

Commercial's

Audit Saar

Handwritten Notes

Advanced Auditing & Professional Ethics

Applicable for
November 2023 Examination
& onwards

CA Final

Key Highlights

- Update with all Relevant Amendments
- Reference to RTPs and MTPs Questions
- Author's views for Conceptual Clarity
- Charts for Cross References

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INDEX

Sn.	Chapters	Page
1.	Engagement & Quality Control Standards	1.1-1.121
2.	Risk Assessment and Internal Control	2.1-2.13
3.	Special Aspects of Auditing in an Automated Environment	3.1-3.16
4A.	Company Audit	4A.1-4A.35
4B.	CARO, 2020	4B.1-4B.14
5.	Audit Committee and Corporate Governance	5.1-5.20
6.	Audit of Consolidated Financial Statements	6.1-6.10
7.	Audit of Banks	7.1-7.37
8.	Audit of Insurance Companies	8.1-8.50
9.	Audit of Non-Banking Financial Companies	9.1-9.15
10.	Audit under Fiscal Laws	10.1-10.47
11.	Audit of Public Sector Undertaking	11.1-11.13
12.	Liabilities of Auditor	12.1-12.8
13.	Internal Audit, Management and Operational Audit	13.1-13.16
14A.	Due Diligence, Investigation	14A.1-14A.20
14B.	Forensic Audit	14B.1-14B.7
15A.	Peer Review	15A.1-15A.15
15B.	Quality Review	15B.1-15B.18
16.	Professional Ethics	16.1-16.50

Author's Notes: – 1) Chapter 6. Audit Reports is covered under SA 700 Series.
 2) Chapter 2. Audit Planning, Strategy and Execution is covered under SA 300.
 3) The students are advice to refer revised Schedule III which was applicable from 1st April, 2022.

ABOUT THE AUTHOR

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CHAPTER 15A. PEER REVIEW

What to Study ?

- I] Peer Review
- II] Scopes/Objectives of Peer Review
- III] Assurance Engagement shall not Include
- IV] Eligibility of Reviewer
- V] Peer Review Board
- VI] Practice Unit
- VII] Obligations of the Practice Unit
- VIII] Obligations of the Peer Reviewer
- IX] Peer Review Process
- X] Peer Reviewer Certificate
- XI] Validity of Peer Review Certificate
- XII] Inherent Limitations of Peer Review
- XIII] Difference Between Peer Review as Quality Review



I] PEER REVIEW (PEQ Nov 07) short note on peer review

- a) Peer review came into existence in **March 2002**. It is conducted to assure that the professionals strive best to ensure that **highest standard and professional dignity are observed** by all **PRACTICING** members rendering **Auditing and Attestation services**. The concept of peer review is quite old. A competent professional always thinks that there is a scope for improvement in his performance. Naturally, the source of improvement can be another professional from his own field. We very often come across stories of professional rivalries and secretive practices. However, there has not been a dearth of well meaning professionals in different fields who have strongly felt that the professional work done by them should be reviewed by somebody else who is equally knowledgeable. What is expected in a peer review is much beyond simple discussion or sharing of views. It is sharing of complete information and documentation & subjecting to oneself to independent scrutiny regarding professional work. This has always been an important method of knowledge gathering and competence improvement. Practical examples of peer review are generally seen in the field of education and medicine although they are referred to differently. The Statement on Peer Review shall be deemed to be a **guideline** of the Council under **clause (1) of Part II of Second Schedule to the Act** and it is obligatory for the Practice Unit to comply with the provisions contained in this Statement.

❖ AS PER THE STATEMENT OF PEER REVIEW, "PEER REVIEW" MEANS

- An examination & review of the systems & procedures
- To determine whether they have been put in place by the practice unit
- For ensuring the quality of assurance services
- As envisaged & implied/mandated by Professional, Ethical & Technical (PET) Standards & whether these were effective or not during period under review.

Note: -

1. "Peer"-A person of similar standing.
2. "Review"-Conduct of re- examination or retrospective evaluation of subject matter.
"Peer review"-Review of work done by professional, by another professional of similar standing.
3. "Reviewer"-Member duly approved & empanelled by Board on fulfilling the qualifications prescribed for a Reviewer as per guideline 26 of guidelines, 2022
4. "Practice unit"-Members in practice, whether practicing individually or firm of CA
5. "Board"- Constituted by the council in terms of guidelines from time to time
6. "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 [sub-clause 5 of clause 2 of Peer Review Guidelines, 2022]"

7. "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. [sub-clause 12 of clause 2 of Peer Review Guidelines, 2022]"

II] SCOPE OF PEER REVIEW (PEQ Nov 08/18 RTP May 11)

- 1) Compliance with Technical, Professional and Ethical Standards
- 2) Quality of reporting
- 3) Systems and procedures for carrying out assurance services.
- 4) Self-evaluation under Audit Quality Maturity Model or any other guideline issued by the Centre for Audit Quality"
- 5) Training programmes for staff (including articled and audit assistants) concerned with assurance functions, including availability of appropriate infrastructure
- 6) Compliance with directions and / or guidelines issued by the Council to the Members, including Fees to be charged, Number of audits undertaken, register for Assurance Engagements conducted during the year and such other related records
- 7) Compliance with directions and / or guidelines issued by the Council in relating to article assistants and / or audit assistants, including attendance register, work diaries, stipend payments, and such other related records.

Objectives of peer review

comply with 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"

have in place proper systems including documentation thereof, to amply demonstrate the quality of the assurance services.

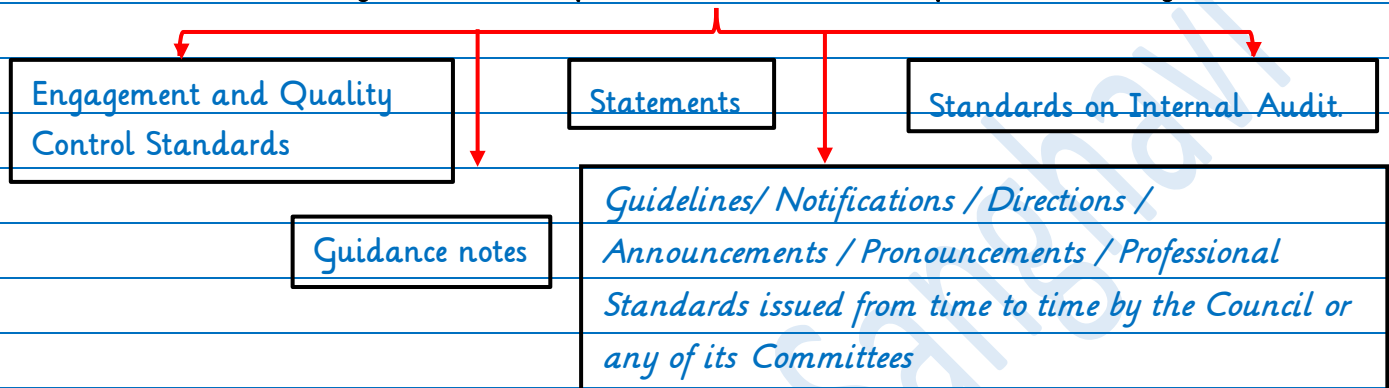
Thus, the primary objective of peer review is not to find out deficiencies but to improve the quality of services rendered by members of the profession.

- 1) Technical professional and ethical standards includes – (PEQ May 13)(RTP May 19, 18 – Short note)
 - a. Accounting Standards issued by ICAI that are applicable for entities other than companies under the Companies Act, 2013.
 - b. 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 the National Financial Reporting Authority (NFRA) and notified as Accounting Standards Rules 2006, as amended from time to time.

- c. 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 NFRA and notified as Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time.

d. Standards issued by the Institute of Chartered Accountants of India including-



- e. 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.
- f. 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.
- g. Any other Technical, Professional, Ethical Standards and other Standards issued by any authority governing the profession of Chartered Accountancy.

2) General controls at PU are as follows - (Key Code - ISCAS)

PU - Practicing Unit

I - Independence - policy/ monitor

S - Maintenance of professional skill and standards

C - Consultations

A - office Administration controls

S - Staff recruitment/ supervision

Note:

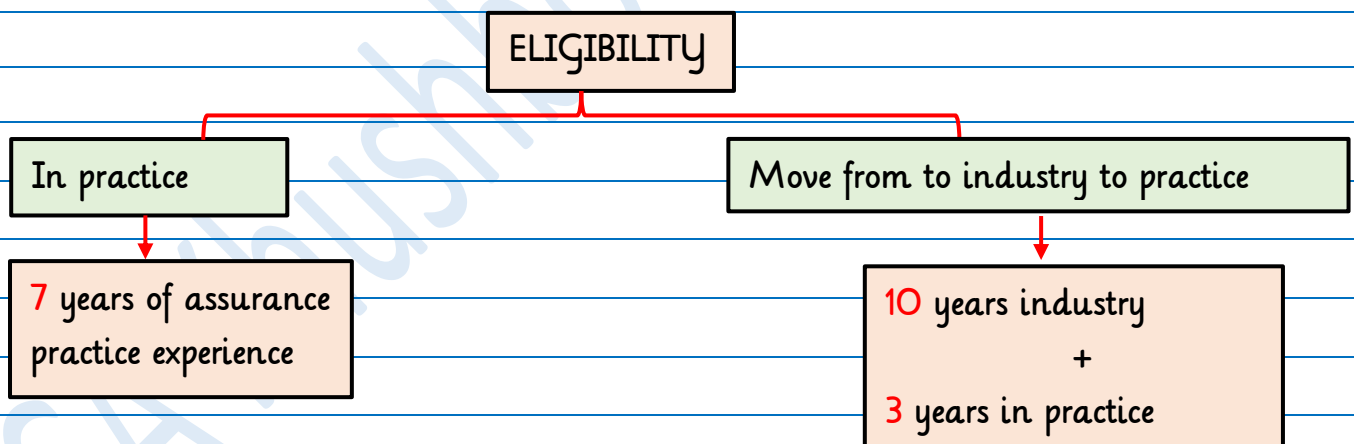
- Thus, The primary objective of peer review is not to find deficiencies but to improve quality of service
- Reviewer may select assurance engagement conducted by Practice unit within previous 3 years only.

III] ASSURANCE ENGAGEMENT SHALL NOT INCLUDE (PEQ Nov 17/May 14 RTP Nov 16)

1. Providing expert opinions on Accounting Standards (AS), applicability of laws, etc.
2. Compilation of Accounts.
3. Information other than Financial Statements.
4. Engagements to prepare Tax Returns, or advising clients in Tax matters, representing before various authorities.
5. Management Consultancy Engagements.
6. Testifying as an expert witness.
7. Engagement for due diligence. [JAN 21]
8. Any other service rendered, or function performed by practitioner not prescribed by the Council to be 'Assurance Engagement'

IV] ELIGIBILITY OF REVIEWER (PEQ May 19, 18)

- 1] A Peer Reviewer shall: -
- a)
 - Shall be a member in practice
 - 7 years of assurance practice experience
 - b) In case a member has moved from industry to practice and is currently in practice
 - An experience of at least 10 years in industry and
 - At least 3 years' experience in practice



- c) Should have undergone the requisite training and cleared the requisite test for Peer Review as prescribed by the Board.
 - 2] A member on being appointed as a Reviewer shall be required to -
 - a) Furnish a declaration as prescribed by the Board, at the time of Empanelment as a peer review
 - b) Sign a Declaration of Confidentiality as per Form A to this Statement.
 - Confidentiality
- 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;
- "A Declaration of Confidentiality (Form 4) shall be signed by all members of the Board and the Board's Secretariat."

3] A member shall **not be** eligible for being appointed as a Reviewer, if -

- Any **disciplinary action/proceeding** is pending against him
- 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.
- He has been **convicted by a competent court** whether within or outside India, of an offence involving moral turpitude and punishable with imprisonment
- He or his partners or personnel has any obligation or **conflict of interest** in the Practice Unit.
- He has undergone training/articleship under any of the partner of Practice Unit.

4] A Reviewer shall **not accept any professional assignment** from the Practice Unit for a period **2 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 before the date of Appointment as review of that Practice Unit. (i.e +2/-2 years)

Note:

1) Reviewer can take help of only 1 Assistant, who is a CA and is not disqualified u/s 8 or 21 of CA, Act 1949 and such assistant must declare confidential.

2) 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.

V] PEER REVIEW BOARD

1. CONSTITUTION

- Constituted **by the Council**.
- Consist of **minimum 6**
- **Maximum 12 members Not less than 50% shall be members of Council.**

3. TIME, PERIOD, PLACE AND

QUORUM OF MEETINGS AS WELL AS
PROCEDURE FOR TRANSACTION OF
BUSINESS

shall be governed by the Chartered

2. APPOINTMENT

- Council may **nominate** members-
from outside bodies & amongst prominent individuals of high integrity & reputation.
- Council shall appoint **Chairman & Vice-Chairman** from Council members.

4. CASUAL VACANCY

- Casual vacancies shall be **filled by the Council**.

Accountants Regulation, 1988."

6. REPORTING

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

VI] APPLICABILITY OF PEER REVIEW (Probable MCQ)

I) Mandatory - Peer Review can be mandated for such Practice Units as may be decided by the Council. Or,

II) Voluntary - Any Practice Unit may, suo motu, apply to the Board for the conduct of its Peer Review. Or,

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.

→ Also, it was clarified that holding a valid Peer Review certificate by Practice Units should be a prerequisite for undertaking audit of all entities falling under phase I; II; III and IV of the mandate from respective dates of mandate becoming operative.

→ Accordingly, the Peer Review Mandate, has made 4 stages:

Phase I: Date from which Peer Review is Mandatory - **1st April 2022**

Practice Units which propose to undertake Statutory Audit of enterprises whose equity or debt securities are listed in India or abroad as defined under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: For these Practice Units, there is a pre-requisite of having Peer Review Certificate.

Phase II: Date from which Peer Review is Mandatory - **1st July 2023**

Practice Units which propose to undertake Statutory Audit of unlisted public companies having

- paid-up capital of not less than rupees five hundred crores or
- having annual turnover of not less than rupees one thousand crores or
- having, in aggregate, outstanding loans, debentures and deposits of **not less than rupees five hundred crores** as on the 31st March of immediately preceding financial year: For these Practice Units, there is a pre-requisite of having Peer Review Certificate.

OR

Practice Units rendering attestation services and having 5 or more partners: For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit.

Phase III: Date from which Peer Review is Mandatory - **1st April 2024**

Practice Units which propose to undertake the Statutory Audit of entities which have raised funds from public or banks or financial institutions of over **Fifty Crores rupees** during the period

under review or of anybody corporate including trusts which are covered under public interest entities: For these Practice Units, there is a pre-requisite of having Peer Review Certificate.

OR

Practice Units rendering attestation services and having 4 or more partners: For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit

Phase IV: Date from which Peer Review is Mandatory - **1st April 2025**

Practice Units which propose to undertake audits of branches of Public Sector banks: For these Practice Units, there is a pre-requisite of having Peer Review Certificate.

OR

Practice Units rendering attestation **services and having 3 or more partners**: For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit.

→ Thus, at each phase, before undertaking statutory audit, the concerned Practice Unit should possess Peer Review Certificate.

Examples: **(most important)**

- i) For the Practice Units, from 1st April, 2023, there is a pre-requisite of having Peer Review Certificate for undertaking Statutory Audit of unlisted public companies having paid-up capital of not less than rupees five hundred crores or having annual turnover of not less than rupees one thousand crores or having, in aggregate, outstanding loans, debentures and deposits of not less than rupees five hundred crores as on the 31st March of immediately preceding financial year or
 - ii) From 1st April, 2024, Practice Units rendering attestation services and having 4 or more partners should have a Peer Review Certificate before undertaking any statutory audit.
- On the date, Peer Review becoming mandatory for a Practice Unit, if it is in possession of Peer Review Certificate, there is no need of once again subjecting the Practice Unit to Peer Review, till conclusion of the validity period of the said Certificate. It is necessary for such a Practice Unit to possess a new Peer Review Certificate on conclusion of validity of Peer Review Certificate that was available at the time Peer Review becoming mandatory."

VII] **OBLIGATIONS OF THE PRACTICE UNIT** **(Dec 21)**

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.

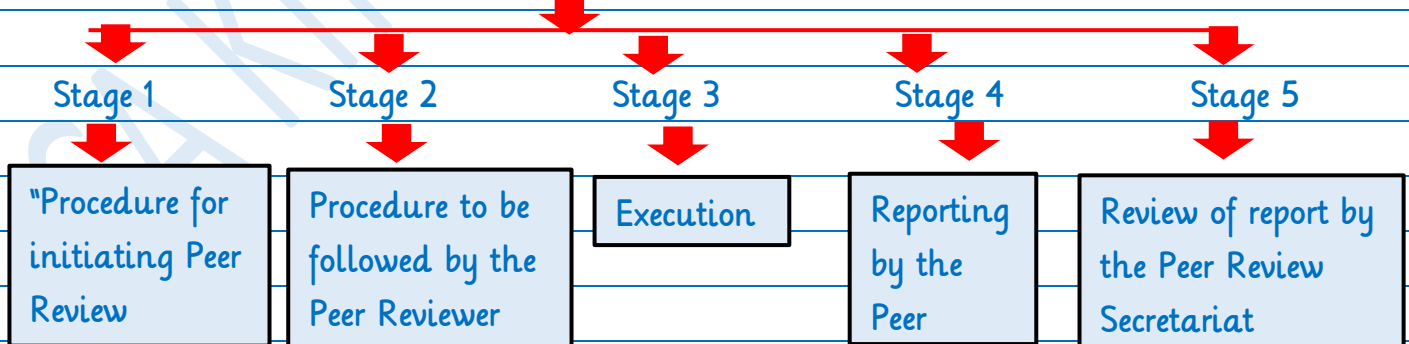
- (ii) Provide to the Reviewer such **explanation or further particulars**/information in respect of anything produced in compliance with a requirement under sub clause (i) Above, as the Reviewer shall specify.
- (iii) Provide to the Reviewer all **assistance** in connection with Peer Review;
- (iv) 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 a **reproduction 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, responsible and if such translation is requested for by the Reviewer. The Practice Unit shall be and accountable for the accuracy and truthfulness of the Translation so provided.

VIII] OBLIGATIONS OF THE PEER REVIEWER

- i) The Reviewer shall not take any extracts of the Practice Units clients' file or records examined by him while conducting Peer Review, as a part of his working papers.
- ii) The Reviewer shall complete the Review within the prescribed time frame and **submit the report to the Board**.
- iii) The Reviewer shall **document all his working papers and submit a copy of his working papers to the Board, if called for by the Board within 18 months of submission of Review Report**.

IX] PEER REVIEW PROCESS (Must be completed within **20 days**) (PEQ May 15 RTP Nov 18)

Peer Review Process



→ STAGE 1: 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.
→	STAGE 2: 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 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.
6.	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.

7. 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"

→ STAGE 3: EXECUTION (Also called as onsite review)

1. Peer Review Visits: 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.
2. Compliance Review-General Controls: 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: (Key Code - ISCAS) (PEQ May 16/12 RTP Nov 17)
 - a. I – Independence*
 - b. S – Maintenance of Professional Skill and standard.
 - c. C – Outside Consultation
 - d. S – Staff Supervision.
 - e. A – Development and office Administration.

* How to assess of independence Policy of the practicing unit:

- Does the practice unit have a policy to ensure independence, objectivity and integrity, on the part of 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?
- How does the practice unit deal with the threats to independence?

3. Selection of Assurance Service Engagements for Review:

→ The number of assurance service engagements to be reviewed shall depend upon:

- The Standard of quality controls generally prevailing;
- The size and nature of assurance service engagements undertaken by the Practice Unit.
- The methodology generally adopted by the Practice Unit in providing assurance services.
- The number of partners/members involved in assurance service engagements in the

Practice Unit;

- The number of locations/branch offices of the practice Unit;

The Fees charged/received/GST paid by the Practice unit.

→ From the initial sample selected at the planning stage, the Reviewer, may enlarge the initial sample size of assurance service engagements for Review.

4. Review of records

The Reviewer is required to adopt a combination of compliance approach and substantive approach in the Review process.

(A) Compliance Approach – Assurance Service Engagements: 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:

- ♦ Assurance services records for Administration
- ♦ Review and Evaluation of System of Internal Controls
- ♦ Substantive Tests
- ♦ Financial Statements Presentation and Disclosures
- ♦ Assurance Services Conclusions
- ♦ Assurance Services Reporting

(B) Substantive Approach – Assurance Engagements: This approach requires a Review of the assurance working papers in order to establish the extent of compliance, whether the assurance work has been carried out as per the Technical, Professional, and Ethical Standards.

→ 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.

→ STAGE 4: REPORTING BY THE PEER REVIEWER

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.
1)	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.
2)	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.
3)	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.
4)	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.
5)	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.
6)	The Peer Reviewer shall ensure to submit the following documents along with the Peer Review Report: <ul style="list-style-type: none"> 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.
7)	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.
8)	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.
9)	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."
→	STAGE 5: REVIEW OF REPORT BY THE PEER REVIEW SECRETARIAT
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.

X] ISSUANCE OF PEER REVIEW CERTIFICATE (Amendment)

- 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
- 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.

XI] VALIDITY OF PEER REVIEW CERTIFICATE (Amendment)

"The Peer Review Certificate issued to a Practice Unit shall be valid for a period of 3 years or such other period as may be decided by the Board commencing from the date of receipt of Peer Review report by the Board. The validity of the Peer Review Certificate issued to New Units shall be decided by the Board.

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".

Quick Recall Forms

Form 1: Application cum questionnaire

Form 2: Declaration of confidentiality

Form 5: Sample selection

Form 6: Additional information

Form 8: Extension of peer review certificate (already granted)

Form 9: Reporting

XII] INHERENT LIMITATIONS OF PEER REVIEW (PEQ Nov 18)

1. The reviewer conducts the review in **accordance with the Statement** on Peer review
2. The review would **not necessarily disclose all weaknesses** in compliance of technical standards and maintenance of quality of assurance services since it would be based on selective tests.
3. As there are **inherent limitations** in the effectiveness of any system of quality control which happens to be subject matter of review, **departure** from the system may occur and **may not be detected**.

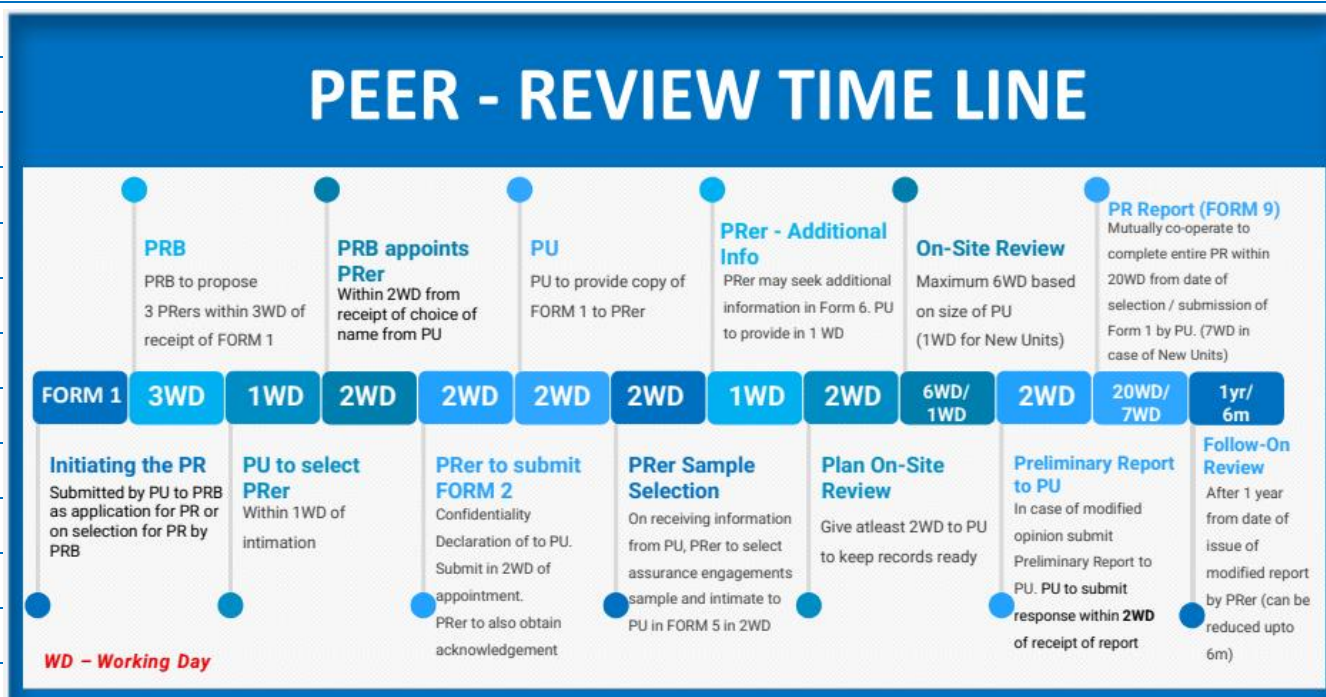
XIII] DIFFERENCE BETWEEN PEER REVIEW AS QUALITY REVIEW

Peer Review	Quality Review
Peer review is a review of the systems and procedures of an audit firm. Although sample audit files are inspected by the peer reviewer, it is done for the purpose of testing the effectiveness of the systems and procedures. The intention is to not to find faults but to help the firm develop effective systems. It is a kind of mentoring process. Peer review is a part of the activities of ICAI aimed at improving the quality of service.	In contrast, a quality review is supposed to act as a deterrent. Quality Review Board (QRB) is constituted by the Central Government and is independent of ICAI. As per Section 28A of the Chartered Accountant's Act, the Central Government has the authority to constitute a Quality Review Board. QRB carries out supervisory and disciplinary functions. A quality review normally pertains to one particular audit conducted by an audit firm. The main objective quality review is to find errors or inadequacies, if any, committed by the auditor while conducting the audit. Serious errors detected in quality review lead to disciplinary action against the member.

Detailed difference and quick recall charts is added after chap 15B Quality Review

Note: -

1) If reviewer or assistance contravene confidentiality, then it will be regarded as professional misconduct.



CHAPTER 15B. QUALITY REVIEW

What to Study ?

I] Introduction

II] Scope & Objectives of Quality Review

III] The Quality Review Board (QRB)

IV] Selection of Audit Firms

V] The Quality Review Process

VI] Reporting Responsibilities & other Procedures

VII] Types of Reports to be Issued

VIII] Consideration of Reports of Quality Review Groups

IX] Actions that may be Recommended by the Quality Review Board OR Consequences of Non-Compliance

X] Mechanism For Follow-Up of Review Findings

Quality Reviews

1] INTRODUCTION

AFUR = Audit Firm Under Review

Audit firm should have a **system of quality** control to provide:

Reasonable Assurance that
firm & its personnel

Comply with professional
standards & regulatory
requirements

Report issued is
appropriate in
circumstances

The quality control policies and procedures should be documented and communicated to the firm's personnel. Such communication describes the quality control policies and procedures and the objectives they are designed to achieve and includes the message that each individual has a personal responsibility for quality and is expected to comply with these policies and procedures. In addition, the firm recognizes the importance of obtaining feedback on its quality control system from its personnel. Therefore, the firm encourages its personnel to communicate their views or concerns on quality control matters. (Para 8 of 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).

Standard on Quality Control (SQC) 1 requires that every 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
- (e) Engagement performance

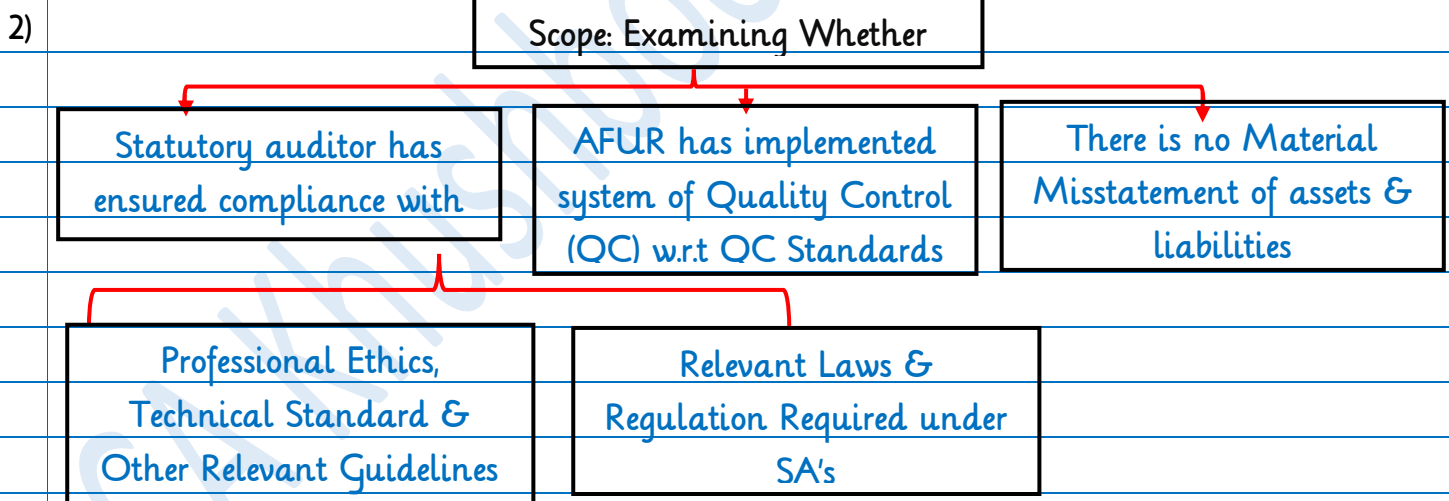
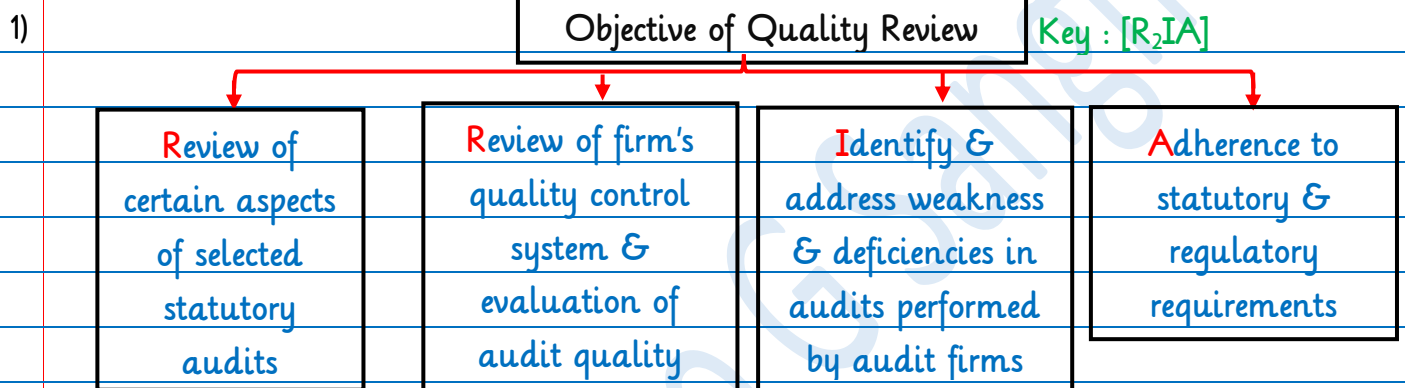
Examples

Example of important areas as per Quality Review Report 2018-19 in accordance with Standard on Quality Control-1 are

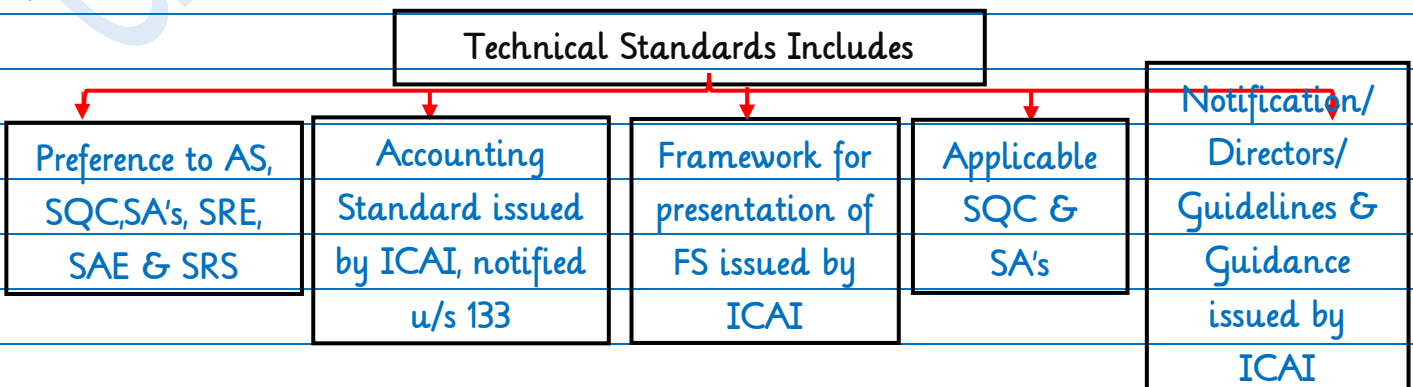
- (1) Whether the audit firm **establishes and implements policies and procedure** on all the element of system of quality control
- (2) Whether the engagement quality control reviewer review at an appropriate time for the planning of an audit, significant audit judgment, and expressions of an audit opinion.
- (3) Whether the audit firm assigns as the person responsible for the monitoring of the system of quality control a person with **appropriate experience for the role**, vest the assigned person with sufficient and appropriate authority.

- (4) Whether the audit firm obtain, **at least annually, a confirmation** letter concerning compliance with policies and procedure for the **maintenance of independence** from all person required to maintain independence.
- (5) Whether the audit firm perform the independence confirmation procedure set forth in its internal rules **before acceptance and continuance** of an audit engagement, and when issuing the auditor's report appropriately confirms that there was no change in the status of independence.
- (6) Whether the audit firm develop and provides education/ training program that fully take into account the **knowledge, experience, competence and capabilities** of the professional staff.

II) SCOPE & OBJECTIVES OF QUALITY REVIEW



Note: -



Other Relevant Guidance

Guidance Notes on
accounting & auditing
matters issued by ICAI

Code of Ethics issued by
ICAI

It is not the purpose of a review, however, to review all of a firm's audits or to identify every aspect in which a reviewed audit is deficient.

III] THE QUALITY REVIEW BOARD (QRB)

1. Constitution and Composition of Quality review board

10 members

1 chairman

5 nominated by
Central Government

5 nominated by
ICAI

Nominated by
Central Government

2. Powers of QRB

1) Evaluate
& Review
the quality
of work &
services

2) Laydown
the procedure
for such
evaluation

3) Call for
information

4) Invite experts
to provide
advice, opinion
or analysis on
any matter

5) Make
recommendation to
council for improving
competence &
qualification

Member of Institute

If Failed

Board may request Institute to
obtain information & furnish it

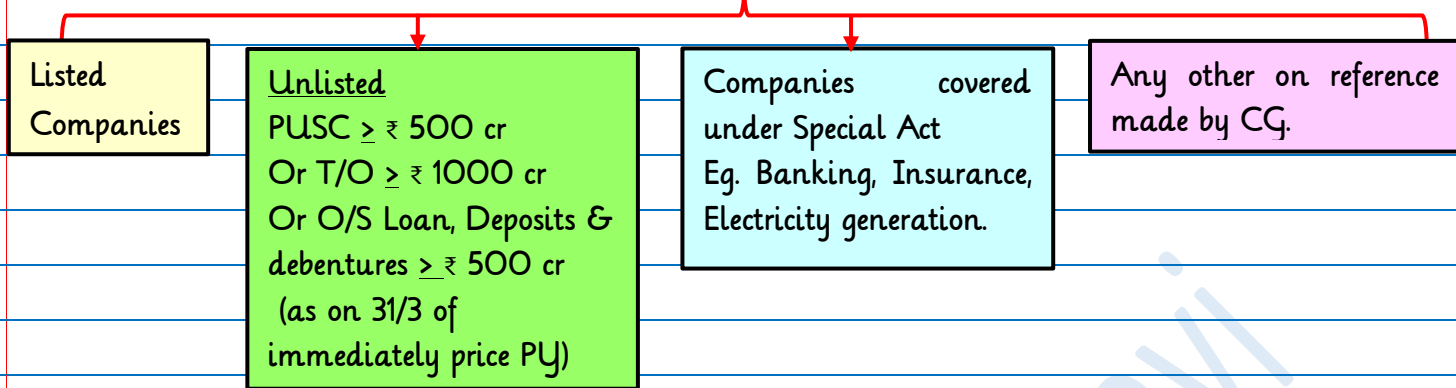
Companies, Organization
or Any other Person

If Failed

Board may request CG (MCA) for providing assistance
in obtaining information from Company

However, the Ministry of Corporate Affairs, vide letter F.No.7/1/2019-CL-1 dated 30th January, 2019, has clarified to the Quality Review Board that in view of Sec. 132 (2) of the Companies Act, 2013 r/w Rule 9(4) of NFRA Rules, 2018, the issue of QRB reviewing audits of the companies/bodies corporate specified under Rule 3 of the NFRA Rules, 2018 will only arise in case a reference is so made to QRB by NFRA, and not otherwise (PEQ May 23)

As per NFRA Rules, companies as corporate bodies covered are



A body corporate registered O/S India which is Associate/Subsidiary of any company mentioned above provided income or net-worth of such subsidiary in > 20% of consolidated income or network.

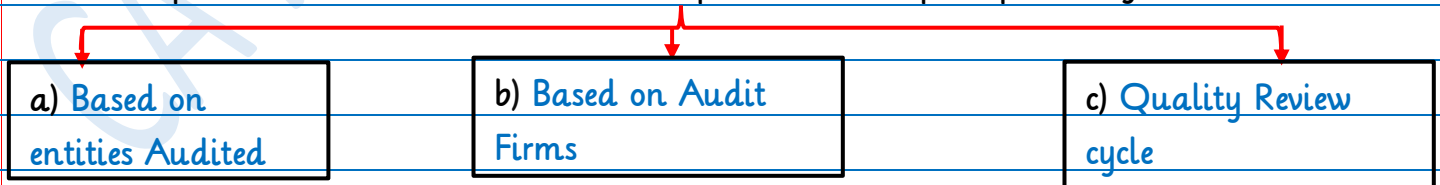
3. Coverage of Services For Quality Review

(IMPORTANT)

<p>Inclusions: The Quality Review would involve assessment of the work of statutory auditors while carrying out statutory audit so that the Board is able to assess:-</p> <p>a) Quality of statutory audit & reporting by statutory auditors; and</p> <p>b) Quality control framework adopted by the AFUR in conducting statutory audit.</p>	<p>Exclusions: This Procedure would not extend to: (i) Review of internal audit, tax audit, GST audit and other such special purpose audits conducted by the members of the Institute which may be covered by the Board at a later stage or unless otherwise specified; and</p> <p>(ii) Review of services provided by the members of the Institute in employment</p>
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IV) SELECTION OF AUDIT FIRMS

Selection of AFUR can be done on the basis of one or more of the following criteria



Key : [Me Re₂ Sanam₂]

A. On the basis of Entities Audited

A. Entities other than those specified under Rule 3(1) of NFRA Rules, 2018 may be selected on basis of-

1. Major non-compliances under relevant statutes highlighted in past reviews.
2. Risk Based Selection including regulatory concerns pointing towards stakeholder risks.
3. Reported Fraud or likelihood of fraud
4. Sector identified as susceptible to risk on the basis of market intelligence reports.
5. Serious accounting irregularities in FS highlighted by media & other reports.

B. In case of Joint Audits, If required, all joint auditors may be reviewed.

C. Board may also review quality of statutory audit services of AFUR with a view

1. To assessing quality of statutory audits &
2. Reporting by the Statutory auditors &
3. Their quality control framework,
4. On a reference made to it by any bodies like RBI, SEBI, IRDA, MCA, NFRA.

D. Board shall not consider cases of complaints received from

1. Individuals, firms, companies, other entities & their partners, directors & other officers etc.
2. Which shall be continues to be dealt as per CA Act, 1949

- Case of complaints from only regulatory bodies & other media reports involving Serious accounting irregularities shall be considered by Board for purpose of initiating review.

E. Selection for Suo moto quality reviews done using methods such as, Random sampling, selection of particular class or classes of entities/ audit firms.

F. QRB secretariat should place the details of the entities & audit firms,

1. which may be selected for quality review before the Board for its consideration
2. Board, may consider whether the case warrants a quality review by a TR &
3. May refer the cases selected for quality review to the relevant TRs.
4. Board will obtain the Annual Report of entity concerned.

B. On the Basis of Audit Firm

Key : [VI₂RA]

Volume of work handled represented by the number & nature of clients.

Involvement in risky sectors

Involvement in sectors where frauds are often reported.

Random Selection

Auditing large, mid-cap, small cap companies

C. Quality Review Cycle

(MCQ)

(i) Quality review cycle of Audit Firms may be followed generally or as may be decided by Board

Once in 3 years for Audit Firms having 20 or more Partners

Once in 4 years for Audit Firms having 10 or more but less than 20 Partners

Once in 5 years for Audit Firms having less than 10 Partners

(ii) Up to 3 audit engagements of an AFUR may be selected by the Board,

As considered appropriate,

During a particular quality review cycle covering entities of varied industries, size, geographical spread and regulatory concerns.

However, in the absence of any adverse finding in a past review ,

1. Not more than 1 audit engagement of same engagement partner/ proprietor of an AFUR
2. May be selected for quality review by the Board during a particular quality review cycle.

(iii) However, in case of any adverse findings in past review/s or any other situation,

1. QRB may conduct quality review of any particular audit firm

2. Of a particular engagement partner at more frequent interval

3. Select more than 3 audit engagements

v] THE QUALITY REVIEW PROCESS



1. QUALITY REVIEW GROUPS [QRB]

Can for one or more **GROUPS** to examine the report of technical reviewer

Industry specific

Generic

Each of the QRG would be assisted by TRs. The job of the TRs would be to prepare a report on the review of statutory audit function of AFUR, with a view to assessing their quality of audit and reporting, and the review of quality control framework adopted by them in conducting audit.

2. EMPANELMENT OF TECHNICAL REVIEWERS **(IMPORTANT)**

i. Basic minimum Criteria for Empanelment

a) S/he must have ≥ 15 years of post-qualification as CA & be currently PCA

b) Reviewer should have handled as signing partner ≥ 3 Statutory audit assignments as a **Central statutory auditor** of bank/ Public Limited Companies/ Government Companies/ Private Companies having annual turnover of $\geq ₹ 50$ crore, during last 10 years.

⚡ **Note: - Out of 3 at least 1 must be in respect of entities other than Private Limited Companies.**

c) Reviewer should **not** currently be a member of QRB or ICAI's central council.

ii. QRB may specify other criteria from time to time

iii. QRB has a right reject the application

iv. Employment of TR's shall be for Block of 3 Years, subject to receipt of declaration and fulfilment of criteria (note: it is not guarantee of allotment)

v. TR's Must undergo required **trainings***

vi. On complete of 1st block TR's may be offered renewal

d) Reviewer **should not** have any **disciplinary proceeding** under CA Act, 1949 or any **penal action** under any law taken/pending during last 3 FY &/or thereof

***Further, they shall submit annual declarations along with relevant evidences, to the QRB regarding their participation in such training workshops/programmes.**

3. VARIOUS STAGES INVOLVED IN THE CONDUCT OF THE QUALITY REVIEW ASSIGNMENTS

Step 1 : Selecting of Audit Firm (AR) & Technical Review (TR)

- QRB selects **AF & audit file & identifies TR**
- QRB send **offer letter** to TR

Step 2 : Acceptance by TR

- TR conveys his **acceptance** of letter of engagement of **sending necessary declaration**

Step 3 : Intimation to **Audit firm (AF)**

- QRB **intimates AF** about proposed plan
- QRB **sends a copy** of intimation letter to TR
- QRB **provides contact details** for further communication

Step 4 : TR sends General Questionnaire to AFUR

- TR sends questionnaire to AFUR & can also call for additional information, if required

Step 5 : TR visits AFUR after proper planning

- TR & his team carry out the Quality Review (QR) by stating their planning (off-site review) & then visit AFUR (on-site review)
- TR ensure that review exercise gets completed within specified **time frame**

Step 6 : TR sends preliminary report

- On completion of on-site & off-site review TR **sends preliminary report** to AFUR

Step 7 : AFUR sends representation to TR

Step 8 : TR submits report to QRB

- Along with a copy of Annual report of the company/entity for year, **to the Board** in specified format, on letterhead, duly signed & dated **within 45 days** from the date of acceptance of assignment.

Step 9 : TR submits final comment & summary finding to QRB

- Copy of final report **to Audit firm**, Requesting firm to send submissions to Board **Within 7 days** of receipt of final report with a copy to Technical Reviewer. Technical Reviewer shall submit within **next 7 days** a summary of their findings, along with firm's reply & final comments.

Step 10 : Quality Review Group (QRG) considers the report

- QRG will **consider report** of TR & responses of AFUR
- QRG may call for additional information

Step 11 : QRB will decide **FINAL COURSE OF ACTION** on considering report of QRG.

4. STAGewise APPROACH OF QR PROCESS

- BOARD MAY CONSTITUTE QUALITY REVIEW GROUPS :- (As mentioned in Point 1)
- REVIEW GROUPS WOULD BE **ASSISTED BY TECHNICAL REVIEWERS**
- TECHNICAL REVIEWER**, AFTER COMPLETION HIS ON-SITE REVIEW

- (i) Submit preliminary report to AFUR on review of quality of audit & reporting by AFUR on financial statements & AFUR's quality control framework.
- (ii) After obtaining comments of AFUR on his preliminary report,
- (iii) TR would submit his final report to Board
- (iv) Report should be issued on TRs (individual) letterhead & duly signed by the TR.
- (v) Report should be addressed to Chairperson of the Board & dated as of date of conclusion
- (vi) TR based upon his satisfaction from representation by AFUR,
- (vii) May decide to issue either an interim report or a final report to the Board.
- (viii) TR shall also forward a copy of his final report to the AFUR requesting them to
- (ix) Submit to Board their final comments on the observations made by him in the Final Report.

d. REPORT REPORTED BY TR

- (i) AFUR's final comments on observations made by TR in Final Report shall be considered by QRG.
QRG may issue directions to the TRs to enable QRG to make recommendations to the Board
QRG may also consult Board on any issue.
- (ii) QRG may also call for additional details/ information from the concerned TR &/or Audit Firm.
- (iii) QRG may also interact with the concerned TR & request him to present his final report to him in certain circumstances including :

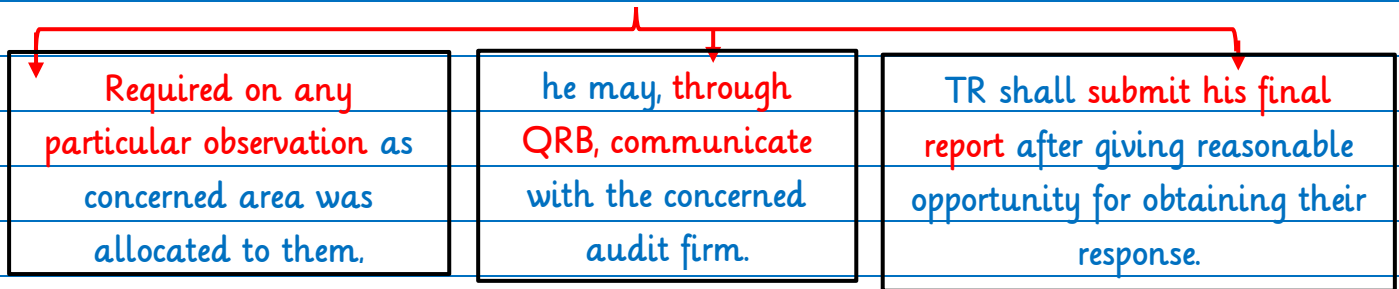
Where interaction with TR is necessary to seek clarifications/further details on certain issues in report enabling QRG to make necessary recommendations to QRB.	Where there are complete differences between observations of TR & views of AFUR to extent that an interaction with TR &/or AFUR is considered necessary.	Where QRG is dissatisfied with quality of review report of the TR enabling the TR to have a better understanding of the expectations from him.
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- (iv) QRG may also interact with the AFUR, in certain special circumstances & request AFUR to explain/present their views enabling the QRG to make necessary recommendations to the QRB.

e. JOINT AUDITORS – SA 299 'RESPONSIBILITY OF JOINT AUDITORS'

- (i) Review reports in respect of all joint auditors of an entity should be considered together by QRG.

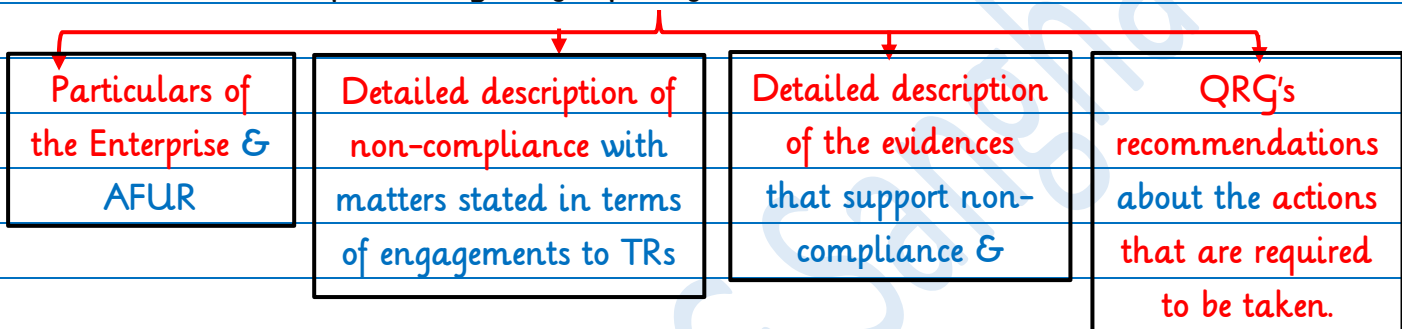
(ii) If TR finds that response of another joint auditor is



f. QRG SHALL CONSIDER REPORTS OF TR

Submit its recommendations to Board.

Recommendations of the QRG may expressly state



g. MEMBERS OF QRB/QRG MAY BE ENTITLED FOR SITTING FEES & REIMBURSEMENT OF TRAVELLING EXPENDITURE INCURRED IN CONNECTION WITH THE MEETINGS OF THE QRB.

TRs who incurred travelling expenditure in connection with the meetings of the QRB/QRG would be eligible for reimbursement at rates fixed by Board.

Members of QRB/QRG, nominated by the Council of ICAI, will not be entitled for any sitting fees for attending meetings.

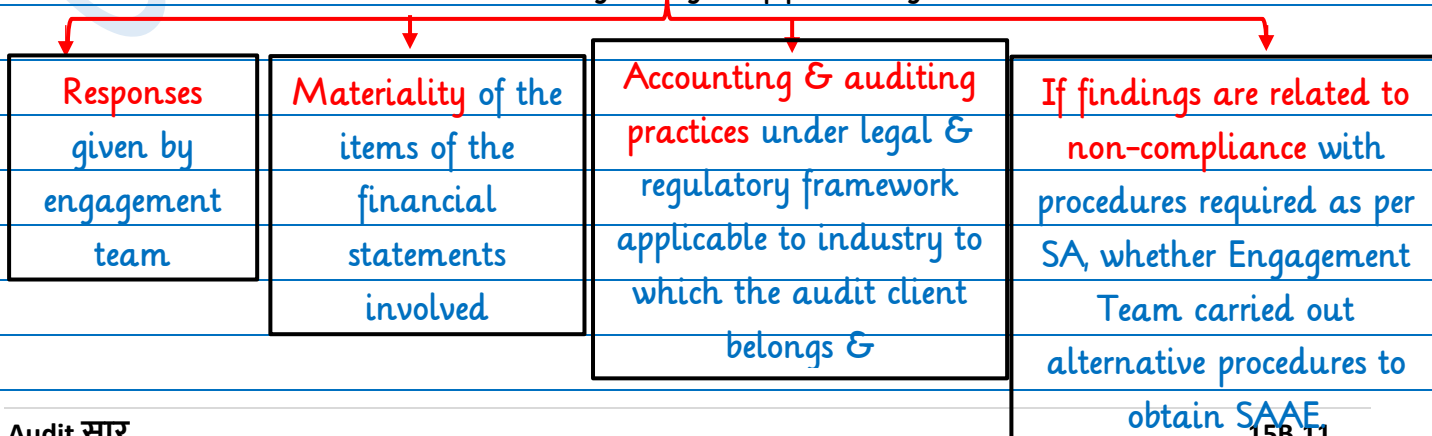
Quality review team may note a NON-COMPLIANCE with one or more-

(i) Standards on auditing or

(ii) Accounting standards or

(iii) Disclosure requirements &

(iv) Evaluate the Finding in light of following considerations :



5. COMPOSITION OF THE REVIEW TEAM

Depend on SIZE of Audit Firm under review.	Mandatorily HEADED BY A TECHNICAL REVIEWER empaneled with Quality Review Board,	May also include up to 5 ASSISTANTS engaged by the Technical Reviewer	NO FIRM OF CA may be included as a MEMBER of the review team.
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6. INDEPENDENCE AND QUALIFICATION OF TECHNICAL REVIEWERS

For being a technical reviewer(TR):

- a He should **not have disciplinary proceeding** under the Chartered Accountants Act, 1949 pending against him/her or any disciplinary action under the Chartered Accountants Act, 1949/penal action under any other law taken/pending against him **during last 3 FY's** and/or thereafter.
- b He or his/her firm or any of the network firms or any of the partners of the firm or that of the network firms **should not have been the statutory auditor** of the company, as specified, or have rendered any other services to the said entity during last **3 FY's** and /or thereafter.
- c He or his/her firm or any of the network firms or any of the partners of the firm or that of the network firms should **not have any association with** the specified AFUR, during the **last 3 FY's** and/or thereafter.
- d He should comply with all the eligibility conditions laid down for appointment as an auditor of a company u/s 141(3) of the Companies Act, 2013 which apply Mutatis Mutandis in respect of the review of the quality of statutory audit of the entity, as specified, so far as applicable.
- e He does **not belong** to the **city/region** of head office of the AFUR.

7. INDEPENDENCE OF ASSISTANT (QUALIFIED ASSISTANCE)

The QRB, from time to time, shall specify the requirements for engaging Assistants by the TR for ensuring their independence and avoiding conflict of interest including

- (a) He shall be **CA**;
- (b) He does **not attract any of the disqualifications prescribed** under the Chartered Accountants

Act, 1949;

- (c) He shall also have to sign the statement of confidentiality in a prescribed format;
- (d) He shall have no direct interface either with the AFUR or the Board;
- (e) He should have been working with them for at least 1 year as a member/a partner in the CA firm with them;
- (f) He should not have been associated with the AFUR and the concerned entity, whose audit is being reviewed, during last 3 FY's and/or thereafter.
- (g) He should not have any disciplinary proceeding under the Chartered Accountants Act, 1949 pending against him or any disciplinary action under the Chartered Accountants Act, 1949 / penal action under any other law taken/pending against him during last three financial years and/or thereafter;
- (h) He should not be a member of current QRB/ICAI's Central Council/Regional Council/Branch level Management Committee; and
- (i) He should not himself be empanelled as a TR with the Quality Review Board.

8. GUIDELINES FOR THE TECHNICAL REVIEWERS (TR)

- (a) TR shall himself make on-site visit, alongwith his Assistant/s, if any, to the AFUR for conducting the review of audit working papers as defined under the relevant standards;
- (b) TR shall follow Technical Guide on conducting Quality Review as brought out by the QRB while conducting the review;
- (c) TR, including his Assistant/s, will have access to or take abstracts of the records and documents maintained by the AFUR in relation to the review; However, in order to maintain confidentiality, the TR, including his Assistant/s, shall not make any copies/extracts of the AFUR's Clients' file or records examined by them while conducting review, as part of their working papers;
- (d) TR shall provide detailed comments giving proper justification and explanation in respect of the various matters required to be commented upon by TRs in the final report including its Appendices;
- (e) TR shall also refer other guidance provided by the Quality Review Board from time to time such as Audit Quality Review Reports of the QRB appearing at the website of the QRB, other reports of international bodies or any other guidance as may be provided by the QRB from time to time as well as industry specific Technical Guide/s, if any, brought out by the ICAI while conducting the review;
- (f) TR shall be required to segregate his observations into those material and non-material;
- (g) TR should build in a review process to be able to review audit documentation maintained by the AFUR in electronic form in line with the requirements of SA 230; and

(h) TR shall specifically include a suitable paragraph in the review report on the adequacy of fraud reporting by the Statutory Auditors in their Independent Auditor's Report.

VI] REPORTING RESPONSIBILITIES & OTHER PROCEDURES

The reviewer, based on the conclusions drawn from the review, shall issue a preliminary report and subsequently the final report. The final report shall be issued in the format as may be specified by the Board from time to time. A clean report indicates that the TR is of the opinion that the statutory audit is being conducted in a manner that ensures the quality of audit services rendered. However, a reviewer may qualify the report due to one or more of the following:

- Non-compliance with technical standards & other relevant guidance
- Non-compliance with Relevant laws & regulations as required under applicable SA.
- Quality control system design deficiency
- Non-compliance with quality control policies & procedures or

VII] TYPES OF REPORTS TO BE ISSUED : - Important

A reviewer should consider the evidence obtained & should document the overall conclusions, in respect of: -

- a) Design of policies & procedures of Quality Control System, other relevant guidance and other relevant laws and regulations.
- b) Compliance with Technical, Ethical & Other, other relevant guidance and other relevant laws and regulations .
- c) Independence of AFUR while conduction audit
- d) Training of Staff
- e) Availability of Expertise for Consultation
- f) Skill & competence of assistants considered before accepting engagement
- g) Progress monitored & work reviewed by service in-charge
- h) AFUR has plan to Record procedures (NTE of audit procedures)
- i) Audit file & Documentation maintained as per relevant standard's,
- j) AFUR verifies compliance with Laws & Regulation

VIII] CONSIDERATION OF REPORTS OF QUALITY REVIEW GROUPS

TECHNICAL REVIEWER -Prepare report on review of General-Purpose Financial Statement.
Report prepared by Technical Reviewer & Considered by REVIEW GROUP .

REVIEW GROUP submit its Report to the Board within specified period of time.

REPORT OF REVIEW GROUP shall expressly state the following:

- Particulars of the Enterprise
- Detailed description of non-compliance with matters stated in Terms of Reference.
- Detailed description of evidences to support non-compliance
- Review Group's recommendations about actions required to be taken.

IX] ACTIONS THAT MAY BE RECOMMENDED BY THE QUALITY REVIEW BOARD OR CONSEQUENCES OF NON-COMPLIANCE

Make recommendation to council of ICAI for referring case to Director (Discipline) of Institute for necessary action under CA Act, 1949.	Issue advisory & guidance to AFUR for improvement in quality of services & adherence to various statutory & other regulatory requirements.	Inform details of non-compliance to regulatory bodies relevant to the entity.	Intimate AFUR as to findings of Report as well as action initiated above.	Consider the matter complete & inform audit firm/auditor accordingly.
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X] MECHANISM FOR FOLLOW-UP OF REVIEW FINDINGS

- Quality Review Board shall require Audit Firm Under Review to :
 - Submit a compliance report to the Board within specified period
 - For adopting necessary measures to avoid recurrence/corrective steps
 - For improvement in quality of services &
 - Adherence to various statutory & other regulatory requirements.
- They may follow-up & review effectiveness of corrective actions taken by Audit Firm Under review:
 - Results of reviews shall be used for off-site monitoring + for next on-site review.
 - If lack of effective corrective actions, next on-site review might be organised earlier.
- Case of continued non-compliance may be recommended to Council of ICAI for taking necessary action.
- Horizontal & in-depth analysis of results of individual off-site monitoring & on-site-review will be conducted to identify industry-wide issues across audit firms.

→ CHANGES TO THE REPORTING FORMATS/QUESTIONNAIRE

The Board had specified the format for the Final Report, and the Quality Review Program General Questionnaire containing questions concerning various aspects of an audit firm such as Quality control, ethical requirements & audit independence; leadership and responsibilities; assurance practices; client relationships & engagements; human resources, consultation; differences of opinion; engagement quality control review; engagement documentation; audit planning & risk assessment; materiality; audit sampling & other selective testing procedures; audit documentation; audit evidence; written representations; and Auditor's report. However, whenever the Quality Review Board is of such a view, in the light of international practices, changes in domestic laws & regulations and through experience gained, it may, amend, or modify the Quality Review Questionnaire/reporting formats, from time to time, as it may deem appropriate

Quick Recall Chart

Particulars	Peer Review	Quality Review
Process participants	PR – Peer Review PU – Practicing Unit PRB – Peer Review Board	TR – Technical Reviewer AFUR – Audit Firm Under Review
Review of	Auditing & Assurance	Only Audit
Objective	- comply with Technical, Professional and Ethical Standards as applicable including other regulatory requirements thereto and - have in place proper systems including documentation thereof, to amply demonstrate the quality of the assurance services.	Examine compliance with - Professional Ethics - Technical Standards - Others Guidelines - Relevant Laws - SA's QC as per QC std, there is no material misstatement in assets/Liability of the related Entities.
Board	PRB	QRB
	- Constituted by council	1) 10 members:
	- Max 12 members (Min 50% from council)	- 5 nominated by CG - 5 nominated by ICAI
	- 2/3 members shall have term of 3 years	2) 1 Chairman: - Nominated by CG

	- Chairman, Vice Chairman &	
	rotated every year	
Coverage of services	Audit & Assurance except for	Auditing Services
	- Expert opinion	- Quality Control Framework
	- Compilation of accounts	of AFUR conducting statutory
	- Info other than F/S	audit
	- Tax Returns, Advice, Representation	Except for:
	- Management Consultancy	- Internal/Tax/GST Audit
	Engagement	- Other Special Purpose Audit
	- Testing as expert witness	- Review of Services
	- Due Diligence	
Cycle of Review	Based of PU: phases	1) On basis of entities audited
	Phase I - 1st April 2022	2) Servicing on basis of audit
	Phase II - 1st April 2023	firm (Key - VI ₂ RA)
	Phase III - 1st April 2024	3) No. of Parnters
	Phase IV - 1st April 2025	- 20 or more – once in 3 years
		- more than 10 less than 20
		once in 4 years
		- Less than 10 – once in 5 years
No of Samples	No restriction on number but	Max – 3 samples
	sample should be selected from only	- in case no adverse finding – 1
	last 3 years	max
		- if adverse finding – more
		than 3 max
Time limit	20 days	45 days
Qualification of	- Member in practice – 7 years	- 15 Years – PCA
Reviewer	(atleast)	- Min 3 audit of bank/Public
	- Industry then 10 years + 3 years	ltd Co./Govt Co./Put Co. +
	practice	T/O ≥ 50%, however out of 3,
	- Other training realted	1 audit should be for entities
	requirements	other than pvt Co.
		- Other training realted
		requirements
No of assistance	1	5

Obligation of PU/ AFUR	i) Produce to the Reviewer - record, document or prescribed register ii) Provide explanation or further particulars/information iii) Provide all assistance in provide and present to the iv) Reviewer a reproduction of any such information or matter	
Obligation of PR	not take any extracts of the Practice Units clients' file or records examined complete the Review within the prescribed time frame document all his working papers - within 18 months	NA
Process of Review	i) "Procedure for initiating Peer Review ii) Procedure to be followed by the Peer Reviewer iii) Execution iv) Reporting by the Peer v) Review of report by the Peer Review Secretariat	Step wise approach
Certification	Valid for 3 years	-

Students Note: