

Empowerment of Practice Units

The Council of the Institute established the Peer Review Board with the objective of providing guidance to its members in order to maintain as well as enhance the quality of professional functions performed by them. The Peer Review process has gained considerable momentum and so far more than 800 reviews have been carried out by the Reviewers empanelled with the Board. Peer review is now more of a necessity because the stakeholder and profession at large sees it as a process by which a corroboration of the goals of independence, excellence and integrity being pursued by professional chartered accountants, can be achieved.

The Institute expects its members to carry out attest functions as per the Auditing and Assurance Standards issued by it and also various other pronouncements issued from time to time.

The Reviewers while sending their Peer Review Reports to the Peer Review Board have reported instances where Practice Units lack the due diligence normally expected from a professional and also instances which require a closer look for better understanding and application of Technical Standards. Members may note that the purpose of making available this analysis is to share information for the guidance of Practice Units at large, which is not exhaustive and is only illustrative in nature.

The Statement on Peer Review makes it imperative that all practice units address the 'General Controls' which comprise five controls, viz., (i) Independence, (ii) Maintenance of Professional Skills & Standards, (iii) Outside Consultation, (iv) Staff Supervision & Development (v) Office Administration. The Peer Review Board seeks to make the members aware of all the Controls which should be in place in their units for

carrying out attestation services assignments in the best possible manner, befitting Indian conditions and also in conformity with global scenario which will make them more efficient in present competitive environment.

1. Independence

Existence of a Policy of Independence in a practice unit helps to ensure independence, objectivity and integrity, on the part of partners and staff for maintaining the expected standards of professional behaviour from the members. This policy is to be periodically reviewed to ensure its objectivity. Generally, it has been observed that in most of the PUs there is no nodal person responsible for implementation of this policy, who should apprise the importance of Independence to the staff and also monitor its compliance. Such a nodal person should be empowered to resolve issues on independence policies. An undertaking from the staff members should be taken at the time of appointment, to the effect that "they will disclose their relationship with the organisations of which attestation work is assigned to them". It was also pointed out that in certain cases PU did not ascertain whether its appointment was in order as per the Rules and Regulation of the auditor.

2. Maintenance of Professional Skills and Standards

All big or medium size practice units or progressive small practice units should have the system of continuous professional development of staff with an in-house mechanism for continuing professional education. It should provide access to libraries and other authoritative sources to its staff and also provide copies of the technical material issued by the Institute, from time to time, thereby ensuring that they are aware

of changes taking place in Accounting and Auditing & Assurance Standards. There should be a system of designating the expert/experienced individuals for consultation and their area of expertise.

The PU should have Continuing Education Programmes for partners and staff and also conduct programmes for developing expertise in specialised areas and industries. There should be a library at the main office from where major activities are carried out. The PU should provide access to the reference books and other authoritative literature of Technical material issued by the Institute, from time to time, thereby ensuring that all staff members are made aware of changes taking place in Accounting and Auditing Standards, besides the field of their specialisation. It has been observed during the reviews that records of meetings which are held at regular intervals for discussing various issues are not maintained. Maintenance of such a record is necessary. Particularly, when resolution of certain conflicting issue is arrived at the documentation should be complete with reference to technical publications, case laws, etc.

3. Outside Consultation

A laid down written policy for consulting experts with the consent of the auditee (both internal and external) should be developed, along with data relating to network with other professionals like solicitors, advocates, engineers and technical consultants in industries in which the PU's clients operate.

4. Staff Supervision and Development

The existence of a well written policy is the backbone of having good quality staff and their development. Adequate staff training system for audit staff concerned with attestation functions should be put in place and proper record for attendance maintained. Orientation programme for new employees should be organised.

Responsibility at each level should be predetermined, on the expected performance and qualifications necessary for advancement to the next level with a system for gathering and evaluating information on the performance of personnel. PUs should have a system of periodical counseling to personnel on performance and career opportunities and have a system of assigning an audit to the most appropriate personnel and there should have been written guidelines for maintaining working papers (form and content) together with standardised forms, checklists, and questionnaires to assist in the conduct of audit and other assignments.

5. Office Administration

Practice Units should have an established procedure for record retention, including security aspects and maintain a record containing particulars such as client name, nature of engagement, particulars regarding date of commencement of audit, date of audit report, billing, staff register.

Respective staff files containing necessary information such as date of appointment, experience, information about training programmes undergone during employment and periodic evaluation of performance etc. should be maintained and updated regularly.

PUs should maintain separate audit file for each client, audit papers and income tax papers should be maintained in separate files. Working papers of all attestation work should be kept in audit file of respective clients and such working papers should have formal presentation so that the same could be suitably presented as evidence, if and when required.

In the next Issue, we shall publish observations of peer reviewers relating to compliance with auditing and assurance standards by the practice units. □