer as per Guideline 26 of these Guidelines;
- (20) **Regulations** - mean the Chartered Accountants Regulations, 1988 and Regulation means Regulation included therein;
- (21) **Qualified Assistant** - means a member who is an associate of the Reviewer either as his partner or as a paid assistant as per the records of the Institute of Chartered Accountants of India;
- (22) **Section** - means a section of the Chartered Accountants Act, 1949;
- (23) **Technical, Professional and Ethical Standards** - mean
- (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 and after examination of the recommendations made by the National Financial Reporting Authority (NFRA);
 - (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 and after examination of the recommendations made by the National Financial Reporting Authority (NFRA);
 - (iv) Standards issued by the Institute of Chartered Accountants of India including
 - (a) Engagement and Quality Control Standards
 - (b) Statements
 - (c) Guidance notes
 - (d) Standards on Internal Audit
 - (e) Guidelines/ Notifications / Directions / Announcements / Pronouncements / Professional Standards issued from time to time by the Council or any of its Committees;
 - (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.
- (24) **UDIN** – [Unique Document Identification Number] -means the 18-Digit system generated random unique number which is to be generated through UDIN Portal by every full time Practicing Chartered Accountant for every document/report certified/ attested by him;
- (25) **UDIN Directorate** – means the UDIN Directorate set up by the Council of the Institute of Chartered Accountants of India to implement and monitor the progress of UDIN and its day to day functioning on real time basis;
- (26) **Vice- Chairman**- means a person appointed by the Council of the Institute as a Vice- Chairman of the Board.

All words and expressions used and not defined in these Guidelines shall have the same meaning as assigned to them under the Chartered Accountants Act, 1949, and the Rules and Regulations framed thereunder.

Chapter II

Peer Review

3. Peer Review and its objective

- (1) 'Peer Review' means the process defined under Clause 2 (14) of these Guidelines and includes any directions issued by the Board in this behalf.
- (2) Peer Review process is based on the principle of systematic monitoring of the procedures adopted and records maintained while carrying out audit & assurance services in the course of one's professional responsibility to ensure and sustain quality. Peer Review is primarily directed towards ensuring as well as enhancing the quality of audit and assurance services of Chartered Accountants in Practice. Peer Review of a Practice Unit is conducted by an independent evaluator known as a Peer Reviewer. The Peer Review process is intended to review the quality control framework of the Practice Unit as well as proper and consistent application of such control frameworks across engagement samples selected for review.
- (3) 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.

4. Coverage of Peer Review

- (1) The Peer Review process shall apply to all the assurance engagements signed by a Practice Unit during the period under review.
- (2) Once a Practice Unit is subjected to Peer Review, its assurance engagement records pertaining to the Peer Review Period shall be subject to examination and review by the Peer Reviewer.
- (3) A Practice Unit having one or more branches at various locations in India may opt to get the Peer Review of any branch or branches conducted by a Branch Peer Reviewer. The Reviewer conducting the

Peer Review of the Head Office shall consider the report of the Branch Peer Reviewer and shall issue a consolidated report for the Practice Unit.

- (4) The Peer Review shall cover:
- (i) Compliance with Technical, Professional and Ethical Standards.
 - (ii) Quality of reporting.
 - (iii) Systems and procedures for carrying out assurance services.
 - (iv) Self evaluation under Audit Quality Maturity Model or any other guideline issued by the Centre for Audit Quality.
 - (v) Training programmes for staff (including article and audit assistants) concerned with assurance functions, including availability of appropriate infrastructure.
 - (vi) Compliance with directions and / or guidelines issued by the Council to its Members, including fees to be charged, number of audits undertaken, register for Assurance Engagements conducted during the year and such other related records.
 - (vii) 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.

5. 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.
- (ii) **Voluntary:** Any Practice Unit may, suo motu, apply to the Board for the conduct of its 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.

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- (iv) **New Unit:** A Practice Unit whose
 - (a) Date of establishment is less than twelve months immediately preceding the date of receipt of application of Peer Review or
 - (b) 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.

6. Procedure for initiating Peer Review

- (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 Practice Unit on the request of the Peer Review Board Secretary.
- (3) The Application mentioned under clauses 6(1) and 6(2) above received by the Board shall be duly numbered.
- (4) On receipt of the said Application cum Questionnaire, names of three Reviewers shall be recommended by the Board to the Practice Unit within three working days.
- (5) The Practice Unit shall select one out of the three recommended Reviewers and intimate to the Board within one working day of receipt of the names.
- (6) The Board shall appoint the Peer Reviewer selected by the Practice Unit in accordance with these Guidelines.
- (7) The Board shall intimate the Reviewer so selected to submit a Declaration of Confidentiality in Form 2 to the Practice Unit within two working days from the receipt of choice of name of the Reviewer from the Practice Unit.
- (8) The Practice Unit shall also provide a copy of the Application cum Questionnaire in Form 1 submitted to the Board as per clause 6 (1) or 6(2) above to the Reviewer within two working days of the appointment of the Reviewer.

7. Peer Review Procedure to be followed by the Peer Reviewer

- (1) Before commencement of Peer Review, the Peer Reviewer shall ensure that the Declaration of confidentiality is furnished to the Practice Unit and acknowledgement of receipt thereof is obtained by him.
- (2) On receiving the Application cum Questionnaire in Form 1 from the Practice Unit, the Peer Reviewer shall initiate the Peer Review by intimating the Practice Unit 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.
- (3) The Reviewer may seek further/ additional clarification in Form 6 from the Practice Unit on the information furnished/ not furnished by the Practice Unit in the Questionnaire. The Practice Unit shall provide this additional information to the Reviewer within one working day.
- (4) The Reviewer shall, within two working days of receiving the information from the Practice Unit, 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.
- (5) The number of assurance service engagements to be Reviewed shall depend upon:
 - (i) The standard of quality controls generally prevailing
 - (ii) The size and nature of assurance service engagements undertaken by the Practice Unit
 - (iii) The methodology generally adopted by the Practice Unit in providing assurance services
 - (iv) The number of partners / members involved in assurance service engagements in the Practice Unit
 - (v) The number of locations / branch offices of the Practice Unit
 - (vi) The Fees charged / received / GST paid by the Practice unit.
- (6) The Reviewer shall plan for an “on-site review” visit for initial meeting in consultation with the Practice Unit. The Reviewer shall give the Practice Unit at least two working days to keep ready necessary records of the selected assurance services in Form 5.

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- (7) The Reviewer may enlarge the initial sample size of assurance service engagements for review if the Reviewer deems fit.
- (8) 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 six working days based on the size of the Practice Unit.
- (9) The Reviewer is required to carry out a Compliance Review of the following general controls for evaluating the degree of reliance to be placed upon them for effective Review:
 - (i) Independence
 - (ii) Maintenance of Professional Skills and Standards
 - (iii) Outside Consultation
 - (iv) Staff recruitment, Supervision and Development
 - (v) Office Administration
- (10) The Reviewer is required to adopt a combination of compliance approach and substantive approach in the review process.
- (11) The compliance approach is to assess whether proper control procedures have been established / followed by the Practice Unit to ensure that assurance services are being performed in accordance with Technical, Professional and Ethical Standards. The following areas shall be considered:
 - (i) Assurance services records for administration
 - (ii) Review and evaluation of system of internal controls
 - (iii) Substantive tests
 - (iv) Financial Statements presentation and disclosures
 - (v) Assurance Services conclusions
 - (vi) Assurance Services reporting
- (12) The Substantive Approach requires a Review of the assurance working papers in order to establish the extent of compliance and whether the assurance work has been carried out as per the Technical, Professional and Ethical Standards.

8. Procedure for Peer Review of a New unit

- (1) 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.

- (2) The Reviewer shall thereafter submit a Report to the Board in the formats as prescribed by it.

9. Reporting by the Peer Reviewer

- (1) After completing the on-site review, the Reviewer, shall submit the Peer Review Report to the Board along with Form 9 if in his opinion, the Practice Unit 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.
- (2) In case, in the opinion of the Peer Reviewer, the systems and procedures of the Practice Unit 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.
- (3) The Practice Unit shall, within two working days of the date of receipt of the findings, make its submissions or representations, in writing to the Reviewer.
- (4) If the Reviewer is satisfied with the reply received from the Practice Unit, 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 Practice Unit.
- (5) In case the Reviewer is of the opinion that the response submitted by the Practice Unit under clause 9(4) above 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.
- (6) The Peer Review Report should state that the system of quality control for the assurance services of the Practice Unit 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.

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- (7) 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.
- (8) The Practice Unit as well as the Reviewer shall ensure that all documents submitted to the Board are duly dated, signed and complete in all aspects.
- (9) 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.
- (10) 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.

10. Communications

All communications by the Practice Unit and the Peer Reviewer with the Board shall be made at the Email address prescribed by the Board from time to time.

11. Joint intimation for extension of time for completion of Peer Review process

- (1) In case of delay in the Peer Review process beyond the timeframe prescribed under these Guidelines, before the last date for furnishing Form 9, the Practice Unit and the Reviewer including the Branch Peer Reviewer, if any, shall make an intimation to the Board in Form 7 seeking extension of time giving reasons for the delay in the process and submission of report to the Secretariat.
- (2) The Board has power to condone the delay, if any for submission of Form 7.

12. Fees for Peer Review

- (1) The Practice Unit shall pay fees to the Peer Reviewer for conducting Peer Review as has been mutually agreed upon by both the parties.
- (2) The minimum recommendatory fees for Peer Review shall be notified by the Board. The basis for charging fees for Peer Review of the Practice Unit or any of its branch payable by the Practice Unit shall also be prescribed by the Board.
- (3) Fees for Peer Review should be paid by the Practice Unit to the Peer Reviewer within seven working days of receipt of invoice from the Peer Reviewer.
- (4) The prescribed fees for Peer Review are based on fees charged by Practice Unit for carrying out attest function. However, where such analysis is not done by the Practice Unit then fees shall be charged on gross turnover of professional fees as per the statement of Practice Unit for the Peer Review period. In case of branch of a Practice Unit, this should be read with reference to the statement of the branch.
- (5) The Practice Unit shall make available books of account or financial statements or a certificate from a Chartered Accountant to enable the Peer Reviewer to ascertain the amount of fees from assurance services rendered by it during the period of review.
- (6) In case of non-payment of fee, notwithstanding any other consequences, the Board reserves the right to withhold the Peer Review Certificate of the Practice Unit.
- (7) The Board may also order refund of fees to the Practice Unit by the Reviewer, for reasons as may be recorded.

13. Review of report by the Peer Review Secretariat under the supervision and directions of Peer Review Board Secretary

- (1) The Peer Review Board Secretary shall ensure that the Peer Review report is accompanied by all the documents as mentioned under Clause 9 (7) of the Guidelines. It shall also ensure that the documents are complete in all aspects.
- (2) All reports shall be placed before the Board or its Sub-Committee for its consideration and issuance of Peer Review Certificate.
- (3) In case of a qualified report, the Peer Review Board Secretary shall place the report before the Board for consideration. The Board may

decide for a "Follow On" Review after a period of one 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 six months from the date of issue of the report.

14. Issuance of 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.

15. Validity of Peer Review Certificate

- (1) 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.

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

- (2) The validity of the Peer Review Certificate issued to New Units shall be decided by the Board.
- (3) It is the responsibility of the Practice Unit to complete its Peer Review and ensure submission of all necessary documents by the reviewer within sufficient time before the date of expiry of the previous certificate.
- (4) 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.
- (5) The validity of the Certificate shall, under no circumstances other than those referred under sub clause 4 above be extended by the Board .
- (6) The Peer Review Certificate shall cease to be valid from the time it is revoked as per clause 22 of the Guidelines.

16. Duplicate / Amendment of Peer Review Certificate:-

- (1) Where a Practice Unit holding a Peer Review Certificate granted by the Board has lost it, the Board may, on an application made in this behalf, duly supported by an affidavit of the applicant to the effect that it was in possession of such certificate and has lost it, issue a duplicate certificate on payment of a fee of two hundred rupees.
- (2) Where any certificate granted by the Board is damaged, the Board may, on an application made in this behalf issue a duplicate certificate on receipt of the fee prescribed above and on return of the damaged certificate.
- (3) Where a holder of the Peer Review Certificate granted by the Board intimates to the Board a change of name of the Practice Unit wherein Firm Registration Number (FRN) remains the same or conversion of a firm into LLP the Board may, on an application made in this behalf, amend and issue a fresh certificate on return of the original certificate, including such particulars as may be decided by the Board.

Provided that the Practice Unit gives a confirmation to the effect that not less than one half of the partners of the Practice Unit at the time of

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issuance of Peer Review Certificate continue to be the partners of the Practice Unit.

- (4) The Practice Unit shall submit a declaration to the effect that it shall not use a copy of the original certificate in case where an amended certificate is issued due to change of name.
- (5) In case of any other re-organisation of Practice Unit the Board is authorised to take a decision on case to case basis.

Chapter III Peer Review Board

17. Establishment and Constitution

- (1) The Board shall be constituted by the Council.
- (2) The Board shall consist of a minimum of six and a maximum of twelve members to be appointed by the Council, of whom not less than fifty per cent shall be from amongst the members of the Council.
- (3) The Council may nominate members to the Board from outside bodies and from amongst prominent individuals of high integrity and reputation, including but not limited to, regulatory authorities, bankers, academicians, economists, legal professionals and business executives.
- (4) The Council shall appoint the Chairman and the Vice-Chairman to the Board from amongst its elected members of the Council.
- (5) The term of two thirds 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, as far as possible, may be rotated every year by the Council of the Institute.
- (6) Casual vacancies on the Board shall be filled by the Council.
- (7) A Member of the Disciplinary Committee or the Board of Discipline shall not be eligible for appointment as a member of the Board.

18. Meetings of Peer Review 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.

19. Language of the Board

- (1) The language of the Board shall be English.
- (2) No application or document in a language other than English shall be accepted by the Board.

20. Reporting

The Board shall submit a report to the Council prior to the date of every meeting of the Council.

21. Functions of the Board

- (1) The Board shall be vested with the powers to enforce compliance of the provisions of these Guidelines by the Practice Units and others.
- (2) Without prejudice to the generality of the provisions of clause (1) of clause 21 of the Guidelines, the powers and duties of the Board shall include the following:
 - (i) To call for such information and / or records from Practice Units / Reviewers in such form and manner as may be decided by the Board from time to time.
 - (ii) To arrange for orientation and periodic training programmes for Reviewers and/ or Practice Units.
 - (iii) To conduct empanelment tests for empanelling the Peer Reviewers.
 - (iv) To conduct advanced empanelment test for empanelment of Peer Reviewers for undertaking Peer Review of Practice Unit conducting statutory audit of listed entities.
 - (v) To prescribe the procedures to be followed in relation to Peer Review.
 - (vi) To register and/or remove Peer Reviewers and maintain a panel of Reviewers.
 - (vii) To fix the ceiling on number of yearly reviews to be conducted by the Reviewer.
 - (viii) To fix the terms and conditions of appointment of the Reviewers.
 - (ix) To prescribe the formats for maintenance of records by Peer Reviewers and to examine the same.

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- (x) To make changes in the Forms prescribed under these Guidelines. The changes so made shall be noted by the Council.
- (xi) To reject any incomplete application, documents or forms as prescribed in these Guidelines as received by it.
- (xii) To Review the work performed by a Reviewer.
- (xiii) To define the scope of selection of Practice Unit for Peer Review as the Board may deem fit.
- (xiv) To collect information to determine whether the Practice Unit is covered under the Peer Review mandate as notified by the Council.
- (xv) To prescribe such criteria of selection of Practice Unit for Peer Review as the Board may deem fit.
- (xvi) To select and notify the Practice Unit for Peer Review to be conducted during the year.
- (xvii) To select three Reviewers and intimate their names to the Practice Unit and allow the Practice Unit to choose any one Reviewer therefrom within one working day or such other period as may be decided by it from time to time
Provided that, the Board shall, for reasons to be recorded in writing, appoint a Reviewer for the Practice Unit if: -
 - a) the Practice Unit does not select Reviewer within a period of one working day or such other period as may be fixed, from the date of service of the intimation; or
 - b) the Reviewer selected by the Practice Unit does not give his confirmation within seven working days of being intimated by the Peer Review Board.
 - c) the Practice Unit on its own requests the Board to appoint a Reviewer.
- (xviii) To call for such information on regular intervals from UDIN Directorate as may be considered necessary.
- (xix) To prescribe a register to be maintained by the Practice Unit for assurance services rendered during the year.
- (xx) On considering the report of a Reviewer:

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- a) issue such advisory to the Practice Unit and/or Peer Reviewer as may be considered appropriate; or
 - b) order a "Follow On" Peer Review to be carried out; or
 - c) issue Peer Review Certificate in the format as the Board may decide.
 - d) To examine that the Practice Units comply with appropriate Audit Assurance Quality Index or such other criteria as may be specified by the Center for Audit Quality or such other Committees as may be constituted by the Council.
- (xxi) To frame Rules for assigning grades to the Practice Units based on such criteria as may be decided by it and to provide suitable grading to the Practice Units. The Practice Units shall inform the grading to the Board in the application Form while applying for the next cycle of Peer Review.
 - (xxii) To publish the grades so allotted on such platforms as the Board may decide for the purpose of reporting to appropriate Authorities or for such other purpose as may be decided by the Board.
 - (xxiii) To Note and issue the Certificates to the Practice Units on the basis of report submitted by the Reviewer.
 - (xxiv) To form such sub groups of the Board, as may be necessary to discharge its various functions.
- (3) Where deemed appropriate, after the conclusion of a cycle of Reviews or at the end of each such period as may be determined, the Board shall have powers to make a Special Report to the Council on:
 - (i) the level of implementation and adherence to Technical, Professional and Ethical Standards amongst Practice Units,
 - (ii) its suggestions for further improvement in quality of Peer Review and
 - (iii) such other related matters and/or information it may be deemed fit.
 - (4) (i) Pursuant to a follow on review carried out in terms of Clause 13(3), if the report of the reviewer continues to be adverse then the deficiencies as reported shall be referred to a Sub

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Committee of the Board. The Sub Committee shall consider the nature and materiality of the deficiencies contained in the follow on review and give its findings to the Board within thirty days from the date the said matter was referred to it.

- (ii) The Board shall consider the findings of the Sub Committee on the nature and materiality of the deficiencies which the Board after due deliberations may either accept or reject for reasons to be recorded in writing. If the Board is of the opinion that the findings of the Sub- Committee have observations on material deficiencies in the Practice Unit, then the Board shall refer the matter to the Council for considering whether the same may be referred to the Disciplinary Directorate for initiating disciplinary action.
- (5) The Board may perform such other functions or acts as may be incidental to, or, which it considers necessary or expedient for the performance of its functions, or exercise of its powers as delegated to it by the Council, including the formation of Sub-Committees and Regional Benches of the Board for specific tasks.
- (6) If the Peer Reviewer does not carry out Peer Review in terms of these Guidelines, the Board may, after giving him an opportunity of being heard, take action in the matter including recommending case to the Council for taking such action.
- (7) The Board shall appoint a Peer Reviewer and bear the cost of Peer Review in case the Reviewer appointed dies after submission of the report to the Board and the report is not complete in all aspects as reviewed by the Peer Review Secretariat. The Board shall bear the cost only if the Practice Unit has made payment in terms of the invoice of the deceased Peer Reviewer.
- (8) To review the Practice Unit with a view to check the appropriateness of the Peer Review report issued by the Reviewer and after giving an opportunity of being heard to the Reviewer, take appropriate action for deficiencies/ limitations noticed in the Peer Review Report.
- (9) For the purpose of clause 21(8), the Board can get the review done through its own resource or can appoint any one or more Peer Reviewer(s). The Cost of such Review shall be borne by the Board.

22. Revocation of Peer Review Certificate

- (1) The Board may, subject to the principle of natural justice, revoke the Peer Review Certificate of the Practice unit during its currency, if-
 - (i) The Practice Unit has not complied with the order or advisory issued by the Peer Review Board; or
 - (ii) The Peer Review Board receives any Directions from the Secretary, ICAI, Disciplinary Directorate or directions from any Regulator through Secretary, ICAI or the Council.
 - (iii) On an information received from the Practice Unit or otherwise that the Practice Unit or any of its partners are held guilty by the Disciplinary Committee or the Court within one month of the final order issued by the DC/ Court as the case may be, the Board may take such immediate action as is considered necessary, including suspending or revoking the Peer Review Certificate.
 - (iv) On an information received from Practice Unit that there is a change of one half or more of the partners, the Certificate shall be revoked on the expiry of six months from the date of such change or shorter period in case the change has occurred during the last six months of the validity of the certificate.
- (2) The Practice Unit shall be given an opportunity to present its response in Form 10.
- (3) The name of the Practice Unit whose Certificate has been revoked shall be hosted on the ICAI website.

**Chapter IV
Administration**

23. Secretariat

- (1) The Council may cause an appropriate and independent Peer Review Board Secretary and Secretariat to be set up to assist the Board in the discharge of its functions.
- (2) All persons working in the Secretariat shall be subject to the same terms and conditions of confidentiality as the Board Members and Peer Reviewer(s).

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- (3) Appropriate arrangements for training of personnel of the Secretariat shall be made from time to time.

24. Functions of the Peer Review Board Secretary and Secretariat

- (1) The Peer Review Board Secretary shall have the custody of all the records of the Board.
- (2) The Peer Review Board Secretary shall perform his duties and functions under the general superintendence and control of the Chairman of the Board.
- (3) Subject to any general or special order in writing of the Chairman, the Vice Chairman or any Member of the Board, the Secretariat including the Peer Review Board Secretary shall have the following powers and duties, namely:
 - (i) To receive the Application and Questionnaire from the Practice Unit, Peer Review Reports, Rectified Application and Questionnaire from the Practice Unit; Rectified Peer Review Reports, and any other Miscellaneous applications and make an entry of the same into respective receipt register;
 - (ii) To endorse on such applications the date of receipt, for the purpose of calculating the period of limitation;
 - (iii) To scrutinize all Applications and Questionnaires and Peer Review Reports received from the reviewers and ensure that the same are complete in all aspects. In case there is any contradiction in the information provided by the Practice Unit and the comments of the reviewer the same may be pointed out by the office. However, the comment of the reviewer shall be considered as final;
 - (iv) To point out defects, in such Application and Questionnaire and Peer Review Reports, through email or by post to the Practice Unit and/ or the Peer Reviewer requiring him to rectify the same by affording reasonable opportunity and, if within the time so granted, defects are rectified, to place the reports before the Board or its Sub-Committee for consideration and issuance of Peer Review Certificate. The Certificate shall be issued when all documents submitted by the Peer Reviewer as prescribed under sub- clause 7 of Clause 9 are complete in all aspects and

the date of receipt of report for the purpose of sub clause 1 of Clause 15 shall be the date of receipt of all such completed documents by the office.

- (v) To scrutinize all miscellaneous applications received from the reviewers and the Practice Unit and take such action as may be decided by the Board;
- (vi) To send the show cause notice along with enclosures, to the Practice Unit or the Peer Reviewer within a reasonable time and to receive cross-objection, if any, on the same;
- (vii) To preserve the records of the Board for a period of eight years
- (viii) To receive applications for substitution, on account of death, or otherwise, of the Peer Reviewer from the Practice Unit, during the pendency of Peer Review and place them before the Board;
- (ix) To requisition records from the custody of any authority;
- (x) To grant certified copies of the Peer Review Certificates in accordance with the Guidelines;
- (xi) To maintain:
 - (a) List of Peer Reviewed Practice Units;
 - (b) List of Reviewers who have been Empanelled with the Board alongwith the date of passing the test and the date of validity of their empanelment as well as the number of assignments handled by them;
 - (c) List of Reviewers empanelled with the Board who have qualified the special test held for conducting Peer Review of Practice Units rendering statutory audit of listed entities along with the date of passing test and the date of validity of their empanelment as well as number of assignments handled by them;
 - (d) List of Practice Units along with the name of Reviewers which have been referred to the Council for initiating any action against them;
 - (e) Minutes of Board Meetings duly signed by the Chairman and Peer Review Board Secretary;
 - (f) Such other records as are necessary for the conduct of official work.

Chapter V Practice Units

25. Obligations of the Practice Unit

- (1) A Practice Unit which falls under any of the Criteria prescribed under clause 5 (i); (ii) and (iv) of the Guidelines may apply for Peer Review in Form 1 - application cum questionnaire as prescribed by the Board. Provided that the Board shall intimate the Practice Unit to apply for Peer Review in cases where the criteria prescribed under clause 5 (iii) and (v) of the Guidelines are attracted.
- (2) All Practice Units shall comply with the provisions of these Guidelines. Any non-compliance by a Practice Unit shall attract disciplinary action under clause (2) of Part III of the First Schedule and/or under clause (1) of Part II of the Second Schedule of the Chartered Accountants Act, 1949. The Board is empowered to forward the name/s of a Practice Unit or Practice Units to the Council for initiating Disciplinary action.
- (3) 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 or any other record or document which is of a class or description so specified and which is in the possession or under the control of the Practice Unit.
 - (ii) Provide to the Reviewer such explanation or further particulars/ information in respect of anything produced in compliance with a requirement under the above clause 25 (3) (i), as the Reviewer shall specify.
 - (iii) Provide to the Reviewer all assistance in connection with the 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 an extract 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.

Chapter VI Peer Reviewer

26. Eligibility to be a Peer Reviewer

- (1) A member in practice shall be eligible to be enrolled as a Peer Reviewer if:
 - (a) He is a member in practice having at least seven years of assurance practice experience or
 - (b) A member in employment who has subsequently obtained a Certificate of Practice, having at least ten years of experience in employment and at least three years audit experience in practice and is in whole time practice at the time of enrolment and appointment as Peer Reviewer.
- (2) A member shall not be eligible for being appointed as a Reviewer of a Practice Unit, 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,
- (3) A Peer Reviewer shall not accept any professional assignment from the Practice Unit for a period of 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 prior to the date of appointment as a Peer reviewer of that Practice Unit or its partners in case of a firm.
- (4) A Reviewer shall be de-empanelled by the Board if his name is removed from the register of members or if he surrenders his

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Certificate of Practice at any time after he is empanelled with the Board.

- (5) A member on being appointed as a Reviewer shall be required to furnish a Declaration of Confidentiality to the Practice Unit as per Form 2 of these Guidelines while giving consent for appointment as a Peer Reviewer

27. Training and Test for Peer Reviewers

- (1) A Peer Reviewer should have undergone the training imparted by the Board for this purpose and should pass the test for Peer Review as prescribed and conducted by the Board.
- (2) Peer Reviewer of a Practice Unit conducting statutory audit of listed entities, shall be one who has undergone training and passed the test as prescribed by the Board in addition to normal training and test.
- (3) A member eligible to act as a Peer Reviewer shall make an application for enrolment as a Peer Reviewer with the Board in the prescribed Form 3.
- (4) A declaration of confidentiality in the prescribed Form 3 shall be submitted by the Peer Reviewer to the Board.
- (5) A reviewer once empanelled shall remain in the panel for three years from the date of Peer Review test that he has passed and on the basis of which he has been enrolled. However, a reviewer who is qualified to carry out Peer Review of a Practice Unit rendering statutory audit of a listed entity shall remain in the panel for two years.
- (6) The Reviewer shall approach the Board within six months before the expiry of his empanelment for undergoing fresh training and test.

28. Panel of Reviewers

The Board shall maintain:

- (1) A Register of Peer Reviewers which shall contain Region wise and City wise list of Peer Reviewers.
- (2) Application with Declaration of Confidentiality received from the Peer Reviewer
- (3) Name of the members removed from the panel of Peer Reviewers.

29. Appointment of a Peer Reviewer

- (1) The Board shall have the power to appoint a Peer Reviewer for any Practice Unit.
- (2) A Peer Reviewer who is registered with the Board will not be eligible for appointment as a Peer Reviewer of a Practice Unit if:
 - (i) he or his partners have any obligation or conflict of interest in the Practice Unit or
 - (ii) he has undergone training/articleship under any of the partner of Practice Unit or.
 - (iii) he has been a partner of the Practice Unit
- (3) A Register of Empanelled Peer Reviewers shall be maintained by the Secretariat. The register shall contain information regarding the number of assignments handled by the Peer Reviewer and such other observations as may be prescribed by the Board.
- (4) The Board shall ensure equitable distribution of work to the empanelled Peer Reviewers.

30. Obligations of the Peer Reviewer

- (1) All Reviewers shall comply with the provisions of these Guidelines.
- (2) In case of non-compliance of any guideline, the Board is empowered to initiate appropriate action as per law.
- (3) The Peer Reviewer shall not take any extracts of the Practice Units' clients' files or records made available to him while conducting Peer Review.
- (4) The Peer Reviewer shall complete the Review within the prescribed time frame unless extended in concurrence with the Practice Unit.
- (5) The Peer Reviewer shall submit the Peer Review report to the Board within the time allowed.
- (6) The Reviewer shall document all his working papers and submit a copy of his working papers to the Board, if so directed by the Board. The Board can so direct within eighteen months of submission of the Peer Review Report.
- (7) A Peer Reviewer can appoint an assistant for conduct of Peer Review. However, such an assistant should be a Chartered Accountant in Practice.

- (8) Wherever the Reviewer seeks the assistance of a qualified assistant the said qualified assistant is under all the obligations as applicable to the Peer Reviewer.

Chapter VII Miscellaneous

31. Immunity

- (1) A Practice Unit, which makes available records or documents to a Reviewer, shall not be held liable under the Code of Ethics or under the Chartered Accountants Act, 1949 and the Rules and Regulations framed thereunder, by reason of compliance with these Guidelines except as provided under any Clause of these Guidelines.
- (2) The Reviewer, by virtue of conducting the Peer Review shall not be held liable except for the liability arising out of his own conduct under the Code of Ethics under the Chartered Accountants Act, 1949 and the Rules and Regulations framed thereunder as well as under the relevant clauses of these Guidelines.
- (3) The members of the Board shall not be held liable by virtue of their having discharged the responsibilities as given in these Guidelines or as may be directed by the Council, other than the liability arising out of their own conduct under the Code of Ethics, the Chartered Accountants Act, 1949 and the Rules and Regulations framed there - under as well as under the relevant clauses of these Guidelines.

32. Confidentiality

- (1) Strict confidentiality shall be maintained by all those involved in the Peer Review process, namely, Reviewers, members of the Board, Peer Review Secretariat, qualified assistants and the Practice Unit.
- (2) (a) 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 Reviews;
- (b) The 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 or the Council.

- (3) Non-compliance with the secrecy provisions in the above clause shall amount to professional misconduct as defined under Section 22 of the Chartered Accountants Act, 1949.
- (4) A Declaration of Confidentiality (Form 4) shall be signed by all members of the Board and the Board's Secretariat.

33. Power to remove difficulties

If any difficulty arises in the application or interpretation of these Guidelines, the Council may issue clarifications through circulars or any other mode after recording the reasons therefor in writing.

34. Power to relax strict enforcement of these Guidelines

The Council may, with a view to regulate the profession or for the development of the profession, relax the strict enforcement of any requirement of these Guidelines, if the Council is satisfied that:

- (i) The requirement is procedural or technical in nature and not substantial or
- (ii) The technical non-compliance was caused due to factors beyond the control of the member.

35. Repeals and Savings

- (1) On and from the commencement of these Guidelines, the Statement on Peer Review 2021 shall stand rescinded
- (2) Notwithstanding such rescission anything done or any action taken or purported to have been done or taken, any Peer Review Certificates issued or Peer Review process commenced or initiated in terms of the said Peer Review Statement 2021 shall be deemed to have been taken under the corresponding provisions of these Guidelines.

APPENDIX II

FORM 2

**Acceptance cum Declaration of Confidentiality
(To be Submitted to The Practice Unit)
[As per Clause 6(7) of the Peer Review Guidelines 2022]**

To

M/s/CA.,

FRN/Mem. No. :....

Sir,

(A) With reference to selection of my name for conducting peer review of M/s/CA., FRN/Mem. No. :....., I hereby convey my acceptance for the same.

(B) I also hereby declare that I am aware of the need for confidentiality in the conduct of peer reviews. I undertake and promise that in so far as any or all of the following relate to me or are brought to my knowledge/attention, in any manner whatsoever and when so ever, I shall ensure that:

- Full Confidentiality of the Working papers shall always be maintained at all times so that unauthorized access by any means (including electronic means) is not gained by anyone.
- The practice unit's assurance services procedures shall not be disclosed to third party except as provided under the Peer Review Guidelines 2022.
- Any information with regard to any matter coming to my knowledge in the performance or in assisting in the performance of any function during the conduct of peer reviews shall not be disclosed to any person except as provided under the Peer Review Guidelines 2022.

- Access shall not be given to any person other than as required under the Peer Review Guidelines 2022, to any record, document or any other material, in any form which is in my possession, or under my control, by virtue of my being or having been so appointed or my having performed or having assisted any other person in the performance of such a function.
- I or any of my partners have no obligation and no direct or indirect conflict of interest with the Practice Unit.
- I shall not accept any professional assignment from the Practice Unit for a period of two years from the date of appointment. Further, I have not accepted any professional assignment from the Practice Unit for a period of two years before the date of appointment as reviewer of the Practice Unit.
- No Disciplinary action / proceeding are pending against me.
- I have not been found guilty of professional or other misconduct by the Council or the Board of Discipline or the Disciplinary Committee at any time.
- I have not been convicted by a Competent Court whether within or outside India, of an offence involving moral turpitude and punishable with imprisonment.
- I have not undergone training/articleship under any of the partner of Practice Unit
- I was not a Partner of the said Practice Unit.

I understand that any breach of the provisions regarding confidentiality as contained in the Peer Review Guidelines 2022 will be considered as gross negligence and make me liable for appropriate disciplinary action.

(C) If appointed,

I confirm that I will not use any qualified assistant for carrying out the peer review

Or

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The declaration of Confidentiality of Qualified Assistant used for the peer review shall be submitted with the Practice Unit before start of peer review.

Regards,

Signature :

Name : _____

Membership No.: _____

Email ID: _____

Mobile No.: _____

Period of Review: _____

Date: _____

Place: _____

Note: To be submitted on Mail ID :.....

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8. Telephone (Landline) Number (optional):

9. Date of COP:

10. No. of years Audit and assurance service experience in Practice (in signing capacity only)

11. Details of practicing experience

Sr No.	Firm Name	FRN	Nature of industry (banking/insurance/ others please specify.)	Type assurance service	For the year

12. (i) Have you experience of statutory audit of :

A listed entity

(ii) If Yes, provide the following details:

Sr No.	Name of listed Entity	Financial Year(s) for which the statutory audit of listed entity has been conducted?

13. Number of years of experience for Audit & Assurance services as a member of the team, while working in employment:

14. Details of experience in employment:

S. No.	Job Title/ Designation	Name of the Company	Worked from (Date)	Worked Till (Date)	Listed on any Stock Exchange (Yes/ No)	Nature of Industry

Annexure: Declaration

Signature

Name

Date

Annexure

DECLARATION

I hereby declare that:

1. I am a practicing member of the Institute,
2. (i) I possess minimum Seven Years' cumulative experience of audit & assurance services and am currently active in the practice of accounting and auditing or;
(ii) I have moved from employment to Practice and I have more than Ten years' of audit experience in employment,
3. I have not been convicted by a competent court whether within or outside India, of an offence involving moral turpitude and punishable with imprisonment or of an offence, not of a technical nature, committed by me in professional capacity
4. I have no objection if my profile being provided to the practice unit which selects my name for conducting Peer Review, if asked for it;
5. I have not been found guilty of professional or other misconduct by the Council or the Board of Discipline or the Disciplinary Committee at any time.
6. That no disciplinary action/proceeding is pending against me at present and I will immediately intimate to the Board at peerreviewboard@icai.in, if any Disciplinary Action is initiated against me or against Qualified Assistant (if used during particular Peer Review), in future.
7. In case of removal of my name from the register of members or withdrawal of certificate of Practice by me, I shall immediately inform the same to the Board.
8. Full Confidentiality of the Working papers shall always be

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maintained at all times so that unauthorized access by any means (including electronic means) is not gained by anyone.

9. The practice unit's assurance services procedures shall not be disclosed to third party except as provided under the Peer Review Guidelines 2022.
10. Any information with regard to any matter coming to my knowledge in the performance or in assisting in the performance of any function during the conduct of peer reviews shall not be disclosed to any person except as provided under the Peer Review Guidelines 2022.
11. Access shall not be given to any person other than as required under the Peer Review Guidelines 2022, to any record, document or any other material, in any form which is in my possession, or under my control, by virtue of my being or having been so appointed or my having performed or having assisted any other person in the performance of such a function.

I understand that any breach of the provisions regarding confidentiality as contained in the Peer Review Guidelines 2022 will be considered as gross negligence and make me liable for appropriate disciplinary action.

Signature:

Name: _____

Date: _____

APPENDIX IV

FORM 4

DECLARATION FORM (To be submitted by Board members and Secretariat) [As per Clause 32(4) of the Peer Review Guidelines 2022]

I _____ (name of the member), S/o or D/o
_____ having membership number¹
_____ of the Institute of Chartered Accountants
of India, declare:

That I shall keep all the matters referred to me as well as any other information, papers, documents, etc, received by me during the course of the review, confidential.

That I shall not make or cause to be made any communication between myself and the reviewer of the Practice Unit whose assurance services are under review;

That I shall consider conflict of interest, if any, on each occasion I have to conduct a review or am asked to advice on a case;

That in case where a conflict of interest exists, I shall inform the Board;

That I shall refrain myself from participating in the discussion on the case and shall not be entitled to vote in case where conflict of interest exists; and

That I shall maintain the confidentiality in relation to the matters of the Board.

.....

(Name and signatures of the Member of the Board)

.....
(Date)

.....
.....
.....

(Professional Address)

(Telephone)

(Fax).....

(Email)

¹ To be filled in by the Members of the Institute.

APPENDIX V
FORM 5

Notice by Peer Reviewer for visiting office of the Practice Unit
[As per Clause 7(2) of the Peer Review Guidelines 2022]

To,

Name of Partner of PU:

This is regarding the Peer Review of the Firm for the period

This is to inform you that I plan to visit your office on [proposed date of visit]

Further on going through the questionnaire submitted by you, you are requested to keep ready the files pertaining to the Following Clients so that I may review them on visiting your office:

S. No.	Name of Client	F.Y.

Thanking you,

Signature :

Name : _____

Date : _____

APPENDIX VI
FORM 6

**Format for seeking additional information from the
Practice Unit by the Reviewer
[As per Clause 7(3) of the Peer Review Guidelines 2022]**

To,

Name of Partner of PU:

This is regarding the Peer Review of the Firm for the period

I would like to inform you that the responses submitted by you to the following clauses of the Questionnaire are incomplete/ not clear. Accordingly, you are requested to provide clarifications on the following points:

S. No.	Reference no. of the Questionnaire	Further Information required	Reason for asking the information [Not clear/ incomplete/ left blank etc.]

On receipt of the above information by [date by which information is required], I will intimate you the date of my visit to your office.

Thanking you,

Signature :

Name : _____

Date: _____

APPENDIX VII
FORM 7

**Joint intimation to be made by PU and RE for extension of time for
completion of Peer Review Process**

[As per Clause 11 of the Peer Review Guidelines 2022]

To,

Dated:

The Chairman,
Peer Review Board

**Sub: Letter for seeking additional time for completion of Peer Review
Process**

Dear Sir,

Our Firm, FRN Applied for Peer Review vide
Application No. on

The Peer Reviewer was appointed by the Board on However, the
Peer Review process has been initiated but is yet to be completed due to the
following reason:

1.
2.
3.

As the process is not yet completed we request the Board to kindly grant us
..... more days for completion of Peer Review and submit the report to
the Board.

We assure that the Peer Review will be completed by And the
report will be submitted to the Board by

Thanking You,

Yours faithfully

Signature

Signature

Appendix-VII

Name of Partner of PU

Name of Peer Reviewer

[Membership No]

[Membership No.]

S.No.	Policies and Procedures	Remarks/Yes/No/Na
1	Does the PU have a Quality Control Manual in place?	
2	Whom has the firm entrusted with the responsibility for developing, implementing, and operating the Firm's QC system?	
3	Who is ultimately responsible for ensuring the effectiveness of the firm's System of QC and setting a tone that emphasizes the importance of quality?	
4	Whether the same has been formally documented and agreed upon by partners?	
5 (i)	Who evaluates the client relationships and specific engagements to ensure that commercial considerations do not override the objectives of the system of QC?	
(ii)	How often is this evaluation carried out?	
6	What is the procedure followed by firm to ensure that fee considerations and scope of services do not infringe upon the quality of work and proper documentation as envisaged in SQC 1 is maintained?	
7 (i)	How and when are the Firm's QC policies and procedures shared with the personnel working in the Firm?	
(ii)	Whether refresher sessions are taken periodically?	
8	Does the firm's compensation system provide incentives and advancement to the personnel who demonstrate quality of work and compliance with professional standards?	

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9	Has the PU come across any instances where the QC was overridden?	
10	Which of the following resources have the firm deployed for developing, implementing and maintaining Firm's QC policies and procedures:	
(i)	Manpower	
(ii)	IT tools	
(iii)	Library	
(iv)	Regular review mechanism etc.	

APPENDIX **VIII**
FORM 8

**[To be submitted by the Practice Unit to the Board for seeking extension to the validity of Peer Review Certificate]
[As per Clause 15(4) of the Peer Review Guidelines 2022]**

To,

Dated:

The Chairman,
Peer Review Board

Sub: Letter for seeking extension to the validity of Peer Review Certificate

Dear Sir,

Our Firm, FRN- Applied for Peer Review vide Application No. on

The Peer Reviewer was appointed by the Board on However, the Peer Review process has initiated but is yet to be completed due to the following reason:

The Last issued Peer Review Certificate of our Firm was valid till
We request you to kindly extend the validity of the Certificate from
To

Thanking You,
Yours faithfully

Signature

Name of Partner of the Practice Unit
.....

[Membership No]

APPENDIX **IX**
FORM 9

**Letter for submission of report by the Peer Reviewer to the
Peer Review Board**
[As per Clause 9(1) of the Peer Review Guidelines 2022]

To,

Dated:

The Chairman,
Peer Review Board

Sub: Peer Review Report of [Name of Firm],
FRN

Dear Sir,

I have carried out the Peer Review of [Name of firm],
FRN..... in terms of Peer Review Rules issued by the Council of the
Institute of Chartered Accountants of India.

The Peer Review process has been completed and I am submitting the Peer
Review Report along with the following:

1. Annexure I
2. Annexure II
3. List of Samples selected alongwith basis of selection and sample
confirmation (as per Board's criteria)
4. Preliminary Report along with Practice Unit submission and my
verification on the same
5. Questionnaire copy as received from the Practice Unit.

I also confirm to have received the Peer Review fees from the Practice Unit
for the above review conducted by me.

Regards,

Signature :

Name : _____

Membership No.: _____

[To be filled by the Practice Unit]

I/ We confirm the receipt of Peer Review report from the Peer Reviewer as mentioned above and confirm that the Reviewer had submitted the Declaration of Confidentiality as prescribed by the Board in Form 2 to us on

Regards

Signature

Name of partner of the Practice Unit

Membership No

APPENDIX X
FORM 10

Notice to be given to the Practice Unit by the Board in case of
revocation of Peer Review Certificate
[As per Clause 22(1) of the Peer Review Guidelines 2022]

To,

Dated:

CA....

Partner: M/s.....

FRN:

Address.

.....

Sub: Revocation of Peer Review Certificate No. issued to
[Name of Firm], FRN....

Dear Sir,

This is in reference to the Peer Review Certificate No..... issued to M/s
[Name and City of the PU], FRN:

The Board has observed that:

.....

.....

The Board desires to know whether the above observations are true and correct. Please send your response within 7 days of receipt of this communication.

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If no information or response is received in this matter within 7 days of receipt of this communication, then it will be considered that the above-mentioned facts are true and correct.

Thereafter, the Board will take further action warranted in the facts and circumstances of the case and as per Clause 22 of the Peer Review Guidelines 2022.

With Regards

Thanking you

Yours Faithfully

Signatures

[Name of Secretary, Peer Review Board]

APPENDIX **XI**

FEES OF PEER REVIEW

(Notified by the Peer Review Board)

In exercise of power vested by the Peer Review Guidelines 2022, the Board has notified the minimum recommended fees for all Practice Units as under:

1. Minimum fee recommended for 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 ¹	Fees	Fees for Practice Units conducting statutory audit of Listed entities
Upto Rs 10 lacs p.a.	Rs 15,000/-	Rs. 18,000/-
Over Rs 10 lacs upto Rs. 50 Lacs p.a.	Rs 25,000/-	Rs. 30,000/-
Over Rs 50 lacs upto Rs. 1 crore p.a.	Rs 40,000/-	Rs. 48,000/-
Over Rs 1 crore upto 3 crore p.a.	Rs 60,000/-	Rs. 72,000/-
Over Rs 3 crore upto 5 crore p.a.	Rs 75,000/-	Rs. 90,000/-
Over Rs 5 crore p.a. upto 10 crore p.a	Rs 1,50,000/-	Rs. 1,80,000/-
Over Rs. 10 crore p.a upto Rs. 20 crore p.a.	Rs. 2,00,000/-	Rs. 2,40,000/-
Over Rs. 20 crore p.a upto Rs.	Rs. 3,00,000/-	Rs. 3,60,000/-

¹ For calculating Average gross receipts/ revenue from assurance service clients of Practice Unit (Per Annum) the sum total of gross receipts/ revenue from assurance service clients for all the periods under review shall be divided by number of years under review.

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30 crore p.a.		
Over Rs. 30 crore p.a.	Rs. 5,00,000/-	Rs. 6,00,000/-

2. Minimum fee recommended for 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. Minimum fee recommended in case of Peer Review of branch of the Practice Unit and to the Peer Reviewer of the HO issuing a consolidated Peer Review report

As per the Peer Review Guidelines 2022, 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. The Reviewer conducting the Peer Review of the HO shall consider the report of the branch Peer Reviewer and shall issue a consolidated report for the Practice Unit.

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, Rs. 5000 plus the Peer Review fee of the H.O. as per the table under point no. 1.

4. Additional Fee for AQMM Review

There shall be an additional fee for the first time AQMM Review where such Review is conducted as a separate exercise. The additional cost to the Practice Unit is based on the average gross receipts/revenue from assurance clients of the Practice Unit.

Average gross receipts/ Revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review	Fees
Upto Rs 10 lacs p.a.	Rs. 5,000
Over Rs 10 lacs upto Rs. 50 Lacs p.a.	Rs. 5,000

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Over Rs 50 lacs upto Rs. 1 crore p.a.	Rs. 5,000
Over Rs 1 crore upto 3 crore p.a.	Rs. 10,000
Over Rs 3 crore upto 5 crore p.a.	Rs. 10,000
Over Rs 5 crore p.a. upto 10 crore p.a	Rs. 20,000
Over Rs. 10 crore p.a upto Rs. 20 crore p.a.	Rs. 20,000
Over Rs. 20 crore p.a upto Rs. 30 crore p.a.	Rs. 25,000
Over Rs. 30 crore p.a.	Rs. 30,000/-

Other Points:

- a) For Practice Units as per point 1 above, the fees of Peer Review is to be calculated on the basis of average gross receipts/Revenue earned by the Practice Unit during the period of review at all its units i.e. Head Office and Branches. However, in case a separate Branch Peer Review is conducted, gross receipts from assurance services earned from such branch (es) shall be excluded. The average gross receipts/revenue from assurance services during the period under review will determine the fees of peer review as per the table above. Peer Review is a one-time procedure for the period covered under review and therefore the fees payable for the services is a one-time fees payable for the review.
- b) Peer Review Fees to the Reviewer is to be paid for the total review assignment and calculated on the average turnover of the practice unit. For example, if the revenue from assurance service of the practice unit is Rs. 9 lakhs in 1st year, 10 lakhs in 2nd year and 11 lakhs in 3rd year, the total revenue from assurance services for the 3 years is Rs. 30 lakhs. Average for the 3 years is Rs. 10 lakhs. So this will fall in the 2nd bracket and fees payable to the reviewer for the review assignment is Rs. 25,000/- or Rs. 30,000, in case the PU is conducting statutory audit of listed entity.
- c) The fee structure notified above is exclusive of TA/ DA. The TA/DA to be paid is to be mutually decided by the PU and the reviewer and shall be borne by the PU.
- d) The fees do not include GST which may be charged wherever applicable.

APPENDIX **XII**

**MODEL PRELIMINARY REPORT
(INITIAL FINDINGS)**

(To be issued if the Reviewer has some initial findings to be shared with the PU on Reviewer's individual letterhead)

To,

The Partners of XXX

Dear Sir/Madam,

This is with reference to the peer review of your firm carried out by me on _____ {mention the date} for the period(s) _____ {mention the period(s)}. I am expressing my opinion on the quality control system as designed by your firm and its implementation. My observations regarding the deficiencies observed by me in the system of quality control for the assurance services of your firm is enclosed herewith. You are requested to send your representation/ comments on the observations, so that the report may be submitted to the Peer Review Board.

I hope you feel that the review was of benefit to your firm. I would like to take this opportunity to thank you and your staff for your co-operation and kind hospitality. I would be pleased to provide any further clarification on any of my findings and to discuss the recommendations made.

Signature of the Reviewer

Name of the Reviewer:

Membership No.:

Place:

Date:

Enclosure: observations regarding the deficiencies observed in the system of quality control

APPENDIX XIII

MODEL FINAL REPORT

A. Final Report

To,

The Peer Review Board

As per your letter no. _____ dated _____, I have carried out the peer review of _____ {*name of the practice unit*} _____ (FRN/MRN) having its registered Head Office/Branch Office at _____ {*address of the practice unit HO/ Branch Office as the case may be*} for the period(s) _____ {*mention the periods reviewed*}. The review was conducted from ... to (*dates visited*) in accordance with the Peer Review Guidelines issued by the Institute of Chartered Accountants of India.

I have read and followed the guidance to review the information provided by the Practice Unit under various clauses of the Questionnaire. My report is based on my verification of these facts as per the Board's guidelines. The Board may take such action in terms of power conferred to it under clause 21(6) of the Peer Review Guidelines 2022, in case if some discrepancies are noticed as per its records and the information furnished by the Practice Unit and verified by me.

Objective

The major focus of the review was on compliance with technical, professional and ethical Standards, Quality of Reporting, Office systems and procedures and the Training Programme for staff (including Articled and Audit Clerks) concerned with assurance function including appropriate infrastructure engaged in assurance services. I am expressing an opinion on the implementation of quality control policies and procedures designed to ensure the compliance of technical, professional & ethical Standards and maintenance of quality of assurance services and its implementation.

Limitation

This review was limited primarily to inquiries of the Practice Unit's personnel and an overall examination of the systems and procedures and a selection of engagement working papers and was therefore not intended to identify or

discover all weaknesses. This review was also not intended to focus on isolated cases of control or engagement performance deficiencies but rather on weaknesses of a pervasive and chronic nature. As there are inherent limitations in the effectiveness of any system of quality control, departure from the system may occur and not be detected. Also, projection of any evaluation of system of quality control to future periods is subject to the risk that the system of quality controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Opinion

In my opinion the system of quality control for the assurance services of _____ {name of practice unit} for the period under review has been designed so as to carry out professional assurance services assignments in a manner that ensures compliance with technical, professional & ethical standards laid down by the Institute and Standards on Quality Controls mentioned by Practice Unit in Part B of the Questionnaire (SQC1) and maintenance of the quality of assurance service work they perform.

AQMM Level of Firm (As per Annexure III):

Name of the Reviewer:

Signature of the Reviewer:

Membership No.:

Place:

Date:

- Encl: (1) Annexure - I
(2) Annexure - II
(3) Annexure – III – In case where Part C of the Questionnaire is filled by the Practice Unit which is Applicable for Practice Units carrying out audit of listed entity or Banks other than co-operative banks (except multi-state co-operative banks); or

Peer Review Manual

Insurance Companies w.e.f. 1.04.2023 and recommendatory for other Practice Units

- (4) Copy of Preliminary Report (if any) and Practice Units representation thereon

B. Model Qualified Final Report

To,

The Peer Review Board

As per your letter no. _____ dated _____, I have carried out the peer review of _____ *{name of the practice unit}* _____ *(FRN/MRN) having its registered Head Office/ Branch Office at _____ {address of the practice unit HO/Branch office} for the period(s) _____ {mention the periods reviewed}*. The review was conducted from ... to *(dates visited)* in accordance with the Peer Review Guidelines issued by the Institute of Chartered Accountants of India.

I have read and followed the guidance to review the information provided by the Practice Unit under various clauses of the Questionnaire. My report is based on my verification of these facts as per the Board's guidelines. The Board may take such action in terms of power conferred to it under clause 21(6) of the Peer Review Guidelines 2022, in case if some discrepancies are noticed as per its records and the information furnished by the Practice Unit and verified by me.

Objective

The major focus of the review was on Compliance with Technical, professional & ethical Standards, Quality of Reporting, Office systems and procedures and the Training Programme for staff (including Articled and Audit Clerks) concerned with assurance function including appropriate infrastructure engaged in assurance services. I am expressing an opinion on the implementation of quality control policies and procedures designed to ensure the compliance of Technical, professional & ethical Standards and maintenance of quality of assurance services and its implementation.

Limitation

This review was limited primarily to inquiries of the Practice Unit's personnel and an overall examination of the systems and procedures and a selection of engagement working papers and was therefore not intended to identify or

discover all weaknesses. This review was also not intended to focus on isolated cases of control or engagement performance deficiencies but rather on weaknesses of a pervasive and chronic nature. As there are inherent limitations in the effectiveness of any system of quality control, departure from the system may occur and not be detected. Also, projection of any evaluation of system of quality control to future periods is subject to the risk that the system of quality controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Qualified Opinion

After visiting the premises of Practice Unit and reviewing the files, documents and information and considering explanations provided by Practice Unit, in my opinion, because of the deficiencies described below, the system of quality control for the assurance services of _____ *{name of practice unit}* for the period under review has not been designed so as to carry out professional assurance services assignments in a manner that ensures compliance with technical, professional & ethical standards laid down by the Institute, compliance with Accounting Standards and Standards on Quality Controls mentioned by Practice Unit in Part B of the Questionnaire (SQC1) and maintenance of the quality of assurance service work they perform.

Reasons for Qualified Opinion (Illustrative)

- 1 The review disclosed that the firm's quality control policies and procedures do not provide a means of ensuring that the financial statements reported on include all relevant disclosures. As a result, we noted financial statements that did not include all of the disclosures required by the technical, professional & ethical standards and, in one instance, financial statements that were materially misleading.
- 2 The review also disclosed that as required by the firms policy the review of the audit work performed by each assistant is not done by the personnel of at least equal competence to ensure that the work is performed in accordance with audit programme, results are properly documented, objective of audit procedures are achieved. Similarly some more weaknesses were noticed in the Internal Control System which requires improvement. The list of the areas which require improvement is enclosed as Annexure to this report.

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As per the requirement of Peer Review Guidelines, I had sent the preliminary report to the practice unit for their representation relating to the above aspect. In my opinion, the representation received from the practice unit is not satisfactory. A copy of preliminary report and the practice unit's representation thereon are enclosed as Annexure to this report.

Signature of the Reviewer

Name of the Reviewer:

Membership No.:

Place:

Date :

- Encl: (1) Annexure-I,
(2) Annexure-II.
(3) Annexure – III – In case where Part C of the Questionnaire is filled by the Practice Unit which is Applicable for Practice Units carrying out audit of listed entity or Banks other than co-operative banks (except multi-state co-operative banks); or Insurance Companies w.e.f. 1.04.2023 and recommendatory for other Practice Units
(4) Copy of Preliminary Report and Practice Units representation thereon.

APPENDIX **XIV**

**MODEL FINAL REPORT (NEW
UNITS)**

**(as defined under Chapter I- Clause 2(12) of the Peer Review Guidelines
2022)**

Final Report

To,

The Peer Review Board

As per your letter no. _____ dated _____, I have carried out the peer review of _____ {name of the practice unit} FRN/MRN _____ having its registered Head Office at _____ {address of the practice unit HO} for the period(s) _____ {mention the periods reviewed}. The review was conducted from ... to (dates visited) in accordance with the Peer Review Guidelines issued by the Institute of Chartered Accountants of India.

I have selected 100% population from the list of assurance clients provided by _____ {name of the practice unit} FRN/MRN _____ in Clause 22 A to K of Part A of Application cum Questionnaire submitted by the practice unit. I further state that the practice unit is complying with applicable Technical, Professional and Ethical Standards including other regulatory requirements thereto. The Practice Unit has in place proper system of documentation and amply demonstrate the quality of services provided to the clients.

I have verified the details furnished by the Practice Unit from the Application cum questionnaire submitted by the Practice Unit in Form 1 and confirm that:

1. CA Membership No is/was a partner/ Proprietor of the Firm FRN (name and FRN of firm) having a valid Certificate No. that is valid from till (Date of validity). Further he has conducted statutory audit of (name of listed entity) in the year (date of signing the audit report)

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2. CA..... Membership No, an employee of the Firm FRN (name and FRN of firm) is/was a partner/ Proprietor of FirmFRN.....(name and FRN of firm) having a valid Certificate No. that is valid from till (Date of validity)
3. CA, M.No. [...] proprietor/ partner of the Firm..... FRN (name and FRN of firm), is an Empanelled Peer Reviewer who has qualified the test organised by the Board.

Further I confirm that :

4. CA..... Membership No..... Proprietor/ Partner of the Firm.....FRN..... (name and FRN of firm) has conducted statutory audit of (name of listed entity) in the year (date of signing the audit report)
5. The policies procedures and infrastructure of the Firm FRN (name and FRN of firm) is in conformity with the Standards on Quality Control i.e. SQC 1.

I have read and followed the guidance to review the information provided by the Practice Unit under various clauses of the Questionnaire. My report is based on my verification of these facts as per the Board's guidelines. The Board may take such action in terms of power conferred to it under clause 21(6) of the Peer Review Guidelines 2022, in case if some discrepancies are noticed as per its records and the information furnished by the Practice Unit and verified by me.

Name of the Reviewer:

Signature of the Reviewer:

Membership No.:

Place:

Date:

**Annexure I to the Final Peer Review Report of
M/s./CA. _____
for the peer review period _____. Tick 'Yes' / 'No', appropriate
option.**

Sr. No.	Particulars	Observations	
1. (a)	Date on which questionnaire received		
(b)	Total number of assurance assignments handled by the PU during the peer review period		
2. (a)	Number of initial samples selected for review		
(b)	Was the completeness of the PU clients list verified from assignment register maintained by PU?		
3.(a)	Was there any change made in initial sample selected by the Reviewer?	Yes	No
(b)	If 'Yes', please specify the number selected, after change		
4.	Name of the Qualified Assistant of the reviewer, who helped in the Peer Review. (Please also attach declaration of confidentiality duly signed by the qualified assistant.)		
5.	Whether following general controls are in existence and operating effectively during the period under review?		
	(i) Independence	Yes	No
	(ii) Professional Skills and Standards	Yes	No
	(iii) Outside Consultation	Yes	No
	(iv) Staff Supervision and Development	Yes	No

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	(v) Office Administration	Yes	No
6.	Whether audit records/working papers administration is satisfactory?	Yes	No
7.	Whether the workings papers are maintained in soft copy or Hard copy?		
8.	Whether review of internal control systems was carried out properly in performing assurance engagement?	Yes	No
9.	Whether proper systems and procedures exist within the PU to ensure compliance with technical, professional and ethical standards?		
	(i) Accounting Standards including Interpretations thereof	Yes	No
	(ii) Standards on Auditing including General Clarifications thereof	Yes	No
	(iii) Statements	Yes	No
	(iv) Guidance Notes	Yes	No
	(v) Institute's Notifications/ Directions	Yes	No
	(vi) Self-Regulatory Measures	Yes	No
10.	Whether overall presentation of financial statements conforms to statutory requirements of presentation under various Statutes?	Yes	No
11.	Whether audit conclusions drawn are duly supported by audit queries/observations?	Yes	No
12.	Whether the quality of audit reports in respect of format and content found proper?	Yes	No
13.(a)	Whether the Reviewer has issued preliminary report?	Yes	No
(b)	If 'Yes', please specify the areas of deficiencies		

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14. (a)	Whether PU has responded to the preliminary report?	Yes	No	N.A.
(b)	Whether the Reviewer is satisfied with the response received from the PU?	Yes	No	N.A.
15.	If the Reviewer is not satisfied with the response of the PU, whether qualified report has been issued?	Yes	No	N.A.
16. (a)	Is the Final Report qualified?	Yes	No	N.A.
(b)	If 'Yes', specify the reasons			
17.	Whether the Reviewer received full co-operation from the PU during review?	Yes	No	
18.	Is there any point which the Reviewer wants to bring to the notice of the Board? If yes, please elaborate.			
19 (a).	Whether the PU obtained/Procured any professional work including attest functions through process of public tendering?	Yes	No	N.A.
19 (b)	If yes, the Reviewer to confirm whether PU has maintained cost sheet for procuring work through tender.	Yes	No	

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20.(a)	Whether appointment letters are properly issued to staff recruited by the PU?	Yes	No	
(b)	If not, whether the fact, with response of PU has been incorporated in Preliminary Report (Point 13(a) mentioned above)?	Yes	No	N.A.
21.	Whether Reviewer has selected the samples as per the criteria as mentioned for Sample selection by the Board. (<i>as per direction given in 'Reviewer selection letter'</i>).	Yes	No	
22.(a)	Whether PU has ever been reviewed by Quality Review Board?	Yes	No	
(b)	If Yes, has the Reviewer verified for the necessary compliance as regards to the submission of Compliance Report to QRB by PU?			
23.	Whether Reviewer has verified & satisfied himself with the quality of tax audit services rendered by partner/s, who have rendered in excess of limit prescribed by ICAI u/s 44AB of the Income-tax Act, 1961?	Yes	No	N.A.
24.(a)	Has the Practice Unit shared Quality Control Manual with Reviewer?	Yes		No
(b)	Is the Quality Control Manual in compliance with the responses submitted by Practice Unit under Part B of the Questionnaire (SQC1)?	Yes		No

Date:	Signature
M No.	Name
Email ID	Contact No.

APPENDIX XVI

**Annexure II to the Final Peer Review Report of
M/s./CA. _____
for the peer review period _____ Compliance according to SQC 1
(As per Clause 9 (7) of the Peer Review Guidelines 2022)**

S No.	Questions	Reviewer's Comments
Quality Control, Ethical Requirement & Independence		
1.	Does the PU's system of quality control include policies and procedures addresses each of the following elements:	
a)	Leadership responsibilities for quality within the PU	
b)	Ethical requirements	
c)	Acceptance and continuance of client relationships and specific Engagements	
d)	Human resources	
e)	Engagement performance	
f)	Monitoring	
2.	Does each engagement document adequately cover the following common elements?	
a)	An introduction explaining that the purpose of the engagement document is to confirm the member's understanding of the terms of the engagement?	
b)	The purpose of the engagement?	
c)	The scope of the engagement, including the period of appointment and time schedules, the	

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	applicability of any legislation and professional standards relevant to the engagement, information required of the client or any other pertinent matter?	
d)	The client's responsibility for the completeness and accuracy of the financial information/report?	
e)	For audit engagements, the objective of the audit, the scope of the audit and an explanation as to the extent to which an audit can be relied on to detect material misstatements?	
f)	The request for the client to confirm the terms of the engagement by acknowledging receipt of the engagement document?	
3.	Does the firm have an established mechanism to deal with potential conflicts of interest and for its proper resolution? Was there any such instance available in the file? [Standard on Quality Control (SQC) 1]	
4.	How does the firm deal with situations where new information at hand would have caused the firm to decline an engagement? [Standard on Quality Control (SQC) 1]	
5.	Does the firm have a system of seeking Management Representation Letters (MRL) from clients?	
6.	Is the former accountant of each new client contacted by letter, with the new client's written permission, requesting appropriate information to assist the firm in deciding whether to accept the appointment?	
7.	Are the firm's policies and procedures designed to provide it with reasonable assurance that:	
a)		

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	Appropriate consultation takes place on difficult or contentious matters;	
b)	Sufficient resources are available to enable appropriate consultation to take place;	
c)	The nature and scope of such consultations are documented; and	
d)	Conclusions resulting from consultations are documented and implemented.	
8.	Whether the firm used checklists, manual, working papers, etc. to ensure consistency of the quality of each assignment and for providing guidance to new or junior staff?	
9. (a)	Whether the checklist manual used is updated on timely basis?	
(b)	If so who has taken the responsibility to update the same in the PU?	
(c)	When was latest updation done to manual?	
Engagement Documentation		
10.	Was there a system of file noting to document unusual issues that were not covered in the standard working papers?	
11.	Was there a system of maintaining carry forward working papers?	
12.	Does the PU have proper policies and procedures in place to ensure appropriate monitoring of assurance/ audit assignments?	
13.	Does the PU have proper procedures in place to keep track of changes that take place from time to time to avoid submission of misleading information to any authority or its client(s)?	
Audit Planning and Risk Assessment		
14. (a)	Does the file contain an audit strategy? (SA 300)	

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(b)	If so, does it consider/contain evidence that the PU has obtained a general understanding of the applicable financial reporting framework, and the legal and regulatory framework applicable to the entity?	
15.	Is the PU audit strategy designed to provide an understanding of whether the entity's selection and application of accounting policies are appropriate for its business including their internal controls and consistent with the applicable financial reporting framework and accounting policies used in the relevant industry? (SA 300)	
16.	Does the file contain an audit plan that includes, at a minimum, a description of the nature, timing and extent of planned risk assessment procedures as well as further audit procedures at the assertion level? (SA300)	
17.	Has the PU performed the following risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial report and assertion levels: (SA 315 and 300,320,330)	
a)	Inquiries of management and others within the entity;	
b)	Analytical procedures; and	
c)	Observation and inspection?	
18. (a)	Has the PU demonstrated an understanding of control activities necessary to assess the risks of material misstatement at the assertion level and design further audit procedures responsive to assessed risks? (SA 315,320,300,330)	
(b)	And where applicable, have there been discussions within the team regarding the susceptibility of the financial reports to material misstatement? (SA 330)	

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19. (a)	Has the PU identified and assessed the risks of material misstatement at the financial report level, and at the assertion level for classes of transactions, account balances, and disclosures to provide a basis for designing and performing further audit procedures? (SA 315)	
(b)	Has the PU documented these risks? (SA 315)	
20.	As part of the risk assessment, has the PU determined whether any of the risks identified are, in the PU's judgment, significant risks (SA315,330)	
21.	Does the audit plan include evidence that the PU has identified and assessed risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment? (SA 300,315,320,330)	
22.	Does the audit plan outline the nature, timing and extent of direction and supervision of engagement team members and the review of their work? (SA300)	
23.	Where the PU used information obtained from previous experience with the entity and from previous audits, did the PU determine whether changes had occurred since the previous audit that may have affected its relevance to the current audit? (SA 300)	
24.	Has the PU performed audit procedures and related activities to obtain information relevant to identifying the risks of material misstatement associated with related party relationships and transactions? (SA 550)	
25.	Is there evidence that the PU remained alert, when inspecting records or documents, for arrangements or other information that may indicate the existence of related party relationships or transactions that management	

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	has not previously identified or disclosed to the PU? (SA 550)	
26.a)	If expertise in a field other than accounting or auditing was necessary to obtain sufficient audit evidence, did the PU consider using the work of an expert, including the work of an actuary? (SA 620)	
b)	whether the expert has the necessary competence, capabilities and objectivity for the PU's purposes? (SA 620)	
c)	the adequacy of the expert's work for the PU's purposes? (SA620)	
27.	Where a component\branch auditor has performed work, has the PU obtained a sufficient understanding of, among other things, the capabilities, competence and independence of that component\branch auditor? (SA 600)	
28.	As the external\Statutory auditor, has the PU considered whether the work of the internal auditors has an effect on the external\Statutory audit procedures? (SA 610)	
29.	In performing risk assessment procedures to understand the entity and its environment, has the PU audit considered whether there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern? (SA570)	
30.	Is there evidence that the PU has planned and performed the audit with professional skepticism and using professional judgment? (SA 200, SA240)	
31.	In planning and performing the audit of a single financial statement or of a specific element of a financial statement, has the PU applied all Standards on Auditing relevant to the audit as	

	necessary in the circumstances of the engagement? (SA 805)	
Audit Sampling and Other Selective Testing Procedures		
32. (a)	Has the PU designed and performed further audit procedures whose nature, timing, and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level? (SA 330)	
(b)	Has the PU designed and performed tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls? (SA330)	
(c)	Has the PU determined appropriate means of selecting items for testing that are effective in meeting the purpose of the audit procedure in the design of tests of control and tests of details? (SA 500, SA 530) Examples include:	
(i)	selecting all items (100% examination);	
(ii)	selecting specific items; and	
(iii)	audit sampling.	
(d)	Has the PU designed and performed appropriate substantive procedures for each material class of transactions, account balance, and disclosure? (SA 330 and SA 520, SA 320 & 315)	
(e)	Did the PU's substantive procedures include the following audit procedures related to the financial report closing process:(SA 330)	
(i)	agreeing or reconciling the financial report with the underlying accounting records; and	
(ii)	examining material journal entries and other adjustments made during the course of	

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	preparing the financial report?	
(f)	If the PU has identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, has the PU obtained sufficient appropriate audit evidence to determine whether or not a material uncertainty exists through performing additional audit procedures, including consideration of mitigating factors? [SA 570]	
(g) (i)	When undertaking an audit sample, did the member: determine a sample size sufficient to reduce sampling risk to an acceptably low level? (SA 530)	
(ii)	select items for the sample in such a way that each sampling unit in the population had a chance of selection? (SA 530)	
Materiality		
33. (a)	Has the PU determined: materiality for the report as a whole, and if applicable classes of transactions, balances and disclosures (SA 320); and performance materiality for the purpose of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures? (SA320)	
(b) (i)	Where management refused to correct some or all of the misstatements communicated by the PU, did the PU: determine whether such uncorrected misstatements were material, individually or in aggregate? (SA450)	
(ii)	evaluate whether the financial report as a whole	

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	was free from material misstatement? (SA450)	
Audit Documentation		
34.(a)	Has the PU performed the procedures on engagement quality review as required by its policies. [SA 220]	
34 (b)	Have the engagement quality review been completed on or before the date of the Auditors Report. [SA 220]	
35. (a)	Has the PU documented discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussion took place? (SA230)	
(b)	When information has been identified that is inconsistent with the PU's final conclusion regarding a significant matter, has the PU documented how the inconsistency was addressed? (SA 230)	
(c)	Has the PU prepared documentation that provides a sufficient and appropriate record of the basis for the auditor's report and evidence that the audit was planned and performed in accordance with Auditing Standards and applicable legal and regulatory requirements? (SA 230)	
(d)	Has the PU prepared audit documentation on timely basis? (SA 230)	
(e)	Is the audit documentation prepared by Practice Unit inadequate, which would result an experienced auditor being unable to understand? (SA 230)	
(f)	When existing audit documentation has been	

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	modified, or new audit documentation has been added after the assembly of the final audit file has been completed, has the PU, regardless of the nature of the modifications or additions, documented:(SA230)	
(i)	the specific reasons for making them; and	
(ii)	when and by whom they were made and reviewed?	
(g)	Has the PU adopted appropriate procedures for maintaining the confidentiality, safe custody, integrity, accessibility and retrievability of the audit documentation and the needs of the practice in accordance with legal requirements of record retention? (SA 230,200)	
Audit Evidence		
36. (a)	Has the PU considered whether external confirmation procedures are to be performed as substantive audit procedures? (SA 500,501,505)	
(b)	Has the PU designed and performed audit procedures in order to identify litigation and claims involving the entity which may give rise to a risk of material misstatement. (SA501)	
(c)	For initial audit engagements, has the PU obtained sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period's financial report? (SA 510)	
(d) (i)	Has the PU obtained an understanding of the following in order to provide a basis for the identification and assessment of the risks of material misstatement for accounting estimates: (SA540) the requirements of the applicable financial reporting framework relevant to accounting	

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	estimates, including related disclosures;	
(ii)	how management identifies those transactions, events and conditions that may give rise to the need for accounting estimates to be recognised or disclosed in the financial report, and	
(iii)	how management makes the accounting estimates, and an understanding of the data on which they are based?	
(e)	Has the PU determined whether the financial report includes the comparative information required by the applicable financial reporting framework and whether such information is appropriately classified? (SA710)	
(f) (i)	Has the PU obtained sufficient appropriate audit evidence about whether: (SA 540) management's decision to recognize, or to not recognize, the accounting estimates in the financial report;	
(ii)	the selected measurement basis for the accounting estimates, and	
(iii)	the disclosures in the financial report related to accounting estimates, are in accordance with the requirements of the applicable financial reporting framework?	
(g)	Has the PU obtained sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the PU to draw reasonable conclusions on which to base their opinion? (SA200)	
(h)	Has the PU evaluated, based on the audit evidence, whether the accounting estimates in the financial report are either reasonable in the context of the applicable financial reporting framework, or are misstated? (SA 540)	

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(i)	Has the PU communicated in writing any significant deficiencies in internal control identified during the audit to those charged with governance and, where appropriate, to management, on a timely basis? (SA 265)	
(j)	Has the PU maintained control over external confirmation requests, ensuring that, among other things, return information for responses are sent directly to the PU? (SA 505)	

Signature

Date:

Name of the Reviewer

Membership No.

Email Id:

**Annexure III to the Final Peer Review report of
Name of PU:..... FRN:.....**

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
1	Practice Management – Operation					
1.1.	Practice Areas of the Firm					
I	Revenue from audit and assurance services	(i) 50% to 75% – 5 Points (ii) Above 75% – 8 Points	8			
li	Does the firm have a vision and mission statement? Does it address Forward looking practice statements/Plans?	For Yes – 4 Points For No – 0 Point	4			
	Total 1.1		12			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
1.2.	Work Flow - Practice Manuals					
i.	Presence of Audit manuals containing the firm's methodology that ensures compliance with auditing standards and implementation thereof.	For Yes – 8 Points For No – 0 Point	8			
ii.	Availability of standard formats relevant for audit quality like - - LOE - Representation letter - Significant working papers	For Yes – 8 Points For No – 0 Point	8			
	- Reports and implementation thereof					
	Total 1.2		16			
1.3.	Quality Review Manuals or Audit Tool					
i.	Usage of Client Acceptance/engagement acceptance checklists and adequate documentation	For Yes – 4 Points For No – 0 Point	4			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	thereof.					
ii.	Evaluation of Independence for all engagements (partners, managers, staff, trainees) based on the extent required. The firm must identify self-interest threat, familiarity threat, intimidation threat, self- review threat, advocacy threat and conflict of interest.	For Yes – 4 Points For No – 0 Point	4			
iii.	Does the Firm maintain and use the engagement withdrawal/ rejection policy, templates, etc.	For Yes – 4 Points For No – 0 Point	4			
iv.	Availability and use of standard checklists in performance of an Audit for Compliance with Accounting and Auditing Standards	For Yes – 4 Points For No – 0 Point	4			
v.	Availability and use of standard formats for audit documentation of Business Understanding, Sampling basis, Materiality determination, Data	For Yes – 4 Points For No – 0 Point	4			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	analysis, and Control Evaluation					
vi.	Are the documents related to Quality control mentioned from (i) to (v) above reviewed and updated on a frequent basis (say annually) or with each change in the respective regulation or statute and remedial action taken?	For Yes – 4 Points For No – 0 Point	4			
	Total 1.3		24			
1.4	Service Delivery - Effort monitoring					
i.	Does the firm carry out a Capacity planning for each	For Yes – 4 Points	4			
	engagement?	For No – 0 Point				
ii.	Is a process of Budgeting & Planning of efforts required maintained (hours/days/ weeks)?	For Yes – 4 Points For No – 0 Point	4			
iii.	Are Budget vs Actual analysis of time and effort spent carried out to identify the costing and pricing?	Up to 10% – 0 Point More than 10% and up to 30% – 4 Points	20			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
		More than 30% and up to 50% – 8 Points More than 50% and up to 70% – 12 Points More than 70% and up to 90% – 16 Points More than 90% – 20 Points				
iv.	Does the firm deploy technology for monitoring efforts spent - Utilisation of tools to track each activity (similar to Project management - Say timesheets, task management, etc.)? Note: DCMM Version 2 may be referred to arrive at the technical maturity of the firm/ CA.	For Yes – 8 Points For No – 0 Point	8			
	Total 1.4		36			
1.5	Quality Control for engagements					
i.	Does the firm have a Quality Review for	For Yes – 8 Points	8			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	all listed audit engagements as per para 60 of the SQC1? Is there a document of time spent for review of all engagements?	For No – 0 Point				
ii.	Total engagements having concluded to be satisfactory as per quality review vs No of engagements quality reviewed	Up to 10% – 0 Point More than 10% and up to 30% – 4 Points	20			
		More than 30% and up to 50% – 8 Points More than 50% and up to 70% – 12 Points More than 70% and up to 90% – 16 Points More than 90% – 20 Points				
iii.	No. of engagements without findings by ICAI, Committees of ICAI and regulators that require significant	10% to 30% – 4 Points More than 30% and	20			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	improvements	up to 50% – 8 Points More than 50% and up to 70% – 12 Points More than 70% and up to 90% – 16 Points More than 90% – 20 Points				
iv.	Documentation of the firm in accordance with SQC 1	For the presence of documentation in the critical areas of Ethical requirements, Acceptance and continuance of client relationships and specific engagements, and Engagement performance – 6 Points	12			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
		For the presence of documentation in the areas of Leadership responsibilities for quality within the firm, Human resources, and Monitoring – 6 Points				
v.	Does the firm have Accounting and Auditing Resources in the form of soft copies of archives Q&As, firm thought leadership, a dedicated/ Shared Technical desk?	For Yes – 8 Points For No – 0 Point	8			
vi.	Is appropriate time spent on understanding the business, risk assessment and planning an engagement? Have risks been mitigated through performance of audit procedures?	For Yes – 12 Points For No – 0 Point	12			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	Total 1.5		80			
1.6	Benchmarking of service delivery					
i.	Does the firm follow/ implement Standard delivery methodology – the adoption of audit manuals, adherence to practice standards and tools?	For Yes – 4 Points For No – 0 Point	4			
ii.	The number of statutory audit engagements re- worked (filing errors, information insufficiency, wrong interpretation of provisions, etc.)	Less than 5% – 0 Point More than 5% to 15%: (-1) Point More than 15% to 30%: (-2) Points More than 30% to 50%: (-3) Points More than 50%: (-4) Points	0			
iii.	Number of client disputes (other than	Less than 5% – 0	0			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	fees disputes) and how they are addressed.	Point More than 5% to 15%: (-1) Point More than 15% to 30%: (-2) Points More than 30% to 50%: (-3)				
		Points More than 50%: (-4) Points				
iv.	Is the timing of audit interactions with management planned in such a way that integrates with the auditor's requirements so that audit timelines can be met? [Review frequency of back-log, engagement agreed upon and not commenced, WIP, etc. (Excl. of client-side delays)]	For Yes – 12 Points For No – 0 Point	12			
	Total 1.6		16			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
1.7	Client Sensitisation					
i.	<p>Awareness meetings and Knowledge dissemination meetings/articles/document sharing with clients including:</p> <ol style="list-style-type: none"> 1) Updating client on audit issues, formally- effectiveness of the process of communication with management and those charged with Governance; 2) Updating client on changes in accounting, legal, audit aspects, etc. with client specific impact; and 3) Follow through on previous audit observations and updates to management and those charged with Governance. 	<p>For Yes – 8 Points For No – 0 Point</p>	8			
ii.	Monitoring planned hours vs actual hours across engagement; the focus is	<p>For Yes – 8 Points For No – 0 Point</p>	8			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	on the existence of a monitoring mechanism					
	Total 1.7		16			
1.8	Technology Adoption					
(i)	Technology adoption at					
	Office –					
	• Internal communication – chats	For Yes – 4 Points For No – 0 Point	4			
	• Has the firm automated its office with automated Attendance System and Leave management?	For Yes – 4 Points For No – 0 Point	4			
	• Project or activity management/ Timesheet management,	For Yes – 4 Points For No – 0 Point	4			
	• Digital storage of records (scan, etc.),	For Yes – 4 Points For No – 0 Point	4			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	• Centralised server/ Cloud	For Yes – 4 Points For No – 0 Point	4			
	• Digital Library (Own or ICAI)	For Yes – 4 Points For No – 0 Point	4			
	• Client interaction (Alerts, updates, availability of information in website, etc.),	For Yes – 4 Points For No – 0 Point	4			
	• Video conferencing facilities adopted,	For Yes – 4 Points For No – 0 Point	4			
	• Does the firm use only licensed operating system, software etc.?	For Yes – 4 Points For No – 0 Point	4			
	• Own E-mail domains, E-mail usage policies, etc.	For Yes – 4 Points For No – 0 Point	4			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	• Use of anti-virus and malware protection tools,	For Yes – 4 Points For No – 0 Point	4			
	• Data security, etc.	For Yes – 4 Points For No – 0 Point	4			
	• Cyber security measures	For Yes – 4 Points For No – 0 Point	4			
ii.	Awareness and Adoption of Technology for Service delivery – Say, use of Audit tools, usage of analytical tools, use of data visualisation tools or adoption of an audit tool. Note: DCMM Version 2 may be referred to arrive at the technical maturity of the firm/ CA.	For Yes – 12 Points For No – 0 Point	12			
	Total 1.8		64			
1.9	Revenue, Budgeting & Pricing					

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
i.	Whether the client wise revenue is in compliance with the Code of Ethics (currently fees from one client should not exceed 40% of total revenue unless safeguards are put in place) and once the deferred clauses of Part A are implemented this will be reduced to 15%.	For Yes –4 Points For No – 0 Point	4			
ii.	Fee considerations and scope of services should not infringe upon the quality of work and documentation as envisaged in SQC 1 under Leadership is responsible for quality within the firm.	Yes – 8 Points For No – 0 Point	8			
iii.	Adherence to a minimum scale of fees standards recommended by ICAI	For up to 50% of the engagements- 2 Points For More than 50% of the engagements – 4 Points	4			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
		For None – 0 Point				
	Total 1.9		16			
Total of Section 1			280			
2	Human Resource Management					
2.1.	Resource Planning & Monitoring as per the firm's policy					
i.	Does the firm have a process of Employee/ Resource Planning for the engagements based on skill set requirement, experience, etc.?	For Yes – 4 Points For No – 0 Point	4			
ii.	Methods/Tools used by the firm for Resource Allocation (use of spreadsheets, work flow tools, etc.)	For Yes – 4 Points For No – 0 Point	4			
iii.	Is there a method of tracking the employee activity, to identify resource productivity (e.g., timesheet)?	For Yes – 4 Points For No – 0 Point	4			
iv.	Does the firm maintain a minimum Staff to Partner Ratio, Partner to Manager,	For Yes – 8 Points	8			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	Manager to Articles, Client to Staff ratio, etc.	For No – 0 Point				
v.	Does the firm monitor the Utilisation & Realisation rate per employee	For Yes – 4 Points For No – 0 Point	4			
vi.	Does the firm document the resource plan for each engagement and file it for reference during the engagement?	For Yes – 4 Points For No – 0 Point	4			
	Total		28			
2.2.	Employee Training & Development					
i.	Does the firm have an employee training policy?	For Yes – 4 Points For No – 0 Point	4			
ii.	Number of Professional Development hours/days spent (Frequency) as a firm – per employee	60 hours per year for junior- level: 2 Points for general training and 6 points for specialised technical training 30 - 60 hours per year	24			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
		for				
		mid- level: 2 Points for general training and 6 points for specialised technical training More than 30 hours for partners: 2 Points for general training and 6 points for specialised technical training				
iii.	Employees are equipped with technological skill sets – AI, Blockchain, Audit & Data analytical tools, etc. and sponsored by the firm to develop the same: 1. Knowledge of technological skill sets will be more relevant for large audits (Like Audit Engagements of	Use of Analytical Tools for the listed entity, Banks other than co-operative banks (except multi-state co- operative banks) and Insurance Companies audit	8			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	<p>Listed entity, Banks other than co-operative banks (except multi-state co- operative banks) and Insurance Companies etc.). Hence, the question should be relevant only for such audit engagements.</p> <p>2. The audit Teams should be aware of Data Analytics Tools and comprehend the results of the tools to adjust the audit strategy.</p> <p>3. Technologies like AI and blockchain may be considered as an incremental factor for differentiation purposes, if the firms are scored at the same level.</p>	<p>engagements: For Yes – 8 Points For No – 0 Point / NA</p>				
iv.	Whether the firm has a performance management culture that rewards high performing employees and those who demonstrate high levels of quality and	For Yes – 8 Points For No – 0 Point	8			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	ethics?					
	Total 2.2		44			
2.3.	Resources Turnover & Compensation Management					
i.	Does the Firm evaluate a team composition overall to build the Team Strength - say, Number of Managers, Assistant Managers, Paid Assistants,	For Yes – 8 Points For No – 0 Point	8			
	Article Assistants, Other Degree holders?					
ii.	Does the firm maintain and monitor the employee turnover ratio and identify measures to keep it minimal?	For Yes – 8 Points For No – 0 Point	8			
iii.	Qualified professionals retained by the firm (resources available to a partner)	10 and above – 20 Points 8 to 9 – 16 Points 6 to 7 – 12 Points	20			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
		4 to 5 – 8 Points Up to 3 – 4 Points				
iv.	Does the firm evaluate the Employee relation with the firm (No. of Professionals vs. No. of years employed with firm) to identify reasons for turnover if any?	For Yes – 4 Points For No – 0 Point	4			
v.	Statutory contributions wherever applicable, Health Insurance and other benefits, available in the firm for staff members and partners	For Yes – 8 Points For No – 0 Point	8			
vi.	Does the firm evaluate for which kind of audits does it have a revolving door (between different engagements) for people below partner level?	For Yes – 4 Points For No – 0 Point	4			
vii.	Progress of people through an established framework and time commitment of Managers and Partners – Engagement level review and overall	For Yes – 8 Points For No – 0 Point	8			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	performance evaluation and rewards mechanism for differentiated performance levels					
viii.	Access and use of technology, infrastructure, methodology for better enablement of day-to-day work / including favorable remote working policies	For Yes – 8 Points For No – 0 Point	8			
ix.	Coaching and mentoring program investment, especially for women colleagues to enhance the diversity of audit leaders in the profession	For Yes – 8 Points For No – 0 Point	8			
x.	Special policies to provide people time to rejuvenate especially after busy audit seasons	For Yes – 4 Points For No – 0 Point	4			
xi.	Focused policies and support for staff well - being, engagement and communication	For Yes – 8 Points For No – 0 Point	8			
xii.	An established mechanism to listen to	For Yes – 8 Points	8			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	people and their views and suggestions. Credible Employee survey and its outcome demonstrate how well people are taken care of and heard.	For No – 0 Point				
xiii.	Standards of recruiting people – Assessment methodology, evaluation of quality and fitment to the job and culture	For Yes – 4 Points For No – 0 Point	4			
xiv.	Are the employees of the firm compensated as per a defined approach where salary is mapped to the knowledge and experience level of the employee?	For Yes – 4 Points For No – 0 Point	4			
	Total 2.3		104			
2.4.	Qualification Skill Set of employees and use of Experts					
i.	Number of Professionally qualified members – ACA/FCA If evaluation is being done for a firm that	Upto 30% – 4 Points More than 30% to 50% – 8 Points	12			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	primarily offers Statutory and Tax Audit Services then only ACA / FCA should be considered for evaluation purposes.	Above 50% – 12 Points				
ii.	Post Qualification Certifications obtained from professional bodies or similar organisations (DISA, IP, etc.) DISA and IP are courses that are required in Information System Audits. If qualified resource is not available in the firm, whether the services of expert are taken? Whether all partners have complied with CPE requirements of ICAI?	Applicable – 8 Points Not Applicable – 0 Point	8			
iii.	Members with Specialisation courses or Certifications – (Ranking can be based on newer areas or international qualification – say, Dip. IFRS or Firm Ind AS / IFRS Accreditation	Upto 30% – 4 Points 30% to 50% – 8 Points Above 50% – 12 Points	12			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	Requirements, etc.)					
	Total 2.4		32			
2.5	Performance evaluation measures carried out by the firm (KPI's)					
i.	Does the firm have written KPIs for performance evaluation of the firm and partners?	For Yes – 8 Points For No – 0 Point	8			
ii.	Method for measurement and evaluation as mentioned above (i) are determined / specific.	For Yes – 8 Points For No – 0 Point	8			
iii.	There is a decided frequency for the evaluation and is consistently applied	For Yes – 8 Points For No – 0 Point	8			
iv.	Are engagement partners reviewed based on the review results of the engagements of each partner	For Yes – 8 Points For No – 0 Point	8			
	Total 2.5		32			
Total of Section 2			240			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
3	Practice Management – Strategic/Functional					
3.1	Practice Management					
	Does the firm Manage the following attributes relating to Assurance partners to maintain the same at optimum levels as deemed fit for the respective organisations?					
i.	Does the firm have a balanced mix of experienced and new Assurance partners?	For average partner experience of partners > 5 years – 4 Points For average partner experience of partners > 10 years – 8 Points	8			
ii.	Is the firm compliant with the ICAI Code of Ethics, Companies Act 2013 and other regulatory requirements in	For Yes – 8 Points For No – 0 Point	8			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	relation to Professional Independence and Conflict of Interest?					
iii.	Is there is a 'whistle blower' policy?	For Yes – 4 Points For No – 0 Point	4			
	Total 3.1		20			
3.2	Infrastructure – Physical & Others		8			
i.	Number of Branches & Associates and network firms and affiliates	Upto 3 – 2 Points 4 to 7 – 4 Points 8 to 15 – 6 Points More than 15 – 8 Points				
ii.	Are branch level activities Centralised/ Decentralised in accounting, Invoicing, and Payroll processing	Centralised – 8 Points Decentralised – 4 Points	8			
iii.	Physical & Logical Security of Information are extended and implemented across locations?	For Yes – 8 Points For No – 0 Point	8			
iv.	Are there adequate DA tools and IT	For Yes – 12 Points	12			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
	infrastructure available and are they being used for the relevant assignment?	For No – 0 Point				
v.	Is the infrastructure adequate in terms of internet/intranet network bandwidth/ VPN/Wi-Fi etc. for remote working?	For Yes – 12 Points For No – 0 Point	12			
	Total 3.2		48			
3.3	Practice Credentials					
	What are the credentials of the firm that distinguish the firm or stands as testimony to the quality of the firm?					
i.	Is the firm ICAI Peer Review certified?	For Yes – 4 Points For No – 0 Point	4			
ii.	Empanelment with RBI / C&AG	For Yes – 8 Points For No – 0 Point	8			
iii.	Is there an advisory as well as a decision, to not allot work due to unsatisfactory performance by the CAG office?	For Yes – (-5) Points For No – 0 Point	0			

Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference (If any)
iv.	Have any Government Bodies/ Authorities evaluated the performance of the firm to the extent of debarment/ blacklisting?	For Yes – (-10) Points For No – 0 Point	0			
v.	Any negative assessment in the report of the Quality Review Board?	For Yes – (-5) Points For No – 0 Point	0			
vi.	Has there been a case of professional misconduct on the part of a member of the firm where he has been proved guilty?	For Yes – (-5) Points For No – 0 Point	0			
Total 3.3			12			
Competency Basis		Score Basis	Max Scores	Scores Awarded by Firm	Scores as per Peer Reviewer	Explanation for Difference
Total of Section 3			80			
Grand Total			600			
Level of Firm (Refer Note 3)						

(Signature of Reviewer)

Name of Reviewer

Date of Review

Note:

1. AQMM Level of Firm as per Note 3 below on the basis of scores obtained is also to be inserted in the Final Report.
2. Firm Maturity Rating :

Section Reference	Total Possible Points	Scores as per Peer Reviewer
Section 1. Practice Management – Operation	280	
Section 2. Human Resource Management	240	
Section 3. Practice Management - Strategic/Functional	80	
Total	600	

3. Basis:

% Score	AQMM Level	
Up to 25% in each section	Level 1 Firm	Indicates that the firm is very nascent -will have to take immediate steps to upgrade its competency or will be left lagging behind
Above 25% to 50% in each section	Level 2 Firm	Indicates firm has made some progress -will have to fine-tune further to reach the next level of competency
Above 50% to 75% in each section	Level 3 Firm	Indicates firm has made substantial progress -will have to fine-tune further to reach the highest level of competency
Above 75% in each section	Level 4 firm	Indicates firms that have made significant adoption of standards and procedures - Should focus on optimising further

APPENDIX **XVIII**

**PEER REVIEW BOARD ADVISORIES
FOR PEER REVIEWER**

1. Firm's letterhead should not be used while corresponding with the Board or the PU.
2. Any names either of employer or partner or clients should not be mentioned while corresponding with the Board or the PU.
3. Before commencing the peer review exercise study in detail the Peer Review Manual.
4. While conducting peer review ensure adherence to the Peer Review Guidelines issued by the Board.
5. Ensure adherence to the Illustrative Time Schedule given in the Peer Review Manual.
6. Formal consent letter accepting peer review assignment, together with the Declaration of Confidentiality in Form 2 or letter intimating non-acceptance with reasons should be sent to the PU.
7. In cases where the Board has permitted an assistant, the Declaration of Confidentiality of the Assistant in Form 2, if any, assisting the Reviewer in the assignment should also be sent.
8. While conducting peer review ensure adherence with SA's wherever applicable. Few examples are given hereunder: -
 - (a) Document working papers of the review performed and findings, including matters that indicate deficiencies in the PU's policies and procedures relating to quality control and significant lack of compliance therewith. (SA 230 – Audit Documentation)
 - (b) Obtain written representations from the PU, wherever required. (SA 580 – Written Representations)
 - (c) A Letter of engagement may be sent to the PU. (SA 210 – Agreeing the Terms of Audit Engagement)

9. The number of assurance engagements to be reviewed should be selected by exercising professional judgement based on the evaluation of the questionnaire and the size of the PU. Obtain a reasonable cross-section of the PU's clients although greater weight may be given to large clients.
10. **While selecting the sample, the reviewer should adhere to the Sample selection criteria as prescribed by the Board which is stated as follows:**

For firms in existence for more than 3 financial years: The minimum sample size to be selected is based on Average annual gross receipts/ Revenue from assurance services Clients of Practice Unit during the period under review is as per following table:

Average annual gross receipts/ Revenue from assurance service clients of Practice Unit for the period under review	Minimum sample size (number)
Less than Rs.5 crore	10
From Rs.5 crore to less than Rs.10 crore	15
From Rs.10 crore to less than Rs.20 crore	20
From Rs.20 crore to less than Rs.30 crore	25
From Rs.30 crore to less than Rs.50 crore	30
Rs. 50 crore and above.	50

Note: (1) If total population is less than the minimum as prescribed above, then 100% selection has to be done compulsorily and the fact intimated to the Board. In that situation, a certificate with validity of 18 months would only be issued.

B. For firms in existence from 1 to 3 financial years:

Minimum sample size (number)	Validity of Peer Review Certificate
If the total number of assurance clients are 5 or more but less than 10 then 100% selection has to be done compulsorily by the Reviewer and the fact intimated to the Board.	Three year validity Certificate is issued

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In case of total assurance clients are 10 or more the reviewer has to select sample as per the above table	
If the total of assurance clients are less than 5, the Reviewer has to select 100% sample in such cases and the fact intimated to the Board.	Eighteen months validity Certificate is issued

Thereafter, for secondary and subsequent cycles, a Peer Review certificate will be issued with validity of 18 months until the Peer Review is conducted for complete three year period.

Other points to be considered by the Reviewer while selecting the sample:

- i. Sample selected should be representative of total population of assurance services
- ii. Sample chosen must include assurance engagement assignment which has the highest turnover among the statutory audit population.
- iii. At least 5 samples in total (in case less than 5 then 100% population) must be selected from the category 'Statutory Audit' of Listed entities, central/ State Public Sector Undertakings and Central Cooperative Societies
- iv. At least 1 sample each from CSA audit of banks and Insurance Company, (if any). CSA will be substituted by SBAs in case PU does not undertake CSA.
- v. Sample must include each 'type of assurance engagement' (viz. Statutory/Internal/concurrent/Tax/GST etc.) including services provided on tender.
- vi. Sample must be picked from the assurance clients which contribute 15% or more to the total revenue of the firm (as mentioned under the concentration *Clause 17 of Part A of the Questionnaire*)
- vii. Sample must be selected from each of the locations where the PU is rendering Assurance services. However, in case branch

- has a listed client, then that is mandatorily required to be included in the sample.
- viii. There must be at least one sample from assurance service rendered by each partner of the PU.
 - ix. Sample must be picked from each year under review.
 - x. Sample must necessarily include those clients in respect of whom advisory has been issued by FRRB or any regulator. (as mentioned under *Clause 14(ii) &14(iii) of Part B (II) of the Questionnaire*).
11. A combination of compliance procedures and substantive procedures may be followed throughout the peer review process. The mix of compliance and substantive procedures should be decided by exercising professional judgement.
 12. In case the review is not completed within 20 days, the PU as well as Reviewer shall inform the Board, in Form 7 duly signed by both, seeking extension of time with reasons.
 13. Compliance with four focus areas mentioned below should be seen:
 - (a) Compliance with Technical, Professional and Ethical standards
 - (b) Quality of reporting
 - (c) Office systems and procedures
 - (d) Training Programme for Staff (Including Articled and Audit Clerks)
 14. An unqualified report may be issued only if there is reasonable compliance of the above.
 15. After on- site visit, in case if in the opinion of the Reviewer, the systems and procedures of the Practice Unit are deficient or non-complaint with reference to any matter that has been noticed by him or if there are other matters where he wants to seek clarification a Preliminary Report may be issued for PU's response.
 16. PU's response to the Preliminary Report should be obtained in writing.
 17. Point out the deficiencies or non-compliances noticed during the course of review and do not give any advice/suggestions in the Preliminary Report.

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18. Review findings should be discussed with the PU before finalizing the Peer Review Report (Final-clean/qualified).
19. Any objections raised by the PU must be dealt with before submitting the Peer Review Report (Final-clean/qualified) to the Board.
20. Issue the Peer Review Report (Final-clean/qualified) after discussing draft report with the Practice Unit.
21. Peer Review Report should be issued on Reviewer's personal letter-head, alongwith membership no. of Reviewer and correct name of the PU. Form 9 should be used as a cover letter duly signed by the Reviewer as well as the Practice Unit.
22. Peer Review report should be addressed to the Board and should be dated as of the date of the conclusion of the review.
23. Peer Review Report (Final-clean/qualified) should be prepared in the prescribed format(s) as given in the Peer Review Manual.
24. Peer Review Report (Final-clean/qualified) should be clear and specific and it should also be free of any ambiguity.
25. Ensure that there is no contradiction in the information given in the Annexures to the Report and the Peer Review Report.
26. While submitting the Peer Review Report (Final-clean/qualified) to the Board, enclose Annexure I, Annexure II and Annexure III to the Report, copy of the questionnaire submitted by the PU, List of samples selected in accordance with the criteria prescribed by the Board, copy of Preliminary Report (if issued) and PU's response thereto and the manner in which PU's representation has been dealt with.
27. As Annexure I, Annexure II and Annexure III are a part of the Peer Review Report ensure that all bear the same date as the date of the Peer Review Report.
28. Copy of the Peer Review Report (Final-clean/qualified) should also be sent to the PU, while submitting to the Board. Form 9, which is a cover letter for submission of report shall be signed by the PU as well as Reviewer which will confirm the receipt of report by the PU as well.
29. Wherever so ordered by the Board, complete the follow-on review within the stipulated time period.

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30. While conducting follow-on review, cover the period subsequent to the period covered in the Qualified Final Report.
31. The follow-on report should be in the format of Final Report, accompanied by the Annexure I, Annexure II and Annexure III. It should contain reference to the letter from the Board, directing follow-on review.
32. The follow-on report should contain an attachment indicating how the PU has dealt with the deficiencies pointed out in the earlier review.
33. The cost of review wherever applicable should be charged at the rates notified by the Board, from time to time.
34. Ensure confidentiality of the contents of review report or working paper file, document or other material in any form coming to the knowledge while performing peer review.
35. Extracts of the client's file or records examined while conducting peer review should not be carried, as a part of the working papers.

APPENDIX **XIX**

SOME ILLUSTRATIVE QUALIFICATIONS

1. 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. There were particular deficiencies in establishing and implementing quality control policies and procedures in the areas of (i) Ethical requirements, and (ii) Acceptance and continuance of client relationships and specific engagements.
2. While the PU has documented policies for independence, there was no evidence on record to show that the said policies or the related quality controls were implemented. The engagement files examined also contained no evidence that any engagement-specific procedures were followed to ensure that the engagement teams were independent of the client.
3. The PU does not have a practice of obtaining engagement letters as required under SA 210, Agreeing the Terms of Audit Engagement.
4. 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 articulated assistants of any review performed by a senior resource.
5. The PU does not have any standard documented policy or procedure for planning and performing audits. Nor does it have any standard checklists to ensure that resources performing the engagement have ensured compliance with relevant technical standards, either

accounting or auditing. There is also no standard documentation policy, with the result that engagement files lack consistency and file contents vary significantly from one file to another.

6. Working papers were found to have no supporting documentation to demonstrate that a risk-based audit was performed. There were no documents in the audit files to show that the engagement partner and his team had done any planning at all. For example, there was no evidence in the files:
 - a) Of any overall audit strategy or detailed audit plan in accordance with SA 300, Planning an Audit of Financial Statements. Additionally, there were no audit programmes at the account balance level to guide/ instruct the resources performing the audit on what procedures they should follow.
 - b) Of risk assessment having been done in accordance with SA 315, Identifying and Assessing the Risk of Material Misstatement through Understanding of the Entity and its Environment. Consequently, there were no working papers to establish that audit risks were duly responded to in accordance with SA 330, The Auditor's Response to Assessed Risks.
 - c) Of the determination of materiality during planning in accordance with SA 320, Materiality in Planning and Performing an Audit.
7. 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.
8. The PU was found to have complied with none of the requirements of SA 240, The Auditor's Responsibilities Relating to Fraud.
9. The PU does not perform any controls evaluation or testing. It performs only a substantive audit for which there are no planning documents available in the audit files except standard, non-tailored

audit programmes. In performing tests of details for transactions, the PU does not follow any stated methodology in accordance with SA 530, Audit Sampling, in terms of sample design, sample size or sample selection. Samples selected are not free from bias. Moreover, the PU does not project misstatements into the population or evaluate the results of audit sampling.

10. The PU has no practice of documenting the samples selected for tests of details, what audit procedures were applied to test the samples, or the outcome of such testing, if performed. The only document that evidences performance of tests of details are query sheets. In several instances it was observed that queries were raised but there is nothing to evidence how they were solved or disposed of.
11. The PU's audit files lack evidence of how significant estimates and judgements were audited or how the engagement teams reached a conclusion that the process adopted by the clients for making those estimates and judgements was sufficient and appropriate.
12. 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.