

Peer Review Board of ICAI

Jointly With
Nagpur Branch of WIRC

Peer Review Guidelines, 2022

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Peer Review Guidelines 2022

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Peer Review Board Introduction

5/31/2023

CA CHANDRASHEKHAR V.
CHITALE, CCM

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Introduction

Objective of Peer Review Board

- Establishment of Peer Review Board is internal review of assurance service practices by a Peer:
- for enhancing the quality of assurance services
- for providing guidance to members to improve their performance and adhere to various statutory and other regulatory requirements

Introduction

History of Peer Review Board

- ICAI conceptualized the system of review of the work of professionals in 1998.
- The Peer Review Mechanism was introduced by the Council of the ICAI in March 2002
- Sh. Sunil Bhargava was the first Chairman of PRB and Sh. T.N. Manoharan was the first Vice Chairman.
- The scope and recognition of the Peer Review has widened over the period when SEBI has mandated peer reviewed firms for audit of any listed company.

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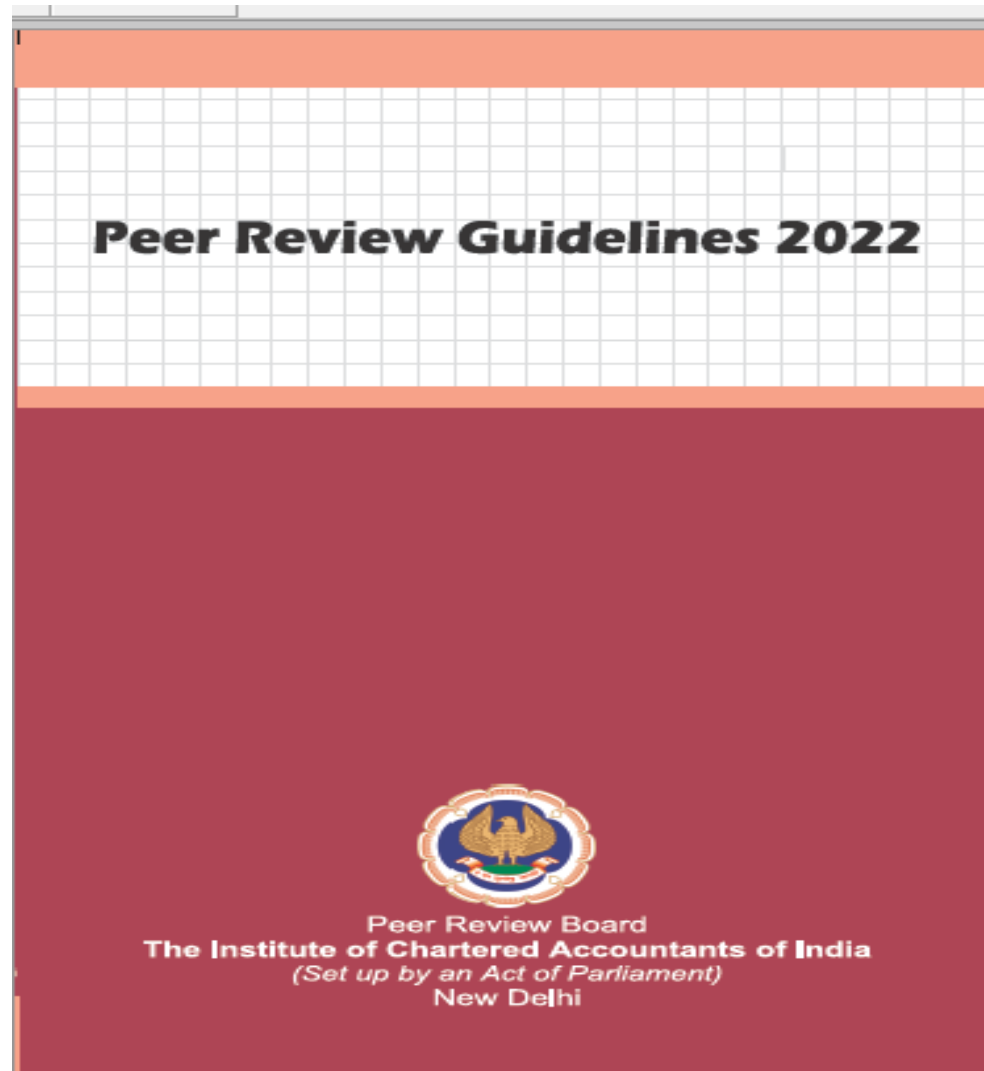
- The Chartered Accountants Act, 1949, as amended by the Chartered Accountants, The Cost And Works Accountants and The Company Secretaries (Amendment) Act, 2022
- Section 15 (2) of the Chartered Accountants Act, 1949, has been amended by insertion the following sub- clause :

“ (fa) : to issue Guidelines for the purpose of carrying out the objects of this Act”

Peer Review Guidelines, 2022

- Provisions of Section 15(2)(fa) came into force w.e.f. May 10, 2022 vide MCA Notification dated May 10, 2022
- Peer Review Guidelines, 2022 (PRG, 2022) are operative from 1st October, 2022
- These are applicable to all Peer Reviews pending immediately before the PRG, 2022 became operative.

Peer Review Guidelines, 2022



Peer Review Guidelines, 2022

Salient features

Salient features of Peer Review Guidelines

- **Application Form** – PRG prescribe comprehensive Application form for initiation of Peer Review. The form contains detailed questionnaire.
- **Ten Forms** – Certain forms for communication of various aspects of Peer Review have been announced.
- **E - Submission** – All communication with Peer Review Board shall be electronically. No physical communication. Till transition, Peer Review Certificates shall be issued physically.

Salient features of Peer Review Guidelines

- **E-Registers** – Registers for various purpose like applications received, peer reviewers, certificates issues, certificates rejected, actions initiated, etc. to be maintained in e-media
- **Validity of Peer Review Certificate** – The validity of Peer Review Certificate has been prescribed to be Three years in normal course.
- **New Units** – Practice Units (PUs) existing for less than 12 months preceding Peer Review or in existence for 12+ months but not rendering any assurance services, earlier.

Salient features of Peer Review Guidelines

- **Level of the Practice Units** – The concept of categorisation of Practice Units into LI and LII has been done away with.
- **Review Period** – Total Review Period has been reduced to 20 days from earlier 45 days. Practice Unit and Reviewers can jointly intimate Extension of review period.
- **Acceptance cum Declaration of Confidentiality** – Reviewer has to submit Declaration of confidentiality to the Practice Unit instead of Board.

Salient features of Peer Review Guidelines

- **Branch Peer Review** – PU may opt for Peer Review of the Branch by a separate Reviewer. Useful for multi-locational PUs
- **Reviewer Selection** – Option to make a choice of Reviewer from outside city is now provided to the PU, with a condition to bear the travel, etc. cost of the reviewer.
- **Reviewer's Fees** – Board has now provided recommendatory scale of Peer Review fees, exclusive of TA/ DA. Higher Fees for Peer of PUs rendering assurance services to any listed entity.
- **Bifurcation of Attest Fees** – Optional

Salient features of Peer Review Guidelines

- **Audit Quality Maturity Model:** w.e.f. 1st April 2023, AQMM is mandatorily applicable for firms conducting statutory audit of (i) a listed entity or (ii) Banks other than co-operative banks (except multi-state co-operative banks) or (iii) Insurance Companies. Firms doing only branch audits are not covered.
- The Board introduced Part C to the Application cum Questionnaire for self-evaluation by Practice Units using AQMM v 1.0 and AQMM review for such PUs will be conducted.

Salient features of Peer Review Admin

- **Process Automation:**
- The Board is in process of introducing software to monitor Peer review Process.
- Three phases are envisaged:
 - (I) Application Forms Monitoring
 - (II) Peer Review Allotment and
 - (III) Peer Review Report Verification and communication

Peer Review Guidelines 2022 CHAPTERS

PRG, 2022 – Chapter I

Preliminary

- Guidelines (PRG, 2022) prescribed by the Council In exercise of the powers conferred by Section 15(2) (fa) of the Chartered Accountants (Amendment) Act, 2022
- PRG, 2022 are applicable from 01st October, 2022.
- Definitions of 26 important terms. Including:
 - Assurance Engagements
 - New Unit
 - Peer Review
 - Practice Unit
 - Technical, Professional and Ethical Standards

PRG, 2022 – Chapter II

Peer Review and Its Objective

- Peer Review process is
 - based on the principle of systematic monitoring of procedures adopted and records maintained while carrying out audit & assurance services
 - intended to review the quality control framework of the PU as well as proper and consistent application of such control frameworks across engagement samples selected for review.

PRG, 2022 – Chapter II

Peer Review and Its Objective

- The main objective of Peer Review—
 - (a) compliance with Technical, Professional and Ethical Standards as applicable including other regulatory requirements thereto and
 - (b) having in place proper systems including documentation thereof, to amply demonstrate the quality of the assurance services

PRG, 2022 – Chapter II

- **Criteria of Peer Review**
 - **Mandatory** : As decided by the Council
 - **Voluntary** : Suo Motto
 - **Special case** : By Regulator/ information from Secretary or DC
 - **New Unit** : Firms in existence/ assurance for > 12 months
 - **As Prescribed by the Board**
- **Procedure for initiating Peer Review**
 - Apply in Form 1 along with Questionnaire
 - Board shall recommend a panel of Three reviewer to the PU
 - PU to select One Reviewer and inform the Board
 - Board to intimate the reviewer his appointment
 - Reviewer to send Form 2 to the PU for acceptance

PRG, 2022 – Chapter II

- **Peer Review Procedure to be followed by the Peer Reviewer**
 - On receipt of Form 1 from PU , reviewer to intimate date of visit and proposed list of sample in Form 5 to the PU
 - In case any additional information is required, reviewer may issue Form 6 to the PU
 - Reviewer to conduct On-site Review
 - A combination of Compliance and substantive approach to be adopted by the Reviewer

PRG, 2022 – Chapter II

- **Reporting by the Peer Reviewer**
 - Final Peer Review Report to be supported by following documents:
 - Form 9
 - Annexure I ; II and
 - Annexure III (if applicable)
 - List of samples selected by the reviewer
 - Preliminary report, if issued along with PU response and reviewers satisfaction on the same

PRG, 2022 – Chapter II

- **Fees for Peer Review**

- Minimum fee recommended by the Board
- Based on average gross receipt from assurance services during the Review period
- To be paid by PU to Reviewer within 7 days of receipt of invoice
- Board reserves the right to withhold the Peer Review certificate for non payment of fees

PRG, 2022 – Chapter II

- **Issuance of Peer Review Certificate**

- Report considered by the Board or its Sub Committee
- Peer Review Certificate issued in case of clean report
- In case of qualified report, “follow on” review recommended by the Board after 1 year or six months as the case may be

- **Validity of Peer Review Certificate**

- Certificate to be issued with a validity of 3 years or such period as the Board may decide

PRG, 2022 – Chapter III

Peer Review Board

- Governed by Chartered Accountants Regulation , 1988
- **Important Functions of the Board**
 - call information / records from PUs / Reviewers
 - arrange orientation, periodic training & tests
 - register / remove Reviewers and maintain a panel
 - fix ceiling on yearly reviews by the Reviewer
 - To revoke or suspend Peer Review Certificate
 - reject any incomplete application, document or form
 - review the work performed by a Reviewer

PRG, 2022 – Chapter IV

Administration

- **Secretariat**

An independent Peer Review Secretariat.

Bound by terms and conditions of confidentiality

- **Functions of the Board Secretary and Secretariat**

- Work under the guidance of Chairman

- Receive, scrutinise Forms/ reports/ other documents received from PU/ Reviewers and members

- Maintaining list of empanelled Reviewers; Peer Reviewed PU/ Minutes and other records

- Certificates of Peer Review & Reviewer empanelment

PRG, 2022 – Chapter V

- **Obligations of the Practice Unit**

- To submit Form 1 to the Board as well as Peer Reviewer for initiating Peer Review
- To produce or allow access to the reviewer to all documents required during the course of Peer Review
- All Practice Units shall comply with the provisions of the Guidelines.
- Any non-compliance by a PU attracts initiation of disciplinary action.

PRG, 2022 – Chapter VI

- **Eligibility to be a Peer Reviewer**

- Member having at least 7 years experience in Assurance practice **OR** minimum 10 years experience in employment and 3 years in Assurance Practice
- Member should be currently in practice

- **Training and Test for Peer Reviewers**

- A Peer Reviewer should have:
 - Undergone the training imparted by the Board
 - Pass the test conducted by the Board.
- Empanelment validity is for three years

PRG, 2022 – Chapter VI

- **Obligations of the Peer Reviewer**
 - Comply with the provisions of the Guidelines
 - Not to take any extracts of the PU's clients' records made available to him while conducting Review
 - Complete the Review within the prescribed time frame unless extended in concurrence with the PU
 - Document all working papers and submit a copy thereof to the Board, if called by the Board.
 - Guideline non-compliance attracts appropriate action
 - Can take assistance of a qualified assistant bound by the same obligations as applicable to Reviewer

PRG, 2022 – Chapter VII

- **Confidentiality**

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.

- **Power to remove difficulties**

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

Peer Review Guidelines, 2022

Forms

PRG, 2022 – Forms

Forms under Peer Review Guidelines, 2022

PRG, 2022 has Prescribed 10 Forms

Form No	Form Title	Applicability
1	Application cum Questionnaire to be submitted by the Practice Unit	To be submitted to Board for initiation of Peer Review
2	Acceptance cum Declaration of Confidentiality to be Submitted to the Practice Unit	To be submitted to PU for acceptance of Peer Review
3	Application cum Declaration for Empanelment as a Peer Reviewer	To be submitted to Board before empanelment

PRG, 2022 – Forms

Forms under Peer Review Guidelines, 2022

Form No	Title	Applicability
4	Declaration Form to be submitted by Board members and Secretariat	For office use
5	Notice by Peer Reviewer for visiting the office of the Practice Unit	Reviewer to intimate date of PU visit and samples to be kept ready
6	Format for seeking additional information from the Practice Unit by the Reviewer	Additional information required by reviewer on scrutiny of Form1

PRG, 2022 – Forms

Forms under Peer Review Guidelines, 2022

Form No	Title	Applicability
7	Joint application to be made by PU and RE for informing additional time for completion of Peer Review process	If review is not completed within prescribed time limit of 20 days the PU and RE to apply jointly to inform extension of time for completion of review

PRG, 2022 – Forms

Forms under Peer Review Guidelines, 2022

Form No	Title	Applicability
8	Letter seeking extension to the validity of Peer Review Certificate	Extension to existing Peer Review certificate to be granted only for reasons to be prescribed by Council. i.e. Due to pandemic or medical exigency to be supported by medical certificate

PRG, 2022 – Forms

Forms under Peer Review Guidelines, 2022

Form No	Title	Applicability
9	Letter for submission of report by the Peer Reviewer to the Peer Review Board	Form to be submitted with Peer Review Report and applicable Annexures.
10	Notice to be given to the Practice Unit by the Board.	For office Use- in case of revocation of Peer Review certificate

Peer Review – Mandate

SEBI Notification No. LAD-NRO/GN/2009-10/23/186926 dated 11th December 2009

Statutory Audit of Listed Companies shall be done by only those auditors who have subjected themselves to the Peer Review process of the Institute, and hold a valid certificate issued by the Peer Review Board of the ICAI.

ICAI Council Mandate

Phase	Category of firms covered for Mandatory Peer Review	Date of Mandate
I	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.	1 st April 2022
II	<p>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.</p> <p>OR</p> <p>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.</p>	1 st April 2023

ICAI Council Mandate

Phase	Category of firms covered for Mandatory Peer Review	Date of Mandate
III	<p>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 any body corporate including trusts which are covered under public interest entities : For these Practice Units, there is a pre-requisite of having Peer Review Certificate</p> <p>OR</p> <p>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.</p>	1 st April 2024
IV	<p>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</p> <p>OR</p> <p>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.</p>	1 st April 2025

THANK YOU

It was a CA C. V. Chitale's presentation