

# PEER REVIEW MANUAL



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

# PEER REVIEW MANUAL



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

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# Foreword

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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. The Board is progressing satisfactorily since inception and is continuously providing guidance to the members to enhance the efficiency of assurance services rendered by them. Such an endeavour of the Council of ICAI aims to ensure adherence to various technical Standards issued by ICAI from time to time.

The level of awareness created by the peer review concept has indeed brought about an overall improvement in the quality of audit and assurance services rendered by the 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 widely accepted.

The objective of Peer Review Manual is to provide guidance to the Reviewers as well as the Practice Units into the various aspects of Peer Review Process. In view of the various significant changes that have taken place in Statement on Peer Review, the Peer Review Board of ICAI has now revised the Peer Review Manual to incorporate the changes made in the Statement. The various formats, declarations and the Appendices given towards the end of the Manual is a step taken by the Board in the right direction in getting one's duck in a row.

I, would like to place on records, my deep appreciation for the efforts put in by CA. Dayaniwas Sharma, Chairman, CA. Satish Kumar Gupta, Vice Chairman and all members of the Peer Review Board of ICAI in bringing out the revised Peer Review Manual.

I am sure that the Revised Manual will be immensely beneficial for the Practice Units as well as the Reviewers to guide them efficiently through the Peer Review process.

**New Delhi  
June 2020**

**CA. Atul Kumar Gupta  
President**



# Preface

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It has always been the Board's endeavour to provide updated information to 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 Statement on Peer Review has been recently revised by the Council and is also given as an Appendix to the Manual.

The Peer Review Manual is intended to assist both the Reviewers and the Practice Units being reviewed in carrying out and undergoing the peer review process. This Manual is not a substitute for the Statement on Peer Review. Therefore reviewers are expected to read the Manual in conjunction with the Statement. 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.

The 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. Flow Charts depicting the complete process of peer review and an illustrative time schedule for carrying out the peer review process are given in the manual. The Manual has been revised to provide guidance to the members on the updated Peer Review Procedures, Peer Review Process, Qualitative Documentation and Reporting requirements. Further for more comfort of reading and understanding, Pictorial representation of various concepts has been introduced. The various formats of Declaration of Practice Unit, Reviewer, Questionnaire, Annexures etc. have been revised and form Part of Appendix of the Manual. Recommended checklists pertaining to Accounting Standards, Standards on auditing have been updated and checklist of Ind AS has also been added.

The reviewer and the practice unit shall mutually co-operate and ensure that the entire review process is completed within 90 days from the date of notifying the practice unit about its selection for review. The reviewer should conduct adequate compliance procedures to gain evidence that those general controls on which the reviewer intends to rely operate generally as identified by the reviewer and they have been functioning effectively throughout the period of review.

I am sincerely thankful to CA. Atul Kumar Gupta, President ICAI and CA. Nihar Niranjana Jambusaria Vice President ICAI for being guiding force behind all initiatives being taken by the Peer Review Board.

I place on record my deep appreciation for the efforts of CA Guru Prasad M, CA Ananth Prasad B R, CA Prasanna Kumar Udupa, CA Pooja Gandhi, CA Shreyas SM and CA Aishwarya Shenoy for their contribution towards this revised edition of the Manual.

I am also grateful for the unstinted support provided by Vice Chairman CA. Satish Kumar Gupta and all other members of the Peer Review Board CA. Anuj Goyal, CA. Prakash Sharma, CA. Rajesh Sharma, CA. Anil Satyanarayan Bhandari and CA. Sushil Kumar Goyal.

Last but not the least I appreciate the efforts made by CA. Nidhi Singh, Secretary, Peer Review Board, Dr. Nikhil Saket, Deputy Secretary, Peer Review Board and CA. Kanchan Gupta, Asst. Director, Peer Review Board for co-ordinating the project and rendering Secretarial assistance.

**Hyderabad**  
June 2020

**CA. Dayaniwas Sharma**  
Chairman, Peer Review Board

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# CHAPTER 1

## INTRODUCTION

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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.

The Peer Review Board (the Board) was established in March, 2002 in terms of Paragraph 6.1 of the Statement on Peer Review (hereinafter referred to as the 'Statement' unless otherwise mentioned) 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 Statement also lays down the framework to conduct peer reviews and other matters related or incidental thereto. The Statement has been revised in April 2020, which is reproduced in Appendix I to this Manual. The revised Statement envisages apart from partially revising the 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 II 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 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 Statement defines certain key terms as under:

*"3.6 (a) **Peer Review Board** - means the Board constituted by the Council in terms of the Statement from time to time. The expression "Peer Review Board" is hereinafter referred to as "Board".*

*3.5(b) **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 other regulatory requirements thereto and whether the same were consistently applied during the period under review.*

3.4 (c) **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.

3.7 (d) **Reviewer** - means a member duly approved and empanelled by the Board on fulfilling the qualifications prescribed for a Reviewer as per Para 10.0 of the Statement.

## Scope of Peer Review

1.04 The Statement on Peer Review lays down the scope of review to be conducted as under:

*“7.1 The Peer Review process shall apply to all the assurance engagements of a Practice Unit.*

*7.2 Once a Practice Unit is selected for Review, its assurance engagement records pertaining to the Peer Review Period shall be subjected to Review.*

*7.3 The 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) Training programmes for staff (including articled and audit assistants) concerned with assurance functions, including availability of appropriate infrastructure.*
- (v) 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.*
- (vi) 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.”*

1.05 As is clear from the above, the Statement aims to define the scope 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 Para 3.3 of the Statement, Peer Review period “means 3 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.”

1.06 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 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

1.07 It is also important for a Reviewer to understand the scope of review with reference to compliance with *Technical, Professional and Ethical Standards*. The said term has been defined in the Statement on Peer Review. As per Para 3.9 of the Statement, the term *Technical, Professional and Ethical Standards* means

- (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 National Financial Reporting Authority (NFRA) and notified as Accounting Standards Rules 2006, and amended from time to time;
- (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 NFRA and notified as Companies (Indian Accounting Standards) Rules, 2015, and amended from time to time;

- (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 various 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.*

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.

## **Objectives of Peer Review**

1.08 The Statement specifies the main objectives of peer review as under:

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

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.

1.09 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. In the same vein, the Statement also makes it clear that 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 Board shall inform the Practice Unit along with the reasons and a due date for follow on review in accordance with Paragraph 15.6(b) of the Statement.

1.10 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 Statement on Peer Review. Therefore reviewers are expected to read the Manual in conjunction with the Statement. 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.

1.11 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.

1.12 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

1.13 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 provided support to the CA fraternity for a period of more than 18 years to educate the members 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 revised the Statement on Peer Review in April 2020 .

To ensure and sustain the quality, the revised Statement provides for disciplinary proceeding in appropriate cases, effective from the year 2014. This would arise in case of Practice Units which are found to be deficient in complying with the technical, professional and ethical standards and do not have in place proper systems including documentation thereof to amply demonstrate the quality of the assurance services. Further, the Statement Revised in 2020 also empowers the Board to conduct special Review of the Practice Unit based on specific information received from Secretary, ICAI or any other Committee of the Institute including Disciplinary directorate or any other Regulator , which in the opinion of the Board requires a special review of the Practice Unit,.

The Revised Statement on Peer Review also empowers the Board to revoke the Peer Review Certificate of the Practice Unit under the following circumstances, subject to principle of natural justice:

- (i) the Practice Unit has not complied with the order or advisory issued by the Peer Review Board; or
- (ii) the follow on review has been initiated by the Peer Review Board on the recommendation of the Peer Reviewer and the Practice Unit has not complied with the recommendations thereof; or
- (iii) the Peer Review Board receives any Directions from Secretary, ICAI, other Committees of ICAI including Disciplinary directorate or complaint from any Regulator through Secretary, ICAI or Council.

## CHAPTER 2

# PEER REVIEW PROCESS

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2.01 The objective of this Chapter is to explain the process of peer review as stipulated in the Statement on Peer Review. 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 VII 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 10 years of experience for Level I entities and 7 years of experience for Level II entities, (ii) In case a member has moved from industry to practice and is currently in Practice he should have at least 15 years of experience in industry and at least 5 years experience in Practice for Level I entities and an experience of at least 10 years in industry and at least 3 years experience in Practice, for Level II entities, (iii) should have undergone the requisite training and cleared requisite test for Peer Review, (iv) should have conducted audits of Level I entities for at least 7 years or got his entity audited for at least 7 years which should be a level I entity in order to be eligible to conduct peer reviews of Level I entities.(v) should furnish a declaration as prescribed by the Board, and (vi) should have signed a declaration of confidentiality as prescribed by the Board

2.03 Furthermore, for the purpose of clause (i), of Para 2.02 above the experience of 10 years for LI entities and 7 years for LII entities, as required, should be cumulative and not necessarily continuous. For the purpose of clause (ii), of Para 2.02 above the experience of 15 years in industry and 5 years experience in Practice for LI entities and 10 years in industry and 3 years experience in Practice, for Level II entities should also be cumulative and not necessarily continuous, but any period of audit experience of less than 2 years, for the purpose of considering the cumulative experience in Practice shall not be counted for this purpose.

2.04 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.
- (iv) He or his partners or personnel has any obligation or conflict of interest in the Practice Unit.

2.05 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.

2.06 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 before the date of appointment as reviewer of that Practice Unit.

2.07 The Statement provides that the Reviewer may take the help of a qualified assistant while carrying out peer review. Such assistant shall be a Chartered Accountant and a person who does not attract any of the dis-qualifications prescribed under Section 8 or Section 21 of the Chartered Accountants Act, 1949. The name of the qualified assistant whom the reviewer would like to assist him should be intimated to the Board as well as the practice unit before the commencement of the Peer Review. Such a qualified assistant shall also have to sign the declaration of confidentiality as annexed to the Statement. 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.

### **Selection of the Practice Unit**

2.08 Practice units are categorized into Levels I and II respectively depending upon the size and nature of their practice. Details of this classification are given in Paragraph 11 of the Statement. All categories of practice units i.e. Level I and II are subject to Peer Review.

2.09 Level I Practice Units are generally required to be subjected to review once in three years and Level II once in 4 years. Further, newly established Practice Units once in 1 or 3 years based on sample size selected which may be decided by the Board from time to time. However, if the Board so decides or otherwise at the request of the Practice Unit, Peer Review can be conducted at shorter intervals. Paragraph 11.3 of the Statement allows a practice unit to *suo motu* apply to the Board. Also Paragraph 11.4 allows an auditee (client) to request the Board for conduct of Peer Review of its auditor (practice unit). The Board shall act upon both within 30 days from the date of receipt of such request. The Board can also initiate a special Review of the Practice Unit as stated in Paragraph 11.2 of the Statement. As per Paragraph

11.2, Special Review may be initiated by the Board on specific information received from Secretary, ICAI or any other Committee of the Institute including Disciplinary directorate or any other Regulator, which in the opinion of the Board requires a special review of the Practice Unit.

### **Appointment of reviewer and response to the Questionnaire**

2.10 Once a Practice Unit is selected, intimation shall be communicated by the Board along with a declaration to be submitted by the Practice Unit for confirming the level of PU.

On receipt of the signed copy of the declaration from the Practice Unit, the Board selects a Panel of three reviewers and seeks acceptance from the reviewers for undertaking the Peer Review of the Practice Unit. After receiving confirmation from the three reviewers, Panel of three reviewers is sent to PU. The Practice Unit is required to select one out of these three reviewers and inform the Board of its choice within 10 days of receipt of such intimation.

2.11 The Board shall inform the selected reviewer of the choice made by the practice unit and seek his consent within 7 days to act as reviewer. Upon receipt of the consent, the Board shall intimate the Practice Unit (i) that the Reviewer has accepted the assignment to carry out the Peer Review and (ii) the Practice Unit is required to submit the duly filled Questionnaire to the Reviewer with a copy to Peer Review Board .

2.12 The Practice Unit is then required to furnish the following information within 15 days to the Reviewer:

- (a) Dully filled – in Questionnaire (sent by the Board)
- (b) Complete list of assurance services clients [with nature of service provided, fees charged, and period under review].
- (c) A note on policies and procedures adopted by the practice unit [for independence, staff supervision and development, process generally followed for assurance services etc.]
- (d) Details of any proceedings against Practice Unit, its partners and qualified assistant associated with such peer review]

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.

2.13 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.

2.14 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**

2.15 The Reviewer shall, within 15 days of receiving the information from the Practice Unit, make a selection of audit/assurance files that he has an intention of reviewing in the course of his substantive review.

2.16 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) size of entity's operations, (ii) nature of industry, (iii) the reviewer's initial impression of the quality control environment in the practice unit, (iv) number of branches of the practice unit, and (v) the number of audit partners.

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

2.18 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 15 days time to keep ready the necessary records of the selected assurance services.

2.19 The Reviewer and the Practice Unit shall mutually co-operate and ensure that the entire review process is completed within 90 days from the date of notifying the Practice Unit about its selection for review.

### **Branches of Practice Unit**

2.20 Where a Practice Unit has a head office at one location and branches or offices at other locations, it would be within the Reviewer's scope to examine the quality controls at all such locations.

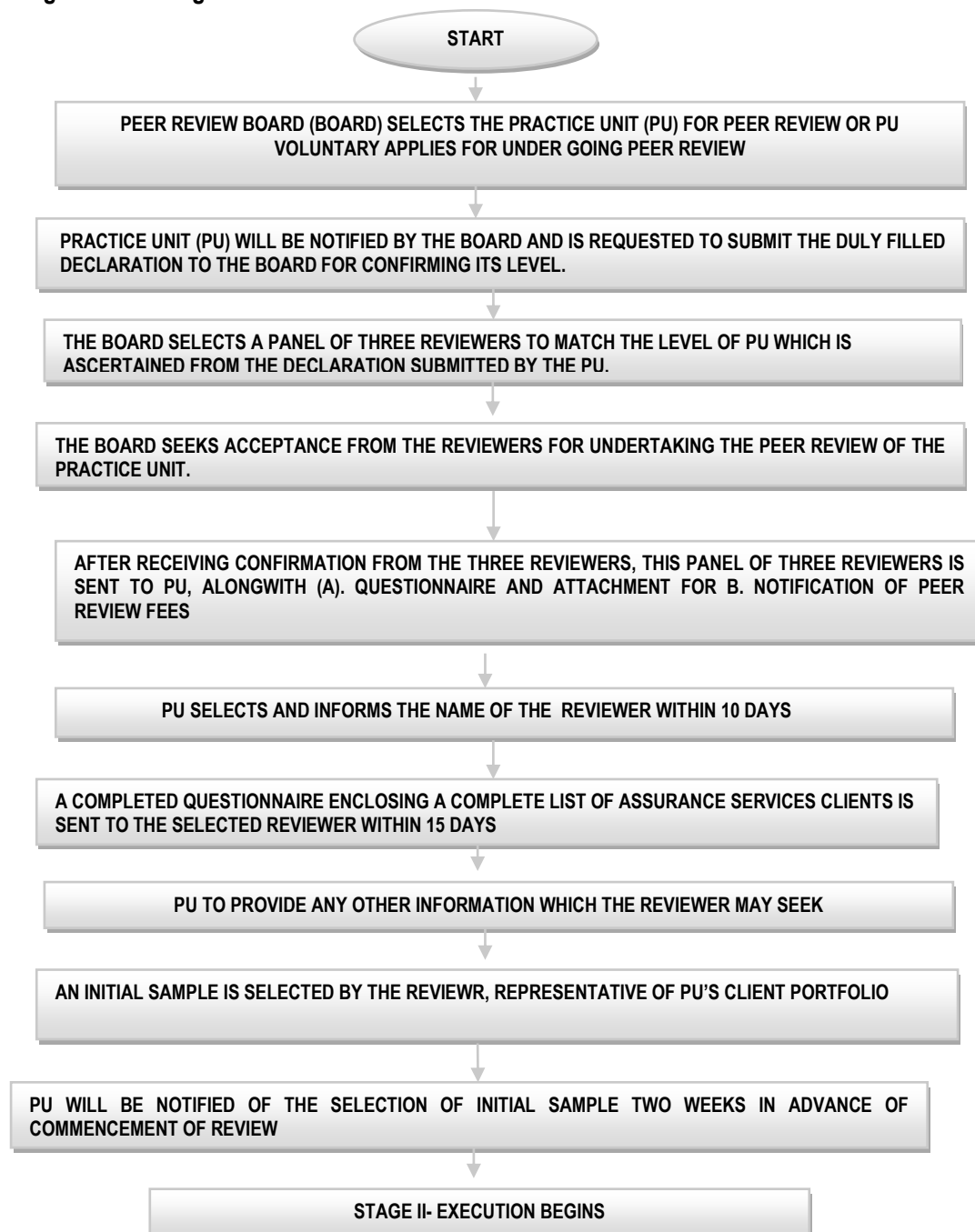
2.21 Where a branch is located in a different city/town, the Reviewer is advised to visit, if the Branch turnover from assurance services is more than Rs. 25,00,000. However in respect of branches having turnover less than Rs.25,00,000 the Reviewer shall have freedom to arrange, in consultation with the practice unit, for documents, related records and related personnel to be brought to head office and examine them centrally.

### **Cost of Review**

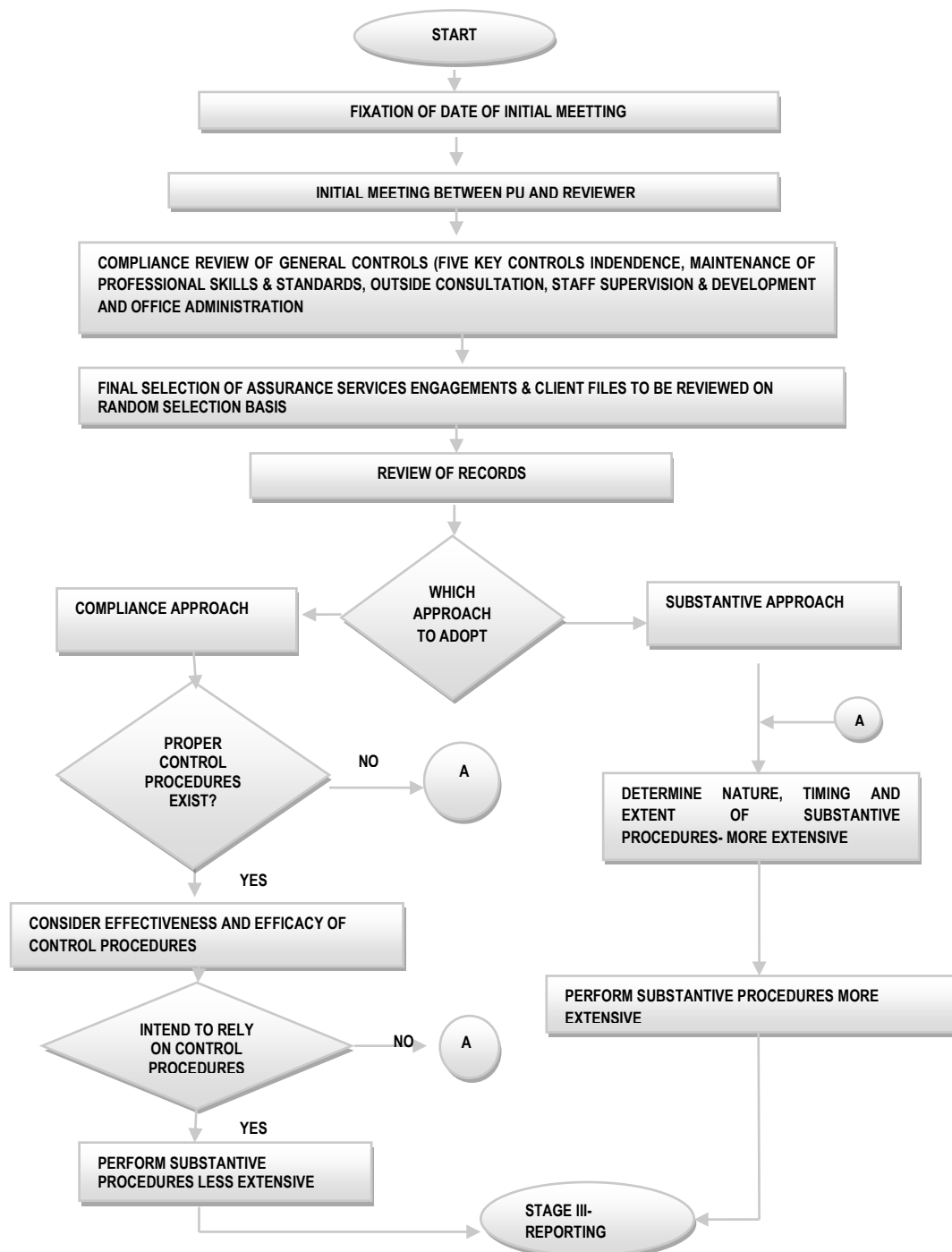
2.20 The cost of peer review is indicated in Appendix II to this Manual (Notification (s) issued by the Peer Review Board). The cost structure is however subject to change by the Board from time to time.

**ANNEXURE I**  
**FLOW CHARTS – PEER REVIEW PROCESS**

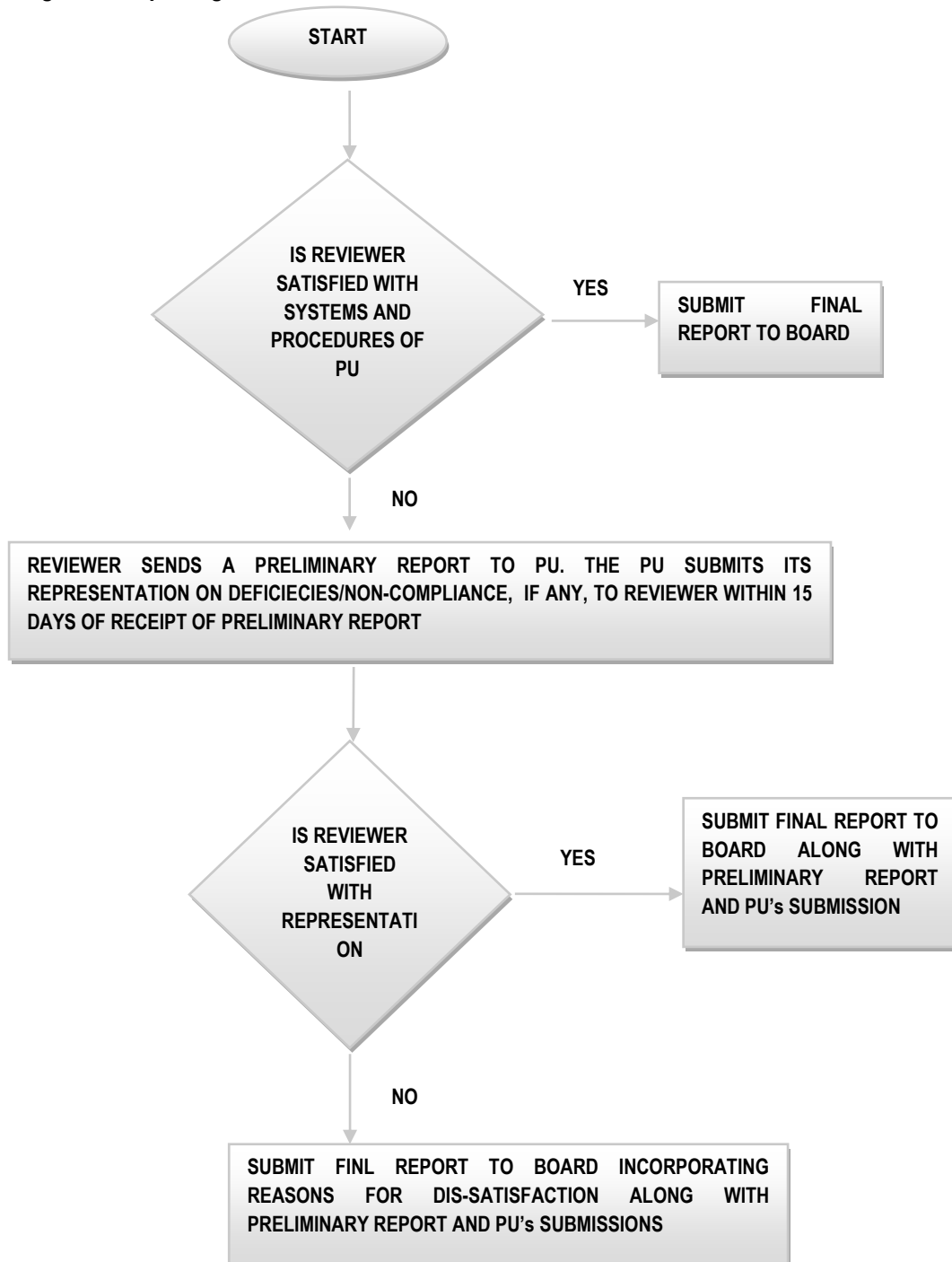
**Stage – I: Planning**



## Stage – II: Execution



## Stage – III: Reporting





**ANNEXURE II**  
**Illustrative Time Schedule of Peer Review Process**

Sr. No.	Review Process	Time Schedule	Cumulative Days
1.	Peer Review Board notifies the selection of Practice Unit (PU) for Review. The PU is requested to submit the duly filled declaration (hosted on the Peer Review Page of ICAI website <a href="http://www.icaai.org">www. icaai.org</a> ) to the Board for confirming the Level of PU.	Day- 3	Day- 3
2	The Board selects a Panel of three Reviewers to match the Level of PU which is ascertained from the declaration submitted by the PU.	Within 2 days	Day 5
3	The Board seeks acceptance from the Reviewers for undertaking the Peer Review of the Practice Unit.	Within 2 days	Day 7
4	After receiving confirmation from the three Reviewers, a Panel of three Reviewers is sent to PU, along with (a). Questionnaire and attachment for (b). Notification of Peer Review fees.	Within 1 day	Day- 8
5.	PU to give the choice of the Reviewer.	Within 2 days	Day -10
6.	<p><b>A.</b> Board to notify the Reviewer (<i>3rd letter</i>) as per the choice given by PU and;  Reviewer to submit his consent for accepting the Review along with submission of Declaration of confidentiality.  Reviewer should receive the communication from the Peer Review Board and give his consent for his acceptance of Peer Review of the Practice Unit along with 1 qualified assistant, if selected and the duly signed declaration of Confidentiality within 1 week .</p>	Within 25 days	Day- 17
.	<p><b>B.</b> Peer Review Board to issue letter (<i>4th Letter from PRB</i>) to Practice Unit and the Reviewer confirming the appointment of reviewer - <b>Consent of Reviewer.</b>  PU is informed that the Questionnaire, is to be sent</p>		Day- 20

	to Reviewer selected by PU and copy of Questionnaire, sent to Peer Review Board. Note: Review should be started only after the Board receives the Declaration, as above, along with the intimation and declaration of confidentiality of assistant, if any, and the Board approves the same. Approval of the Board should be obtained before the starting of the Review.		
.	<b>C.</b> PU to submit completely filled up Questionnaire ( <a href="https://resource.cdn.icai.org/28284prb17887.pdf">https://resource.cdn.icai.org/28284prb17887.pdf</a> ) to the reviewer for his information . PU is informed that the Questionnaire, is to be sent to Reviewer selected by PU and copy of Questionnaire, sent to Peer Review Board.		Day- 25
7.	Reviewer to call for any other information, if required after evaluation of the Questionnaire sent by the PU.	Within 5 days	Day- 30
8.	PU to provide the additional information asked by the Reviewer.	Within 5 days	Day- 35
9	Reviewer to decide on the initial sample from the client list of the PU.	Within 7 days	Day- 42
10.	PU and the Peer Review Board to be notified about the sample selected by the Reviewer and advance notice to be given before visit of reviewer to PU's office.	5 days advance notice before visit of Reviewer to PU's office.	Day- 47
11	Reviewer to carry out the review by visiting the office of PU after fixing the date as per the mutual consent.	23 Days Within 70 days from date of Notification to PU	Day- 70
12.	Reviewer to send the Preliminary report to the PU for comments.	Within 5 days after completion of Review.	Day- 75

13.	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 5 days	Day- 80
14.	<p>On completion of the Review, the Reviewer has to submit, the under mentioned documents duly signed in individual capacity along with reasons of delay in submission, if any:</p> <ol style="list-style-type: none"> <li>Final Report alongwith Annexure I (<a href="https://www.icaai.org/post.html?post_id=16417">https://www.icaai.org/post.html?post_id=16417</a>), addressed to Chairman, PRB</li> <li>Annexure II (Mandatory for Level I and Level II firms) (<a href="https://resource.cdn.icaai.org/36414annexII130115prb.pdf">https://resource.cdn.icaai.org/36414annexII130115prb.pdf</a>)</li> <li>List of sample selected and basis of sample selection and sample selection criteria as laid down by the Board.* (refer to box below)</li> <li>Preliminary Report, if issued, PU's submissions and Reviewers verification thereon.</li> <li>Basis of reaching to the conclusion in the Final Report as well as Annexure I to the Final Report.</li> <li>Based on suggestions/observations of the reviewer during the Peer Review process, the Reviewer to confirm whether Accounting Standards and Standard on Quality Control, as mentioned by PU in Part B of the Questionnaire, are properly implemented.</li> <li>Completed copy of PU Questionnaire received from Practice Unit.</li> </ol> <p><b><i>"Peer Review Board Reserves the right to ask for working papers as specified in the Statement on Peer Review."</i></b></p> <p>A copy of the Final Report along with Annexure I should be sent to the PU also.</p>	Within 10 days	Day- 90
15.	Board to consider issuance of Peer Review Certificate in	In the next	

	case of clear Report. In case of Qualified Report submitted by reviewer, Board to give the recommendation to PU for rectifying the deficiencies observed by Reviewer. <b>Reviewer to submit proof of receipt of Peer Review Fees in individual capacity.</b>	meeting to be held in every quarter by Sub-Committee constituted for the purpose.	
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1. The time period mentioned includes the transit time for mailing/ sending the reports/ communication etc.
2. The reviewer and PU have to ensure that entire review process is completed within 90 days of notification of selection of PU for review.

**\* Sample selection criteria for Point No. 14 (c) :**

- (i) **A. Minimum sample size for L1 and L2 Practice Units to obtain certificate having validity of 3 and 4 years respectively**

Minimum sample size to be selected is based on Average gross receipts/ Revenue from assurance service Clients of Practice Unit (per annum) for the period under review as per the following –

<b>Average gross receipts/ Revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review</b>	<b>Minimum sample size for L1 firms</b>	<b>Minimum sample size for L2 firms</b>
Upto Rs. 5 crore p.a.	10	8
From Rs 5 crore p.a. to 10 crore p.a	15	10
From Rs. 10 crore p.a to Rs. 20 crore p.a.	20	15
From Rs. 20 crore p.a to Rs. 30 crore p.a.	25	20
Above Rs. 30 crore p.a.	30	25

***It may be noted that if minimum sample criteria is not satisfied either for L1 or L2 then a certificate with validity of 1 year would be issued irrespective of level of Firm.***

**B. For newly established firms (existence of firm between 1-3 years) :**

Minimum 5 (Five) samples to be selected. Three year validity certificate to be issued to said newly established firm , irrespective of levels defined in the Statement on Peer

Review. If minimum sample criteria is not satisfied then One year certificate to be issued i.e. Sample size '03 to 04'.

**For newly established firms** (less than 1 year):

Minimum 3 (Three) samples to be selected. One year validity certificate to be issued to said newly established firms, irrespective of the levels defined in the Statement on Peer Review. On completion of 1 year validity certificate, the firm can reapply  *suo motu*  for review of their firm and on review 1 year certificate is to be issued unless the existence of firm is 3 years or more and a certificate of full validity period can be issued on completion of review of 3 years.

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

- (ii) If the average gross receipts of PU are more than Rs. 50 Lakh then the Reviewer has to select minimum 10% of sample- assurance service/s from each category from Clause 30 A to Q of H.O. and its branch/es, if any, of Part A of the Questionnaire copy.
- (iii) Sample chosen should compulsorily include that assurance engagement assignment which has the highest turnover among the population.
- (iv) One sample mandatory of assurance services provided on tender.
- (v) Samples from assurance services provided at branch if such turnover is more than the turnover at the Head office, and/ or the turnover of assurance services from the branch is more than Rs. 25 lakhs.
- (vi) At least one sample from each category 30 A to Q has to be selected and at least 1 sample from each '*type of Assurance engagement*' should be selected.
- (vii) If sample size is less than the minimum, then 100% selection has to be done, compulsorily and the fact intimated to the Board. However, if the minimum sample criteria is not satisfied either for L1 or L2 or newly established Practice Units then a certificate with validity of 1 year would be issued irrespective of level of Firm.
- (viii) Sample selected should be representative of total population of assurance services.

## QUESTIONNAIRE FOR PRACTICE UNITS

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3.01 As a part of the peer review process, each Practice Unit is required to complete the Questionnaire designed by the Board, within 15 days of receipt and send the same to the Reviewer (refer Paragraph 2.12 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 which 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.

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 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 Paragraph 15.2 of the Statement. 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 Paragraph 18 of the Statement on Peer Review which lays down the confidentiality requirements related to the process of peer review.

## QUESTIONNAIRE

### QUESTIONNAIRE FOR PRACTICE UNIT

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

1. Name of the practice unit
2. PU Number
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. Type of the Firm – Small, Medium or Large – Depending on the Turnover, Assignment handled, Number of Staff etc. \_\_\_\_\_
9. Is there any networking firm and if yes, provide details \_\_\_\_\_
10. Since when the Networking is entered into \_\_\_\_\_
11. Is there any exit from the Networking recently and if Yes, what is the reason for such exit \_\_\_\_\_



12. Period of assurance service under review<sup>1</sup>

From: 

d	d	m	m	y	y	y	y
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 To: 

d	d	m	m	y	y	y	y
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13. Contact person of PU for Peer Review (along with Mobile No. and Email id) \_\_\_\_\_

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\_\_\_\_\_

14. Particulars about the constitution of the PU during the period under review (as per Form 18 filled with the ICAI):

Name of Proprietor/ partner	Membership no. of Proprietor/ partner	Association with Practice unit (in years)	Professional experience in practice	Predominant function (e.g. audit, tax, consulting)	Details of Changes	
					Joined (Year)	Left (Year)

15. Is there assurance service like Statutory audit, tax audit, Taxation etc. headed by different partners, if yes details to be provided in the above table.
16. Are the Engagement Partner and Review Partner different and if yes provide the policy details?
17. Particulars of Chartered Accountants Employed or Consultants

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

<sup>1</sup> Refer Para 3.3 of Statement on peer Review (Revised) issued by the Institute

## 18. Details of Other Employees

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

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

S. No	Member in Charge	No. of staff	Membership No	Address	Tick if Gross Receipts Exceed Rs 25 Lacs

## 20. Do the Branches handle the assurance services. If yes, provide the details.

*(May be given in a Separate Annexure)*

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## 21. How is the control procedure followed by the Branches. How the HO has verified the same and documented.

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22. Gross receipts of the Practice Unit [both H.O. and branch(es)] from assurance functions for the period under review:

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

23. Concentration: Furnish details where professional fees from all assurance services provided to a client/ group by the PU exceed 10 % of the PU's total gross receipts<sup>2</sup>:

Name of the Entity/Group	% of PU's total gross receipts <sup>2</sup>

Note – Kindly note that professional fees from assurance and other services are to be provided separately.

24. How are the workings papers of the assurance services maintained by the PU – Whether hard copy or in electronic form.

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25. Where the Hard copy of working papers stored details of the same needs to be provided.

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<sup>2</sup> Gross receipts means gross receipts from assurance services

26. Is there any software used to store data of the assurance services. If yes, provide details. (Detailed Questionnaire followed)

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27. Periodicity of back-up of the software data taken and when was back-up data was tested last for ensuring complete restoration of data

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28. Does the PU have Quality control manuals, If yes, share the same? Detailed questionnaire followed

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29. Disciplinary proceedings: If disciplinary proceedings have been initiated by the Institute against any partner/employee of the PU, and remains unresolved, furnish details:

(i) 

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(ii) 

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(iii) 

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30. Please provide details of assurance clients in the following format for head office and each branch separately for the period under review – year-wise (Please use additional sheet for year-wise details)

- (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;
- (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 loss on basis of facts provide by the client; and
- (viii) Engagements for due diligence.

[illegible]



[illegible]





R	Other Entities									

## 31. Tendering by Practice Unit

<b>Sub-Points</b>	<b>Particulars</b>	<b>Remarks</b>
31a.	Whether the PU obtained/ procured any professional work including attest function through the process of tendering	
31b.	If yes, then please attach sheet provided by PU in required format	
31c.	Details of Employee per year with number, period employed and amount of remuneration	
31d.	Whether fees charged are commensurate with the amount of time and efforts spent by the PU.(The indicative fee suggested by ICAI can be kept in mind. If not, reasons as provided by PU may be furnished)	

Schedule of Work Procured/ Executed through tendering Process in Review  
(to form opinion on Point No. 31 of the Questionnaire)

Year of Audit/ Professional Work	Name of Organisation	Nature of Assignment	Rates and Taxes charged by PU per unit/ consolidation/ as well as aggregate (mention if inclusive of service tax and travelling)	Basis of Payment (Quarterly/ Semi Annual/ Annual)	Bid deposit date	Details of man months by Partners/ Qualified /Unqualified Staff	Name of partner In-charge for assignment of work	Remarks

## PART B

### GENERAL CONTROLS (Based on SQC 1)

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 Para 1 To 6 herein below.

[Notes:

- (i) Where responses to the questions below are readily available from PU's own Manual, it will be sufficient to provide a cross reference to the relevant Para/chapter of the same.
- (ii) 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.]
- (iii) Refer to implementation Guide to SQC1:  
[https://resource.cdn.icai.org/20913frpubcd\\_aasb1.pdf](https://resource.cdn.icai.org/20913frpubcd_aasb1.pdf)

#### 1. Leadership Responsibilities for Quality within A Firm

- 1a Are there policies and procedures established by the PU to promote a culture of Quality in performing assurance engagements. If yes, are there any steps to demonstrate the Quality performance.

Does the PU's CEO or managing partner (MP) assume ultimate responsibility for the PU's system of quality control (QC) The PU needs to demonstrate how the responsibility is assumed by the ultimate personnel.

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- 1b How does the PU ensure that commercial considerations do not override the quality of work performed. Does the PU have any Quality review policy. If yes, can the PU share the Quality review policy and documentation.

Is the engagement partner and review partner different or same? Give reasons if any.

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- 1c To whom has the responsibility for developing, implementing and operating the PU's QC system been assigned? Does the PU have any QC system in place and if yes the same needs to be provided for verification. Attach the manual along with the details.

Describe how this authorized person has sufficient appropriate experience, ability and authority within the PU to assume that responsibility. Has the authorized personal attended sufficient training and updated his knowledge for the current affairs to assume the responsibility?

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- 1d How policies and procedures of the Practice Unit addresses performance evaluation, compensation and promotion for its personnel to demonstrate the Practice Unit's overriding commitment to quality.

How is the performance linked to the assignment handled. Is there any manual/process documentation for the performance evaluation. If yes, provide the document.

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- 1e Has the PU invested in any Technology for the QC review. If yes provide the details of the same. Does the PU maintain any QC Manual and how it is monitored and documented.

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**2. Ethical Requirements (Including Independence)**

- 2a What internal policies and processes the PU had established to ensure that its proprietor/partners and professionals adhere to the ethical requirements contained in the Code of Ethics issued by the ICAI?

Does the PU follow the code of conduct prior to acceptance of any new assignment. If yes, provide the documentation for the same.

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- 2b If the PU has any website, whether the same is in conformity with Institute's guidelines/directions issued on posting of particulars on website by Practice Unit(s). If yes, provide the web address.

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- 2c How the PU ensures that its partners and professionals comply with the following professional ethics relating to assurance services:

➤ How the PU has applied integrity in their day to day activities. Kindly describe.

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➤ How the PU measures the professional objectivity while carrying out the assurance functions.

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- How the PU has maintained professional competence. Has it updated its knowledge on the latest developments and the same is implemented in the day today activities of the assurance functions.

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- How has the PU maintained confidentiality of the professional information? Is there any NDA signed by the PU with the third-party vendors to maintain the confidentiality. In case professional information is shared with the third party what are the steps followed and can the same be demonstrated.

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- Does the PU have Do's and Don'ts to be followed with clients, third parties, other members of the accountancy profession, staff, employers and the general public?

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- 2d Does the PU set up policies and procedures to remain independent all through the assignment. How is the communication of independence to those who may be subject to them. Check the second question. Not clear

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2e What policies, processes and safeguards has the PU established to mitigate the following threats to its independence. Elaborate in detail.

- What are the steps taken by PU so that the self-interest threat to independence is mitigated. Provide the manual for the same.

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- How the PU is mitigating the self-review threats. Is there any checklist where the steps have been outlined

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- How the PU is mitigating the risk of advocacy threats. Can the PU demonstrate the same.

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- How the PU is mitigating the familiarity threats. Can PU demonstrate the same. Is the relationship with client personal disclosed in the Independence form.

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- Can the PU demonstrate that professional skepticism was used in the entire assignment. What measures are taken to mitigate the same.

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2f What policies, processes and safeguards has the PU established with regard to threats to its independence that could arise because of the following:

- Does the PU have any financial interests in audit clients, their owners and officials. How the threat is mitigated.

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- Does any of the members of PU have other than business relationships in audit clients, their owners and officials. How these threats are mitigated.

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- Does any of the Members of PU have any business relationships with audit clients, their owners and officials. How these threats are mitigated

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- How many clients have long term professional relationship with the PU. How Independence is maintained in case of these clients and how it ensured that there are no threats.

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- Do the clients, their owners and officials offer gifts and hospitality which are valuable in nature. How these cases are dealt in the PU. Is there any restriction on the members to accept such valuable gifts and hospitality from clients their owners and officials.

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- Where fees from a client/ group of related entities from all services provided by the PU are a significant proportion of the total earnings of the PU ??? incomplete check

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- What is the procedure to check the conflict of interest prior to acceptance of the professional service and its Scope provided to a client/ group of related entities by the PU.

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- 2g Are there any cases of withdrawal from an engagement because the threats to independence could not be reduced to an acceptable level for the period under review.

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- 2h Does the PU have the policy to obtain annual independence declaration from its partners and members. Also, whenever the new professional service is obtained, does the Independence declaration is verified.

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- 2i In case professional service is conducted jointly with other auditor, how the annual independence is confirmed for the other auditor.

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- 2j Are the number of tax audit assignments performed by the proprietor/ partners of the PU u/s 44AB, more than the specified number, as per ICAI Notification? (If yes, specify reasons with year wise details). How are the details maintained by PU.

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- 2k Has the PU obtained No objection certificate from another auditor. Is the assignment still accepted where the audit fee of another auditor for carrying out audit under Companies Act, or various other Statutes has not been paid (except in the case of a sick unit). (If yes, specify reasons- with details)
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- 2l Are the number of audit assignments held by the PU, at any time, more than the specified number of audit assignments of companies under the prevailing Companies Act and/or the limit prescribed by the ICAI? (If yes, specify reasons-with year wise details)

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- 2m 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. (If yes, specify reasons)

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- 2n 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 10,000. (If yes, specify reasons)
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- 2o Has the PU at any point of time received fees from a client below the minimum scale of fees recommended for audit assignments by the ICAI? (If yes, specify reasons with name of the entities and year in which the service rendered)

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- 2p 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 (if yes, specify reason with name of the entities and year in which such service was rendered)

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- 2q 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? (If no, specify reasons)

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- 2r 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. (If no, specify reasons)

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- 2s Does the PU take care to ensure that the aggregate professional fees received from one or more clients by it, its partners, or other firms in which they are partners does not exceed 40% of the gross annual fees of the PU, its partners, or other firms in which they are partners? (refer guidance note for independence)

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- 2t Does the PU take care to ensure that quality controls were not compromised while undertaking assurance services in respect of UDIN's generated by the firm? (Give Year-wise and partner-wise details of UDIN's generated during the Peer Review period)

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- 2u Whether your firm has been reviewed by the Quality Review Board and when. If yes, whether any advisory/(ies) was/were issued by the QRB for compliance in future. And have you submitted the compliance report to the Quality Review Board and when.

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**3. Acceptance and Continuance of Client Relationships and Specific Engagements**

- 3a When accepting or deciding to continue a client relationship, what processes does the PU have:

- How the integrity is verified at the time of continuance of client relationships and specific engagement.

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- To determine whether it has the competencies and resources to undertake the engagements

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- To comply with the ethical requirements

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- 3b Has the PU obtained the engagement letter with clear scope of work to be performed.

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- 3c What processes does the PU have, for withdrawal from an engagement and/or from a client relationship if required.

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- 3d How does the PU document details of issues and decisions taken relating to acceptance and continuance of client relationships and specific engagements.

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**4. Human Resources**

- 4a What steps has the PU taken to ensure that the personnel it hires have the desired capability, competence and commitment to ethical principles to perform as per the professional standards, regulatory and legal requirements?

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- 4b What are the criteria considered before hiring a member in the PU. Are there any HR manual for the Interview process. If yes, provide the same. Does the HR maintain the documents for the interview conducted. If yes where the documents are maintained.

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- 4c Does the PU have any criteria to select the engagement team for the professional functions of the client like work experience in the professional area, professional qualification etc.

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- 4d Whether the PU considers professional knowledge, experience etc prior to assigning responsibility for an engagement to a particular partner or member.

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- 4e Does the PU conduct any in-house training or attend CPEs conducted etc? Also, how the PU ensures that the members get updated on the current amendments and developments.

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- 4f Whether professional knowledge would be considered prior to assigning the engagement to the member and also whether the same is linked to the performance evaluation.

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**5. Engagement Performance**

- 5a Does the PU ensure that the planning process is undertaken for engagements to meet the professional, regulatory and legal requirements. If yes, share the planning process manual.

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- 5b 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. If yes, kindly share the format for the pre-assignment meeting.

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- 5c Does the PU's engagements are performed, supervised, documented, reported and communicated in accordance with the requirements of professional standards, applicable regulators and those of the PU itself. If yes, provide the checklist for the support,

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- 5d How does the PU ensure that the qualified team members review the work performed by other team members on a timely basis? Is there any document maintained by the PU for the supervision of work performed.

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- 5e Is there any document maintained by the PU for the supervision of work performed by the senior members and partner. Has the communication of the review points been shared with the team to ensure that the same is considered while performing the professional work.

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- 5f How are the working paper files maintained for the professional functions. Does the PU maintain the working paper in electronic form or in physical form ( hard copy.)

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- 5g In case the working paper are kept in electronic form , where are those stored. Is there any service level agreement with the service provider Kindly share the same.

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- 5h How does the PU maintain confidentiality, safe custody, integrity accessibility and retrievability of engagement documentation.

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- 5i How is it ensured that the PU retains engagement documentation for a period of time sufficient to meet the needs of the firm, professional standards, laws and regulations?

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- 5j What policies and procedures do the PU have to ensure that proper consultation takes place within the PU for difficult or contentious matters. Does the PU maintain the inter-team discussion documentation for such matters. For instance where any tax related or advisory related matters arise during assurance services, the process for discussion followed

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- 5k (a) How does the PU deal with and resolve differences of opinion, within the engagement team or with those who are consulted or between engagement partner and quality control reviewer.

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- (b) How the conclusions reached are documented and implemented. Has the observation sheet maintained been updated with the comments of the conclusion reached.

Are the observations discussed with the Management and those charged with the governance. If yes how the same is documented.

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- (c) Does the firm ensure that it does not release the Report until the matter is resolved.

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- 5l (a) Does the PU have criteria for determining whether an engagement quality control review should be performed for given engagements.

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- (b) How is it ensured/ monitored that reports of engagements for which an engagement quality assurance review is required , are not released before completion of the review.

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- 5m What are the PU's procedures for addressing the nature, timing, extent and documentation of engagement quality assurance reviews.

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- 5n What are the PU's established criteria for eligibility of 'Engagement Quality Assurance Reviewers'.

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- 5o How does the PU ensure that the member doing the 'Engagement Quality Assurance Reviewers' possess the required technical qualification and experience.

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**6. Monitoring**

- 6a Does the PU have any policies and procedures to provide reasonable assurance that such policies and procedures are relevant for the current trends.

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- 6b How does the PU perform monitoring procedures in the light of adherence to professional standards, regulatory and legal requirement, appropriate designing and implementation of quality control system etc..

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- 6c How and how frequently does the PU communicate the deficiencies noted and recommendations for remedial action to concerned engagement personnel and to other firm personnel.

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- 6d How does the PU deal with the issue of complaints and allegations.

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- 6e (a) What documentation does the PU prepare in evidence of the monitoring operation of each element of its quality control system.

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- (b) For how long the Practice Unit retains the monitoring documentation.

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- 6f Has the PU been subjected to a Peer Review in the past. If so, give details and attach certificate.

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# CHAPTER 4

## REVIEW PROCEDURES

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### INTRODUCTION

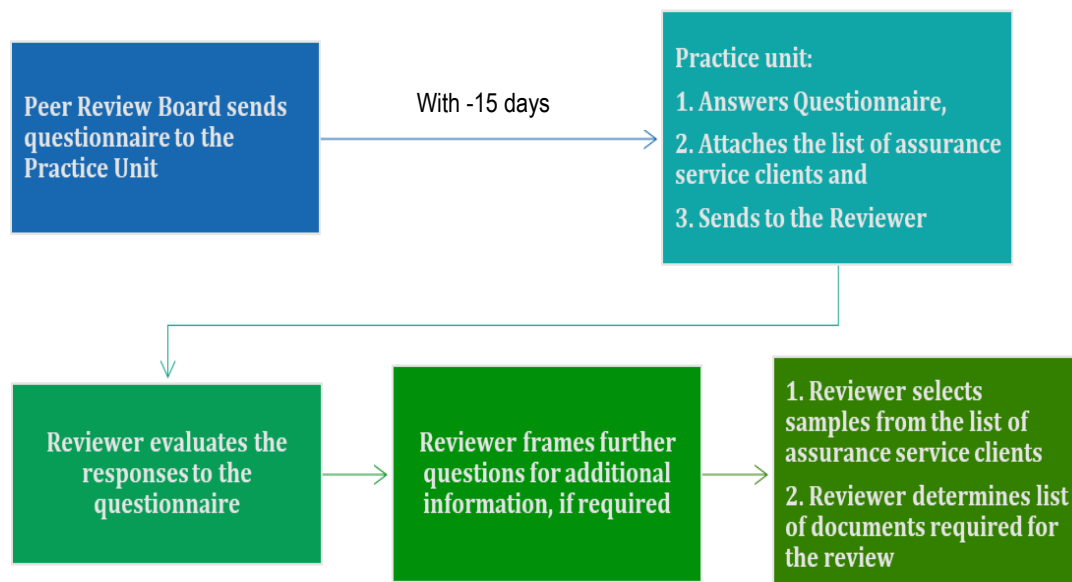
Review procedures basically comprise of the compliance and substantive procedures based on the information and explanation obtained during Review. This Chapter outlines the procedures to be followed by the review.

### METHODOLOGY OF ARRIVING AT THE FAIR POPULATION

- Upon receiving the Practice Unit's response to the Questionnaire, the Reviewer will 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.
- 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

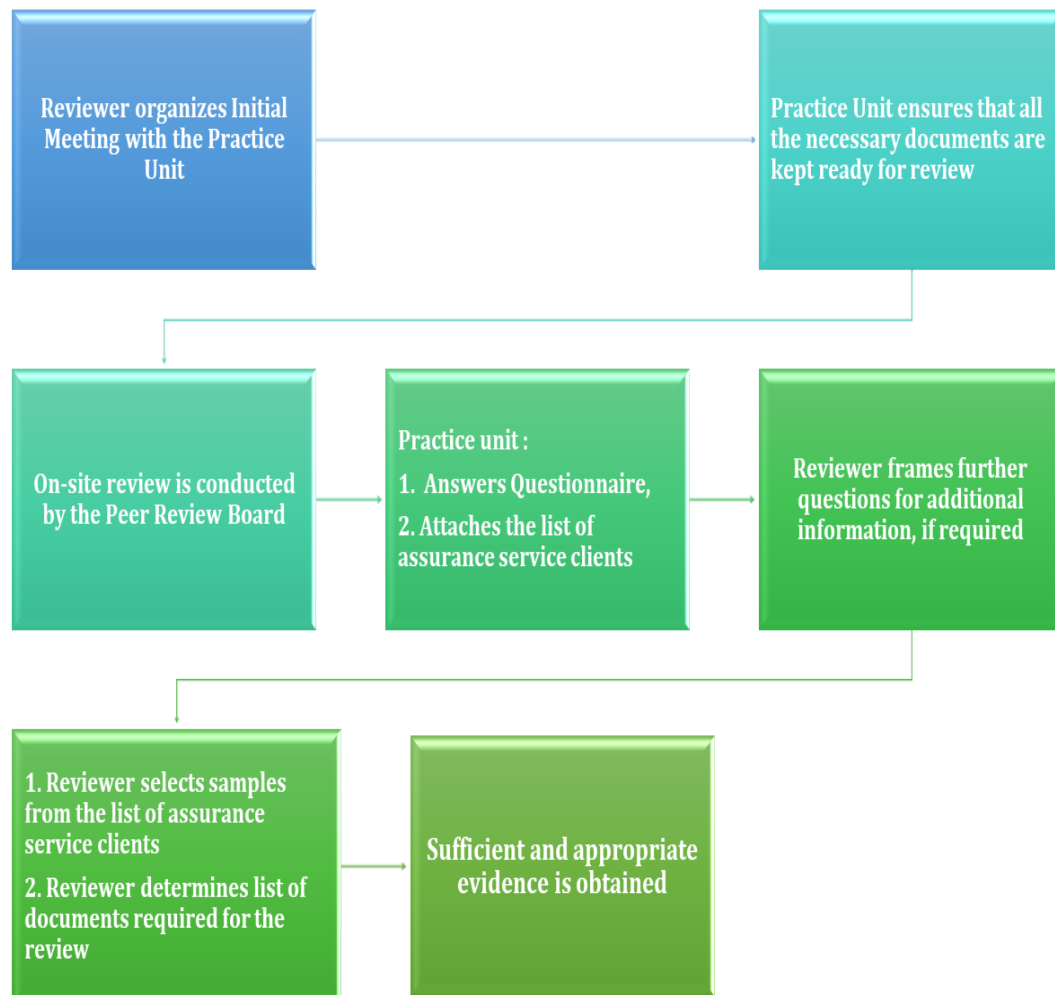
Following flow chart depicts the flow of activities the Reviewer follows during the off site review :



- a) Off-site procedures do not provide specifications on procedures to be followed to collect sufficient and appropriate evidence such as formal written/oral inquiry and inspection of internal records, documents maintained in electronic form
- b) Compliance procedures and substantive procedures may be performed to obtain necessary evidences

## 2. ON-SITE PROCEDURE

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



### COMPARISON OF AUDIT PROGRAMME WITH WORKFLOW

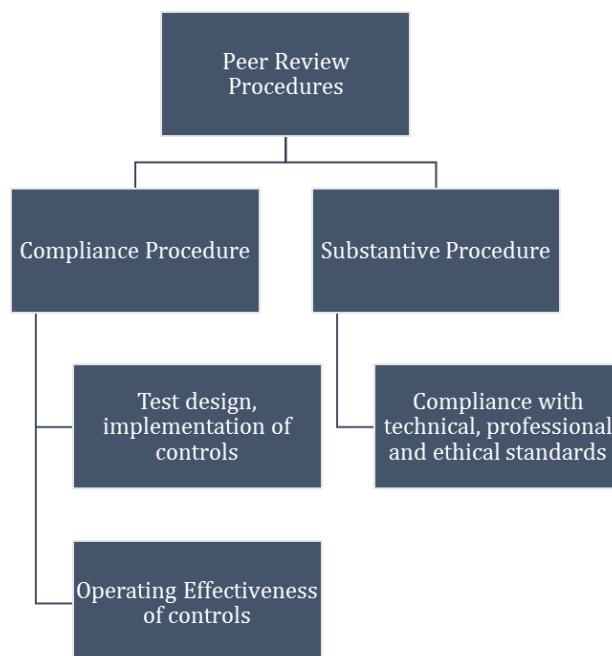
- (i) **Planning:** Reviewer should collect the audit programme as devised at the beginning of the audit. Such audit programme should be compared with actual workflow the PU follows.
- (ii) **Execution:** Reviewer to check if the work of the executive and audit in-charge are logged and time involved 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.



### 3. METHODS TO OBTAIN SUFFICIENT APPROPRIATE AUDIT EVIDENCE



### 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 behavior to all staff.
- Does the practice unit monitors 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**

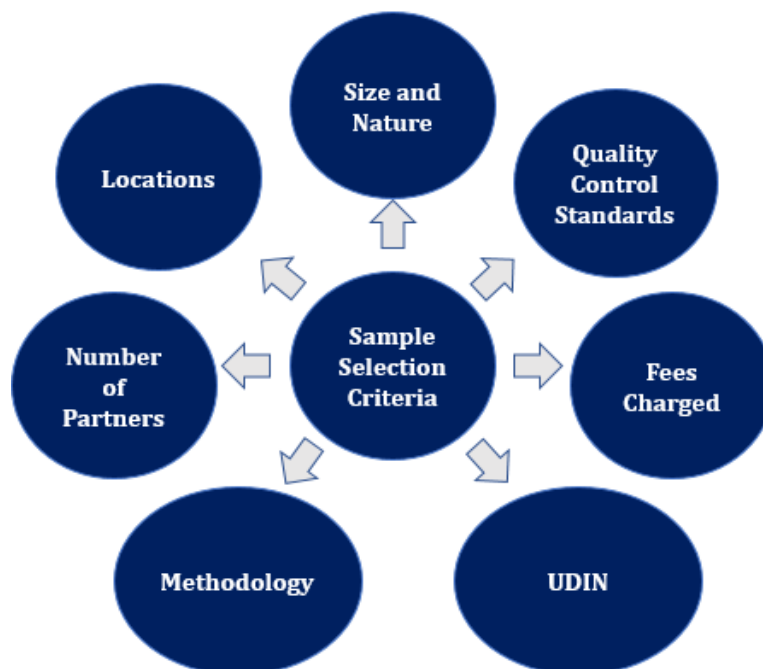
- Does the Practice Unit have established procedures for record retention, including security aspects.

- 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.
- 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 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.

## 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

Sl. No.	Subject
	<b><i>Preliminary Review Procedures</i></b>
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"> <li>• Check whether the terms and relevant clauses of the engagement are included therein</li> </ul>
	<ul style="list-style-type: none"> <li>• Check the manner for determining the audit fees</li> </ul>
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- 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"> <li>• Check whether appropriate checklist w.r.t identification of materiality is maintained</li> </ul>
	<ul style="list-style-type: none"> <li>• Check the basis for identification of materiality and whether the materiality basis selected for such entity is logical</li> </ul>
7	Check whether preliminary analysis checklist is maintained for identifying the applicability of small company, CASR, 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 the clients accepted during the year. ???.
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.
	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.

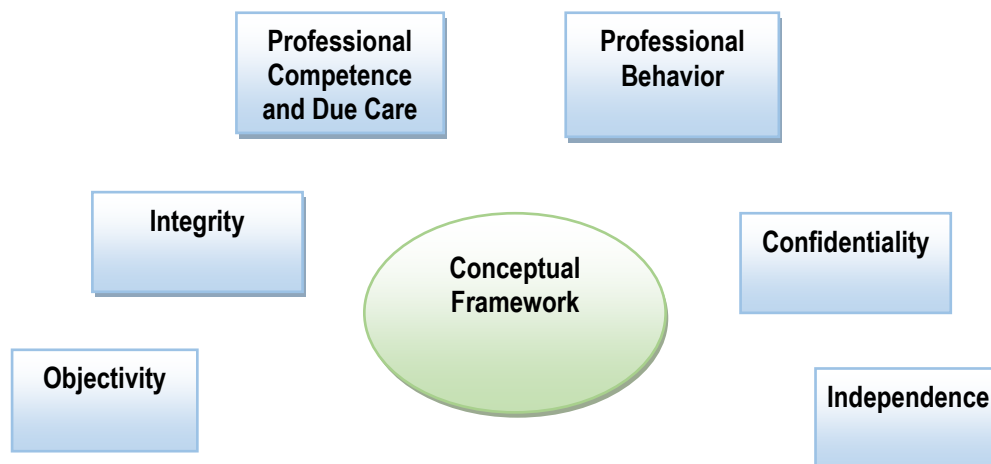
20	Check whether audit programme checklist is prepared.
21	Check whether any checklist is prepared for Inter-team discussions.
22	Check whether Statutory Audit Checklist and Accounting Standards Checklist have been prepared for complying with applicable Accounting Standards.
23	Check whether CARO Checklist 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.
	<b>Audit Planning</b>
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"> <li>• Developed an audit strategy taking into consideration the scope of the engagement;</li> <li>• Considered business and the regulatory environment in which the entity operates;</li> <li>• Considered entity specific issues including reliance on the work of internal audit;</li> <li>• Preliminary setting of materiality levels, preliminary review of risk including fraud risk.</li> </ul>
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.
	<b>Performance</b>
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.



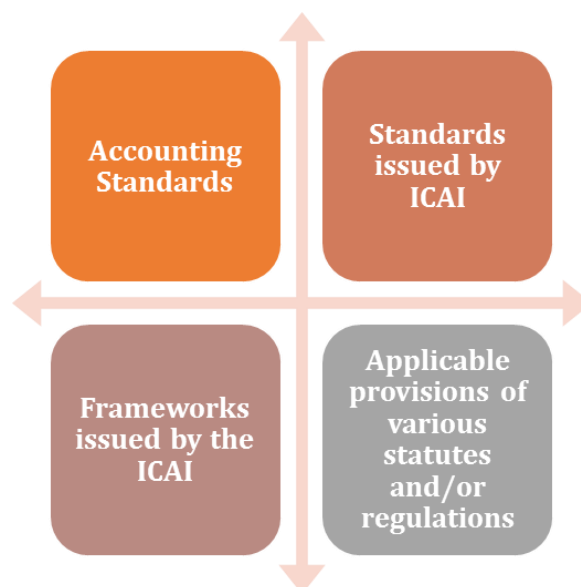
31	Identifying those areas which require consultation and how PU has approached the same.
	<b>Senior Review Checklists</b>
32	Check whether the working papers contain all audit evidence and are cross-referenced.
33	Summary of work done, problems, important judgements and audit conclusions.
34	Review 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
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
	<b>Partner Review Checklists</b>
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.

	<b><i>Final Audit File and checkpoints</i></b>
49	Review of final audit files should typically include ??? include what ?
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 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)

<b>Standards on Auditing (SAs)</b>	<b>Key Checkpoints for Reviewer</b>
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"> <li>The reviewer should identify whether the Practice Unit has conducted the audit as per the Standards on Auditing.</li> <li>The reviewer should identify whether the auditor has exercised professional judgement and maintained professional skepticism throughout the planning and performance of the audit.</li> </ul>
SA 210 Agreeing the Terms of Audit Engagements	<ul style="list-style-type: none"> <li>The reviewer should review the engagement letter and check whether the scope and roles and responsibilities have been clearly brought out.</li> <li>The reviewer should verify whether the fees quoted in engagement letter is reasonable.</li> </ul>
SA 220 Quality Control for an Audit of Financial Statements	<ul style="list-style-type: none"> <li>The reviewer should assess at the firm level and at the engagement level, the quality control as required by this Standard.</li> </ul>

	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The reviewer should also access whether the engagement performance is being monitored.</li> </ul>
SA 230 Audit Documentation	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The reviewer needs to verify whether the working papers are maintained for the period as specified in SQC 1 read with SA 230.</li> <li>• The reviewer should ensure that the firm has adequate policies and procedures to ensure compliance with SA 230 in respect of assembly of file.</li> <li>• 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.</li> <li>• 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.</li> </ul>
SA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	<ul style="list-style-type: none"> <li>• The reviewer should verify whether the auditor has inquired 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.</li> <li>• The reviewer should verify whether the auditor has identified any unusual or unexpected relationship while performing analytical procedure and whether he has</li> </ul>

	<p>evaluated them to assess the risk of material misstatement due to fraud.</p> <ul style="list-style-type: none"> <li>• The reviewer should verify whether the auditor has investigated any inconsistent responses from the management related to the inquiries.</li> </ul>
SA 250 Consideration of Laws and Regulations in an Audit of Financial Statements	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
SA 260 Communication with Those Charged with Governance	<ul style="list-style-type: none"> <li>• The reviewer should verify whether significant findings from the audit have been communicated to those charged with governance.</li> <li>• The reviewer should verify whether the form, timing and expected general content of communications have been communicated to those charged with governance.</li> </ul>
SA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
SA 300 Planning an Audit of Financial Statements	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• The reviewer needs to verify whether the auditor has documented -</li> </ul>

	<ul style="list-style-type: none"> <li>(a) overall audit strategy</li> <li>(b) audit plans</li> <li>(c) significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes.</li> </ul>
SA 315 Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment	<ul style="list-style-type: none"> <li>• The reviewer needs to verify whether the auditor has obtained an understanding of- <ul style="list-style-type: none"> <li>a) Relevant industry, regulatory, and other external factors including the applicable financial reporting framework.</li> <li>b) The nature of the entity, including its operations, ownership &amp; governance structures, types of investments that the entity is making, the way that the entity is structured and how it is financed.</li> <li>c) The entity's objectives and strategies, and those related business risks that may result in risks of material misstatement.</li> <li>d) The measurement and review of the entity's financial performance.</li> </ul> </li> </ul>
SA 320 Materiality in Planning and Performing an Audit	<ul style="list-style-type: none"> <li>• The reviewer shall verify whether the auditor has determined Materiality and Performance Materiality when planning an audit.</li> <li>• The reviewer shall verify whether the auditor has documented the following- <ul style="list-style-type: none"> <li>a) Materiality for the financial statements as a whole</li> <li>b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures</li> <li>c) Performance materiality</li> <li>d) Any revision of (a)-(c) as the audit progressed.</li> </ul> </li> </ul>
SA 330 The Auditor's Responses to Assessed Risks	<ul style="list-style-type: none"> <li>• The reviewer shall verify whether the auditor has designed and performed further audit procedures whose nature, timing and extent are based on and are</li> </ul>

	<p>responsive to the assessed risks of material misstatement at the assertion level.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• The reviewer shall verify whether the auditor has documented the following- <ul style="list-style-type: none"> <li>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;</li> <li>b) linkage of those procedures with the assessed risks at the assertion level;</li> <li>c) results of the audit procedures, including the conclusions where these are not otherwise clear.</li> </ul> </li> </ul>
SA 450 Evaluation of Misstatements Identified During the Audit	<ul style="list-style-type: none"> <li>• The reviewer shall review whether the auditor has accumulated misstatements identified during the audit, other than those that are clearly trivial.</li> <li>• The reviewer shall review whether the auditor has communicated on a timely basis, all misstatements accumulated during the audit with the appropriate level of management, unless prohibited by law or regulation.</li> <li>• The reviewer shall verify whether the auditor has documented the following- <ul style="list-style-type: none"> <li>a) The amount below which misstatements would be regarded as clearly trivial</li> <li>b) All misstatements accumulated during the audit and whether they have been corrected</li> <li>c) The auditor's conclusion as to whether uncorrected misstatements are material, individually or in aggregate, and the basis for that conclusion.</li> </ul> </li> </ul>

SA 500 Audit Evidence	<ul style="list-style-type: none"> <li>The reviewer should review whether the auditor has obtained sufficient and appropriate audit evidence while performing his audit.</li> <li>The reviewer should verify the samples selected by the auditor for testing the sufficiency and appropriateness of the audit evidence.</li> </ul>
SA 501 Audit Evidence— Specific Considerations for Selected Items	<ul style="list-style-type: none"> <li>The reviewer should verify whether the auditor has obtained sufficient and appropriate audit evidence regarding the following : <ul style="list-style-type: none"> <li>(a) Existence and condition of inventory;</li> <li>(b) Completeness of litigation and claims involving the entity; and</li> <li>(c) Presentation and disclosure of segment information in accordance with the applicable financial reporting framework.</li> </ul> </li> </ul>
SA 505 External Confirmations	<ul style="list-style-type: none"> <li>The reviewer should verify whether external confirmations are sought as an audit evidence.</li> <li>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.</li> <li>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.</li> </ul>
SA 510 Initial Audit Engagements – Opening Balances	<ul style="list-style-type: none"> <li>The reviewer should verify whether last year's audited financials and audit report are obtained by the auditor for verification of opening balances.</li> <li>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.</li> </ul>
SA 520 Analytical Procedures	<ul style="list-style-type: none"> <li>The reviewer should identify whether the auditor has determined the suitability of particular substantive</li> </ul>



	<p>analytical procedures for given assertions, taking account of the assessed risks of material misstatement and tests of details, if any, for these assertions.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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, may cause the financial statements to be materially misstated.</li> <li>• 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.</li> </ul>
SA 530 Audit Sampling	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The reviewer should identify whether the sample size selected by the auditor is sufficient to reduce sampling risk to an acceptably low level.</li> <li>• 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.</li> </ul>
SA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The reviewer should identify whether the auditor has</li> </ul>

	<p>obtained an understanding of how the management makes accounting estimates, and an understanding of the data on which they are based.</p> <ul style="list-style-type: none"><li>• 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.</li></ul>
SA 550 Related Parties	<ul style="list-style-type: none"><li>• The reviewer should verify whether the auditor has made inquiries of management regarding-<ul style="list-style-type: none"><li>a) The identity of the entity's related parties, including changes from the prior period.</li><li>b) The nature of the relationships between the entity and these related parties</li><li>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.</li></ul></li><li>• 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.</li></ul>
SA 560 Subsequent Events	<ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li><li>• 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 which minutes are not yet available.</li></ul>

	<ul style="list-style-type: none"> <li>The reviewer needs to verify whether entity's latest subsequent interim financial statements have been obtained by the auditor.</li> </ul>
SA 570 Going Concern	<ul style="list-style-type: none"> <li>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.</li> <li>The reviewer should identify whether the auditor has evaluated management's assessment of the entity's ability to continue as a going concern.</li> </ul>
SA 580 Written Representations	<ul style="list-style-type: none"> <li>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.</li> </ul>
SA 610 Using the Work of Internal Auditors	<ul style="list-style-type: none"> <li>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.</li> <li>The reviewer needs to identify whether the external auditor has evaluated- <ul style="list-style-type: none"> <li>a) objectivity of the internal audit function</li> <li>b) technical competence of the internal auditors</li> </ul> </li> </ul>
SA 700 Forming an Opinion and Reporting on Financial Statements	<ul style="list-style-type: none"> <li>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.</li> <li>The reviewer shall review whether all the contents of the report are included in the Auditor's report.</li> <li>The reviewer shall verify whether key audit matters are communicated in the auditor's report in accordance</li> </ul>

	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"> <li>The reviewer shall verify whether the auditor has modified the opinion in the auditor's report if-               <ol style="list-style-type: none"> <li>he concludes that based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or</li> <li>he is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.</li> </ol> </li> </ul>
SA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	<ul style="list-style-type: none"> <li>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</li> </ul>
SA 710 Comparative Information—Corresponding Figures and Comparative Financial Statements	<ul style="list-style-type: none"> <li>The reviewer shall review if the auditor has evaluated whether the comparative information agrees with the amounts and other disclosures presented in the prior period.</li> <li>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.</li> </ul>
SA 720 The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>

SA 800 Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks	<ul style="list-style-type: none"> <li>• The reviewer shall identify whether the auditor has obtained an understanding of the following-               <ul style="list-style-type: none"> <li>a) The purpose for which the financial statements are prepared;</li> <li>b) The intended users; and</li> <li>c) The steps taken by the management to determine that the applicable financial reporting framework is acceptable in the circumstances.</li> </ul> </li> </ul>
SA 805 Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	<ul style="list-style-type: none"> <li>• The reviewer shall review whether the auditor has complied with all the SAs relevant to the audit.</li> </ul>
SA 810 Engagements to Report on Summary Financial Statements	<ul style="list-style-type: none"> <li>• The reviewer shall review whether before accepting an engagement to report on summary financial statements, the auditor has-               <ul style="list-style-type: none"> <li>a) determined whether the applied criteria are acceptable</li> <li>b) obtained agreement of management that it acknowledges and understands its responsibilities</li> <li>c) agreed with management the form of opinion to be expressed on the summary financial statements.</li> </ul> </li> <li>• 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.</li> <li>• The reviewer shall review whether the summary financial statements obtained by the auditor adequately disclose the applied criteria.</li> </ul>

<b>Sl. No</b>	<b>Particulars</b>	<b>Y/N/NA</b>	<b>Remarks</b>
	<b>Technical Standards</b>		
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 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		
	<b>Ethical Standards</b>		
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		

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 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 1,000		
22	How does PU maintain confidentiality, 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		
25	Whether there has been any acceptance of gifts/hospitality which leads to self-interest in the clients		
	<b>SAMPLE CHECKLIST UNDER EACH OF THE ACCOUNTING STANDARD</b>		
	<b>AS-1 - Disclosure of Accounting Policies</b>		
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.		
	<b>AS-2 - Valuation of Inventories</b>		
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 its classification appropriate to the enterprise.		
	<b>AS-3 - Cash Flow Statements</b>		
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 and 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.		
	<b>AS-4 - Contingencies and Events Occurring After the Balance Sheet Date</b>		
1	Whether the contingencies mentioned below have been taken into consideration.- Warranties and claims - Disputed income tax, excise 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.		
	<b>AS-5 - Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies</b>		
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.		
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.		
	<b>AS-7 - Construction Contracts</b>		
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?		
	<b>AS-9 - Revenue Recognition</b>		
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 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. (b) There exists no significant uncertainty regarding the amount of the consideration derived from the sale.		

	(c) It is not unreasonable to expect ultimate collection of the consideration.		
3	Have you ensured the following in case of performance in rendering of services: (a) Method of recognizing revenue is either completed service contract method or proportionate completion method. (b) There is no significant uncertainty regarding amount of consideration.		
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.		
	<b>AS-10 - Property, Plant and Equipment</b>		
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.		
3	Check whether the following been included in the cost of fixed assets: (a) Purchase price (including import duties and other non-refundable taxes or levies and excluding trade discounts and rebates); and (b) any attributable cost of bringing the asset to its working condition for its intended use.		
4	Check whether the following fixed assets been eliminated from the financial statements: (a) those disposed of; and (b) those from which no further benefit is expected from use and disposal.		

5	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.		
6	Check whether goodwill been recorded only when paid for in: (a) money, or (b) money's worth or (c) on acquisition of business where consideration exceeds the value of net assets.		
7	Check whether on disposal/retirement of fixed assets carried at cost, any resulting gains or losses been transferred to the profit and loss account.		
	<b>AS-11 - The Effects of Changes in Foreign Exchange Rates</b>		
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.		

	<b>AS-12 - Accounting for Government Grants</b>		
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.		
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		
	<b>AS-13 - Accounting for Investments</b>		
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.		

	<b>AS-14 - Accounting for Amalgamations</b>		
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.		
	<b>AS-15 - Employee Benefits</b>		
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		
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		
	<b>AS-16 - Borrowing Cost</b>		
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		
7	Whether disclosure of accounting policy adopted, and the amount of borrowing cost capitalized during the year has been appropriately considered		
	<b>AS-17 - Segment Reporting</b>		
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		
	<b>AS-18 - Related Party Disclosures</b>		
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		
	<b>AS-19 – Leases</b>		
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		
	<b>AS-20 - Earnings per Share</b>		
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		
	<b>AS-21 - Consolidated Financial Statements</b>		
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 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		
	<b>AS-22 - Accounting for taxes on Income</b>		
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		
	<b>AS-23 - Accounting for Investments in Associates</b>		
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		
	<b>AS-24 - Discontinuing Operations</b>		
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		
	<b>AS-25 - Interim Financial Reporting</b>		
1	Whether the PU has obtained the understanding if the client is required to 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		
	<b>AS-26 - Intangible assets</b>		
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		
	<b>AS-27 - Financial Reporting of Interest in Joint Ventures</b>		
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		

	<b>AS-28 - Impairment of Assets</b>		
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		
	<b>AS-29 - Provisions, Contingent Liabilities and Contingent Assets</b>		
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		
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

	<b>Ind AS 115- "Revenue from Contracts with Customers"</b>		
1	The reviewer should identify whether the business unit has recognised its revenue as per Ind AS-115.		
2	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		
	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.		
	<b>Ind AS 116- "Leases"</b>		
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		
	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		
	<b>Ind AS 24- "Related Party Disclosures"</b>		
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		
	> entities with joint control or significant influence over the entity		
	> subsidiaries		
	> associates		
	> joint ventures		
	> KMPs		
	> Other related parties		
	<b>Ind AS 16- "Property, Plant and Equipment"</b>		
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.		



	<b>Ind AS 38-"Intangible Assets"</b>		
1	The reviewer needs to identify whether the intangible assets have appropriately been measured by the business unit as per Ind AS 38.		
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		
	<b>Ind AS 108- "Operating Segments"</b>		
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		
	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		
	<b>Ind AS 109- "Financial Instruments"</b>		
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		
4	The reviewer needs to verify whether the business unit has offset financial assets and financial liabilities and whether such offset is in accordance with Ind AS 32		

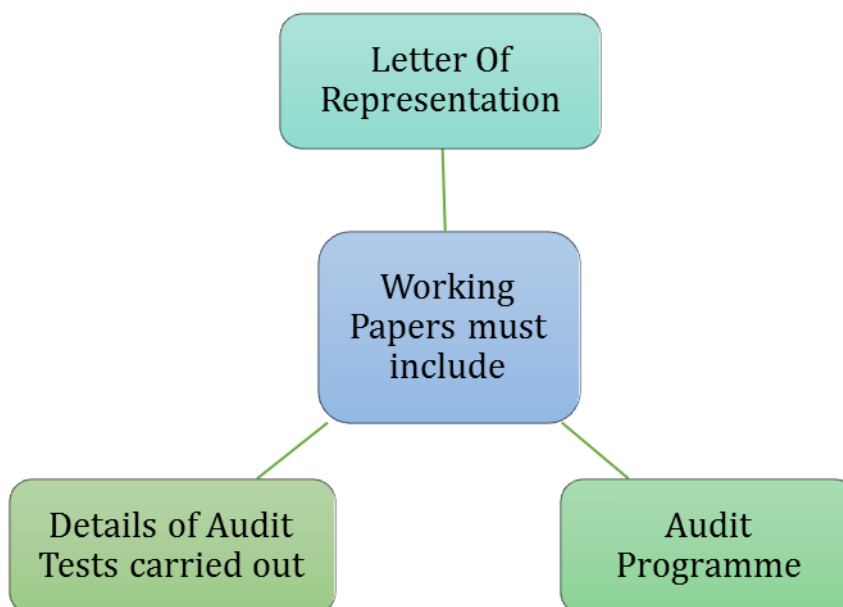
5	The reviewer needs to verify whether the business unit has pledged its financial assets as collateral for liabilities or contingent liabilities. In this case, the reviewer needs to verify the terms and conditions relating to such pledge		
6	The reviewer shall identify whether the business unit has 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		
	<b>Ind AS 19- "Employee Benefits"</b>		
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		
	<b>Ind AS 110- "Consolidated Financial Statements"</b>		
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		
	<b>Ind AS 23- "Borrowing Costs"</b>		
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 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		

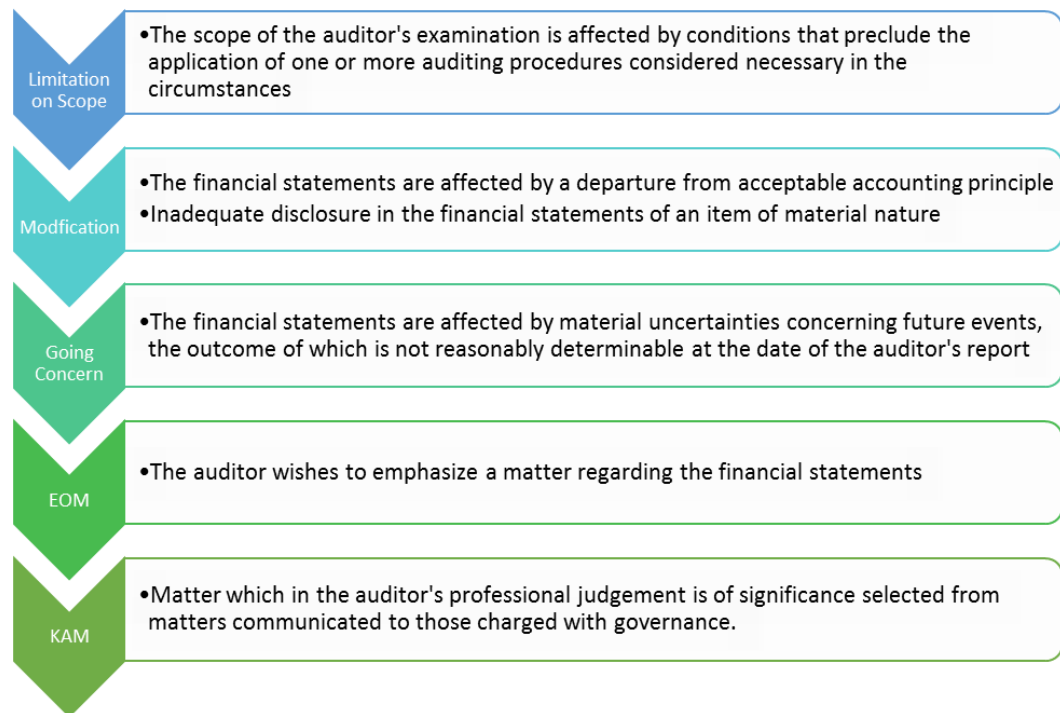
## 11. QUALITY OF REPORTING – SUPERVISION IN ENGAGEMENT



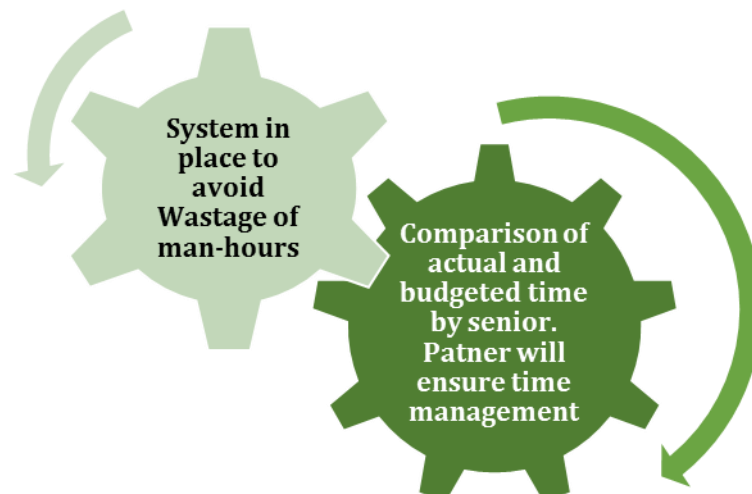
## 12. WORKING PAPERS



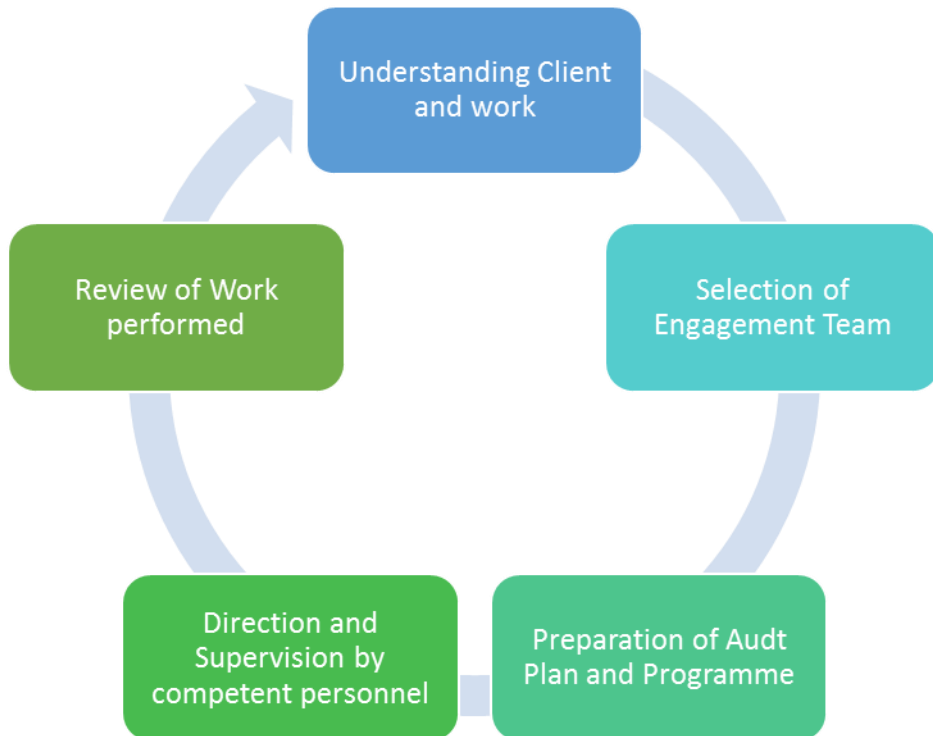
### 13. KEY AUDIT MATTERS



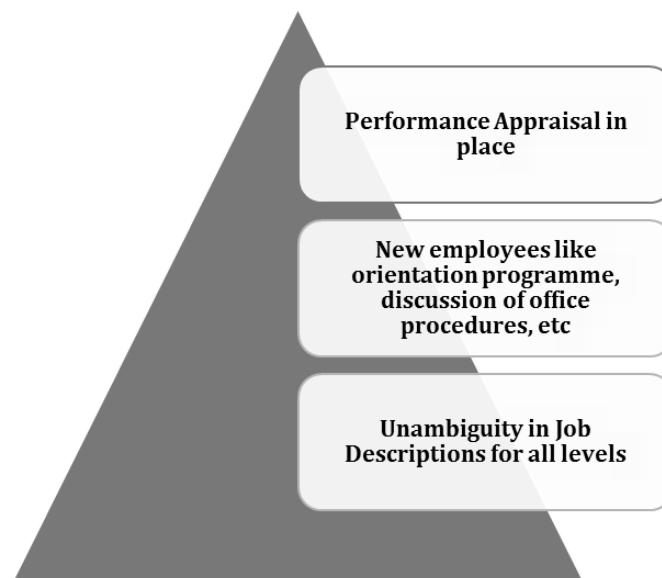
### 14. TIME BUDGET



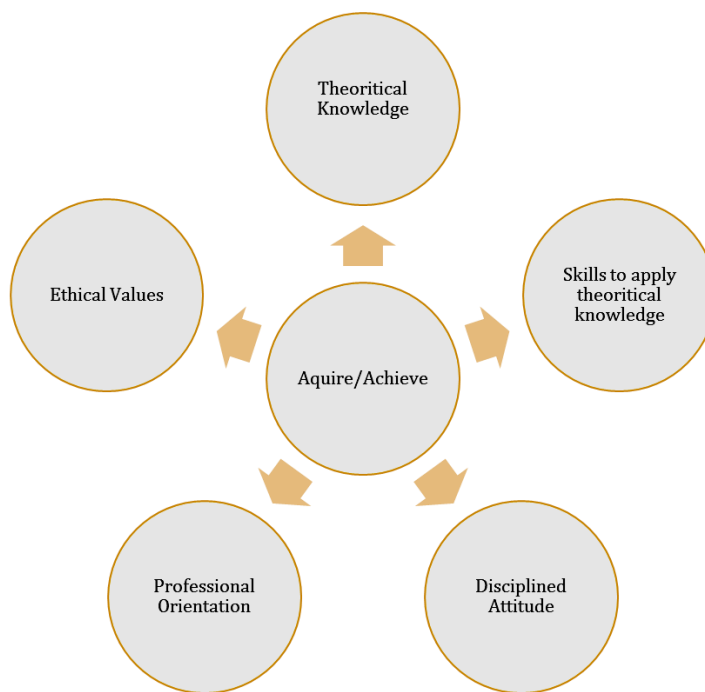
## 15. OFFICE PROCEDURE



## 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. **Introductory Paragraph:** The introductory paragraph in the auditor's report shall:
- (a) Identify the entity whose financial statements have been audited;
  - (b) State that the financial statements have been audited;
  - (c) Identify the title of each statement that comprises the financial statements;
  - (d) Refer to the summary of significant accounting policies and other explanatory information; and
  - (e) Specify the date or period covered by each financial statement comprising the financial statements.
- D. **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.

- E. **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 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.

- F. **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.

- G. 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*."

- H. Signature of the Auditor:** The auditor's report shall be signed.
- I. 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:
- (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.
- J. 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

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### 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 senior 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.
- (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"><li>• Compliance with the Relevant Ethical and independence requirements</li><li>• Acceptance and Continuance of Client relationship and audit engagements.</li><li>• Consultations.</li></ul>	<ul style="list-style-type: none"><li>• Issues identified with respect to compliance with relevant ethical requirements and how they were resolved.</li><li>• Confirmation of independence and documenting the same.</li><li>• Conclusions on compliance with independence requirements that apply to the audit engagement, and any relevant discussions with the firm that support these conclusions.</li><li>• Conclusions reached regarding the acceptance and continuance of client relationships and audit engagements.</li></ul>

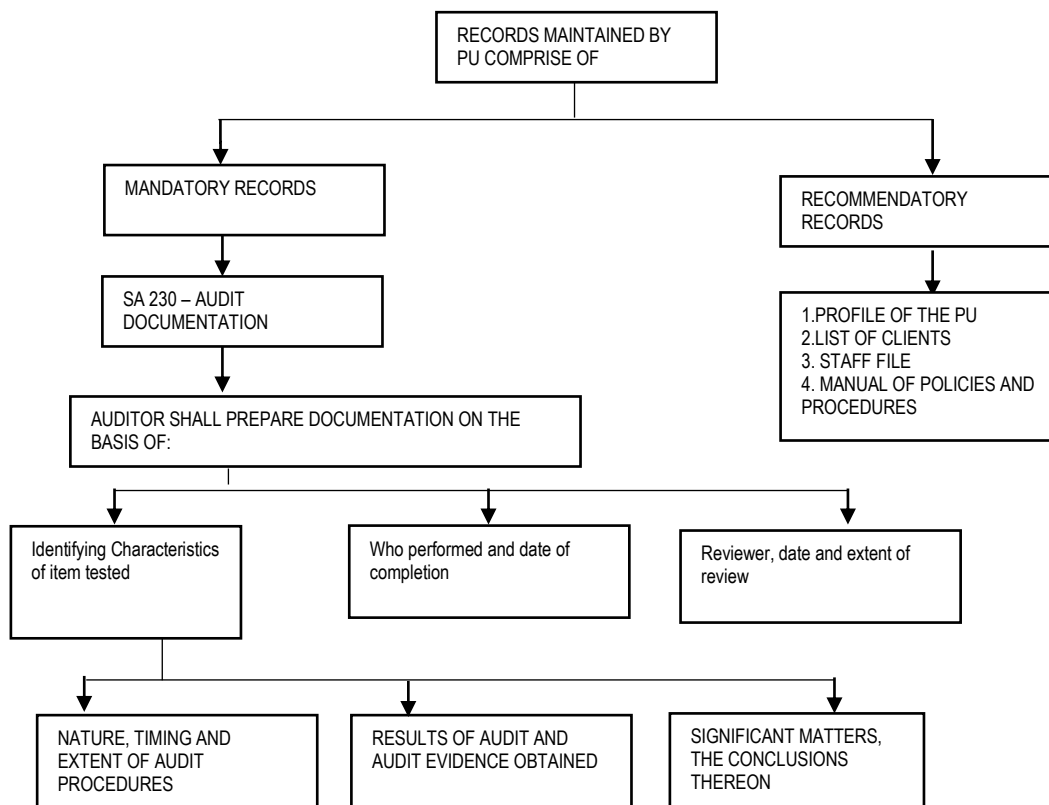
	<ul style="list-style-type: none"> <li>The nature and scope of, and conclusions resulting from, consultations undertaken during the audit engagement.</li> </ul>
Engagement Quality Control Review - Timing and Procedures.	<p>The engagement quality control reviewer document:</p> <ul style="list-style-type: none"> <li>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</li> <li>The engagement quality control review has been completed on or before the date of the auditor's report; and</li> <li>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.</li> </ul>
Documentation of Consultations	<ul style="list-style-type: none"> <li>Documentation of consultations with other professionals that involve difficult or contentious matters that is sufficiently complete, detailed and contributes to an understanding of:</li> <li>the issue on which consultation was sought; and</li> <li>the results of the consultation, including any decisions taken, the basis for those decisions and how they were implemented.</li> </ul>

## 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.

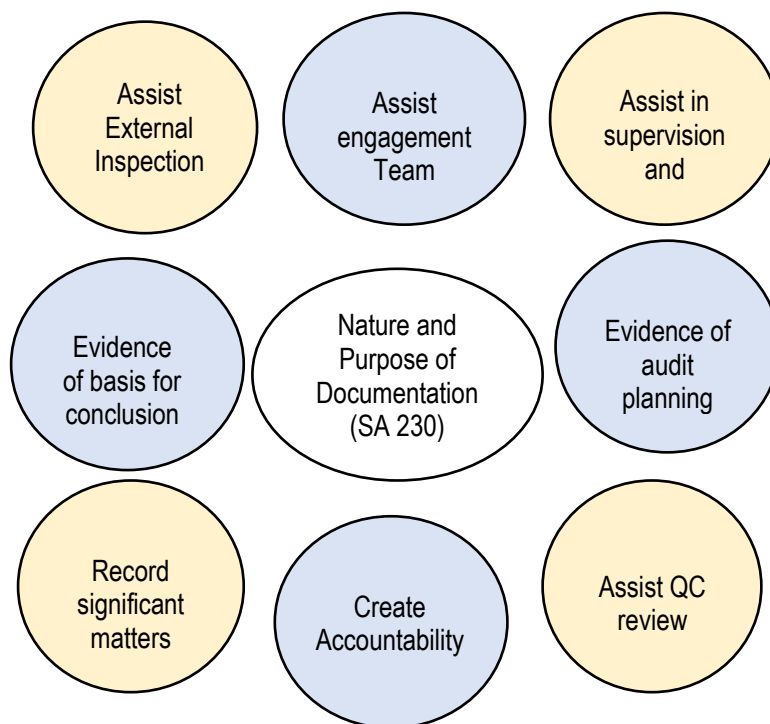
Audit documentation may be in the form of physical papers or in electronic form, more commonly referred to as hard copy and electronic copy respectively.

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:





## 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:

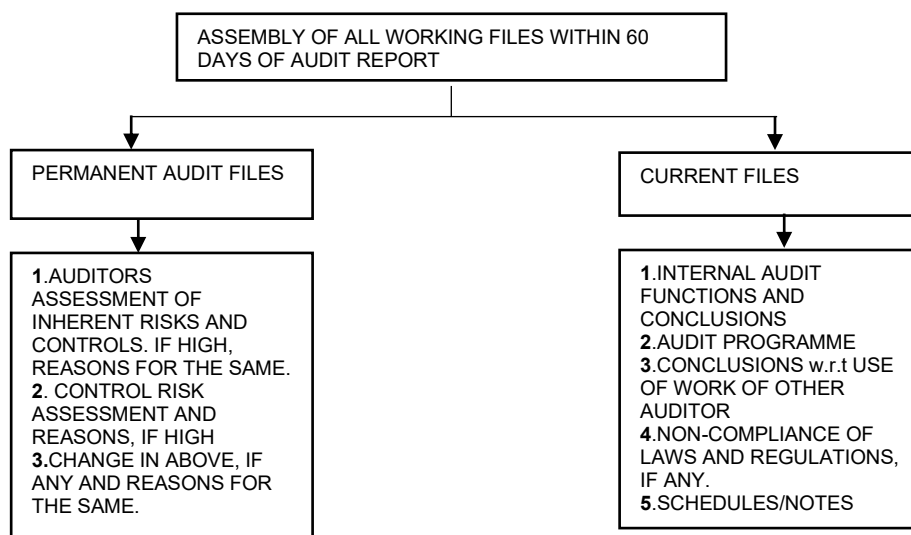
- (a) Size of the firm and the number of offices.
- (b) Degree of authority both personnel and offices have.
- (c) Nature and complexity of the firm's practice and organization
- (d) Records maintained by the client
- (e) Internal controls in operation

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.



## 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.*

## 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.

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:

<b><i>Title</i></b>	<b><i>Information Contained</i></b>
Engagement	<ul style="list-style-type: none"> <li>• Letter of engagement</li> <li>• Correspondence with retiring auditor (NOC)</li> </ul>
Constitution	<ul style="list-style-type: none"> <li>• Copies of Memorandum and Articles of Association in case of corporate entities or</li> <li>• Partnership agreement in case of partnership firm or</li> </ul>

	<ul style="list-style-type: none"> <li>• Act, Regulation, byelaws, trust deeds, as applicable under which the entity functions</li> </ul>
Background and Organisation Structure	<ul style="list-style-type: none"> <li>• Nature and history of the business</li> <li>• Profile of ownership</li> <li>• Registered office details</li> <li>• Management structure including organisation chart</li> <li>• Industry specification with reference to client's size, economic factors affecting the industry, seasonal fluctuations and demands</li> <li>• Facility locations, plant capacity, owned or leased, age, capital expenditure budget, etc. Products specifying diverse range along with classification</li> <li>• Purchase volumes, main suppliers, policies</li> <li>• Inventory norms, inventory levels during last five years and related ratios.</li> <li>• Sales volumes including exports, main customers, methods of distribution, pricing policies, credit policy</li> <li>• Personnel showing numbers, analyses by departments or function, method of remuneration, contracts, union agreements, HR policy</li> <li>• Copy of audited financial statement for previous five years, if it exists.</li> <li>• Study and evaluation of internal controls</li> <li>• Significant audit observations of past</li> <li>• Statistical information showing 5 years comparison of performance indicators (major accounting ratios) Industry statistics</li> </ul>
Systems (for larger Audits, this section could be held on a separate file)	<ul style="list-style-type: none"> <li>• Details of methods of accounting including cost accounting, flow charts, specimens of accounting documents, code structure and list of accounting records</li> <li>• EDP-systems security, source code security, authorisation and back up policy</li> </ul>
Contracts, agreements, Minutes	<ul style="list-style-type: none"> <li>• Leases agreements photocopies/ extracts of the same</li> <li>• Title deeds inspected annually by auditor</li> <li>• Royalty agreements</li> </ul>

	<ul style="list-style-type: none"> <li>• Minutes of continuing importance such as Directors' meeting, Members' meeting</li> </ul>
Group	<ul style="list-style-type: none"> <li>• Group structure - subsidiaries, associates</li> <li>• Joint venture</li> <li>• Names of auditors</li> </ul>
Other professional advisor's list	<ul style="list-style-type: none"> <li>• Bankers</li> <li>• Solicitors</li> <li>• Investment Analysts</li> <li>• Registrars</li> <li>• Credit Rating Agency</li> </ul>
Miscellaneous	<ul style="list-style-type: none"> <li>• Details of other client information of a permanent nature</li> </ul>

### 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 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:

<b><i>Title</i></b>	<b><i>Information Contained</i></b>
Engagement	<ul style="list-style-type: none"> <li>• Acceptance of annual reappointment</li> </ul>
Accounts	<ul style="list-style-type: none"> <li>• Copy of draft financial statement</li> <li>• Copy of final signed financial statement</li> </ul>
Reports and Final Papers	<ul style="list-style-type: none"> <li>• Copies of all draft and final reports issued to client</li> <li>• Correspondence with other auditors and experts</li> <li>• Comments received from client and letter of representation</li> <li>• Observations on accounts and points carried forward to next year</li> <li>• Final journal entries</li> <li>• Company accounts checklist - directors' report</li> <li>• Audit completion report</li> </ul>
Audit Plan	<ul style="list-style-type: none"> <li>• Planning programme</li> <li>• Time and cost summary</li> <li>• Briefing notes</li> <li>• Copy of planning letter to client</li> <li>• Points carried forward from previous year</li> </ul>
Balance sheet, statement of profit and loss account and cash flow statement audit – systems testing	<ul style="list-style-type: none"> <li>• Lead schedules/ Notes</li> <li>• Audit programmes</li> <li>• Detailed working papers and conclusions</li> <li>• Company accounts and Accounting Standard, if any, checklists</li> <li>• Queries raised and explanations received</li> <li>• Third party confirmations and certificates</li> <li>• Weaknesses identified and copy of letter of weaknesses sent to client</li> </ul>
Accounts preparation	<ul style="list-style-type: none"> <li>• Schedules/ Notes</li> </ul>

	<ul style="list-style-type: none"> <li>• Trial balance</li> <li>• Cross-reference to audit work performed</li> </ul>
Audit Programme	<ul style="list-style-type: none"> <li>• Audit procedure (compliance and substantive)</li> <li>• Detailed working papers and conclusions</li> <li>• Queries raised and explanations received</li> </ul>
Extracts from minutes relating to accounting	<ul style="list-style-type: none"> <li>• Directors' meetings</li> <li>• Members' meetings</li> <li>• Audit committee meetings</li> <li>• Investment and other Board committee meetings</li> </ul>
Statistical information	<ul style="list-style-type: none"> <li>• Performance indicators collected which have a bearing on the</li> <li>• extent, nature, timing of substantive tests</li> </ul>

## 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.

## 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.

## 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
  - (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
  - 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:

<b>SA</b>	<b>Title</b>	<b>Document needed</b>	<b>Yes/No/NA</b>	<b>Remarks</b>
SA 200	Specifies the requirement of sufficient appropriate evidences to be obtained	Relevant papers collection at each stage of audit as necessary		
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"> <li>- Audit programmes</li> <li>- Analyses</li> <li>- Issues memoranda</li> <li>-Summaries of significant matters.</li> </ul>		

		<p>–Letters of confirmation and representation.</p> <p>– Checklists.</p> <p>– Correspondence (including e-mail) concerning significant matters.</p> <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. <i>Audit documentation, however, is not a substitute for the entity's accounting records.</i></p>		
SA 240	Auditor's Responsibilities Relating to fraud in an audit of financial statements	<p>–Industry specific risk identifying factors</p> <p>–Documents on understanding of Internal control process</p> <p>–Inquiries and communication with entity's employees /management</p>		
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	Obtaining reply for the same is required		

	to those charged with governance and management			
SA 299	Responsibility of Joint Auditors	Clear bifurcation of scope and responsibility is to be done		
SA 300	Planning an Audit of Financial Statements	-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	Differs from Service to Service		

	Relating to an Entity Using a Service Organization			
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 sustentative 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		

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 in Documents containing Audited Financial Statements	Financial and Non-Financial Information required as per law regulation or custom (other than financial statements and auditor's report), Inconsistent information		

SA 800	Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks	<p>Engagement Letter, Purpose and Intended users, Steps to determine applicable framework by Management,</p> <p>Factors having impact on information presented.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• Cash Receipts and Disbursements – Cash Flow</li> <li>• Reporting provisions contained in Contract – like loan agreement, project grant or bond indenture</li> </ul>		
SA 805	Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	<p>Engagement Letter with clear scope identifying factors of the matters to be reported</p> <p>Examples: Single Financial Statement – only cash flow</p> <p>Element – Account or Group including relevant notes (Account Receivable, Schedule of externally managed assets), etc.</p>		
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 this 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		
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### 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:

<b>Sr No</b>	<b>Particulars</b>	<b>YES/NO/NA</b>	<b>REMARKS</b>	<b>Page number of Hard Copy file</b>	<b>Electronic Copy reference</b>
<b>MISCELLANEOUS – OTHERS</b>					
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 photo copy				
11	Draft financial statement				
12	Management representation letter				
<b>DIRECT TAX REPORTING</b>					
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				
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				
23	Certificate under sec. 40(A)(3) & 269SS & 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				
<b>INDIRECT TAX REPORTING</b>					
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				
<b>COMPANY LAW</b>					
33	Shareholding pattern				
34	List of Directors				
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				
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				
54	Annual return extracts – MGT 9				
55	Number of meetings by BOD (OM, EOM, BM) and its minutes				
56	Vigil mechanism				
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				
<b>COMPLIANCE UNDER ALLIED LAWS</b>					
63	PF payment challans and returns copy, if any				
64	Profession tax payment challans and returns copy, if any				
65	ESIC payment challans and returns copy, if any				
66	LWF payment challans and returns copy, if any				
67	SEBI compliances				

## Fundamental Principles

1. Practice Unit to ensure that the basic documents of an audit (being those included in "Miscellaneous" 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

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### 01. Reporting Process

- 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 15 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
- 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
- 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.

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# APPENDICES

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**STATEMENT ON PEER REVIEW****1.0 Introduction**

- 1.1 The Institute of Chartered Accountants of India (hereinafter referred to as “the Institute”) has been constituted under the Chartered Accountants Act, 1949 (hereinafter referred to as “the Act”) for regulating the profession of accountancy. Section 15 of the Act provides that “the duties of carrying out the provisions of this Act shall be vested in the Council” and enumerates various duties of the Council. With a view to regulate the profession of Chartered Accountants and in terms of the powers vested, the Council is issuing this Statement on Peer Review.

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 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.

In this Statement the framework under which Peer Review is to be conducted has been specified.

Peer Review assumes further significance in the light of ever increasing public interest in auditing and assurance services provided by Chartered Accountants in Practice.

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.

**2.0 Objectives**

- 2.1 The purpose of the Peer Review Statement is to provide a framework for planning, performing, reporting and administration of the Peer Review process.

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.

The Statement provides the terms of reference of such reviews and the roles and responsibilities of the parties concerned.

The implementation of the scope and authority of this Statement is to be ensured both in letter and spirit in the Peer Review process.

### 3.0 Definitions

For the purpose of this Statement following definitions are relevant:

3.1 **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;
- (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

The phrase 'Assurance Services' is used in this Statement interchangeably with Audit Services, Attestation Functions, and Audit Functions.

3.2 **Member** - means a member in practice within the meaning of sub-section (2) of section 2 of the Chartered Accountants Act, 1949,

3.3 **Peer Review period** – means three 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.

- 3.4 **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.
- 3.5 **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 other regulatory requirements thereto and whether the same were consistently applied during the period under review.
- 3.6 **Peer Review Board** - means the Board constituted by the Council in terms of this Statement from time to time. The expression "Peer Review Board" is hereinafter referred to as "Board".
- 3.7 **Reviewer** - means a member duly approved and empanelled by the Board on fulfilling the qualifications prescribed for a Reviewer as per Para 10.0 of this Statement.
- 3.8 **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.
- 3.9 **Technical, Professional and Ethical Standards** - means
- (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 the National Financial Reporting Authority (NFRA) and notified as Accounting Standards Rules 2006, as amended from time to time;
  - (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 NFRA and notified as Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time;
  - (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.
- 3.10 **Tender Monitoring Group-** means Tender Monitoring Group with the objective to monitor and standardize the tenders floated by various organizations for professional services rendered by Chartered Accountants.
- 3.11 **UDIN-** Unique Document Identification Number (UDIN) means a 18-Digit system generated random unique number which is to be generated through UDIN Portal ([udin.icaai.org](http://udin.icaai.org)) by every full time Practicing Chartered Accountant for every document/report certified/attested by them.
- 3.12 **UDIN data-** means the UDIN data comprising of the details taken from UDIN Directorate with respect to UDINs generated by members in Practice.
- 3.13 **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 it's day to day functioning on real time basis.
- 3.14 **Year** – means the period of twelve months commencing on the 1<sup>st</sup> day of April every year.
- 3.15 All words and expressions used and not defined in this Statement shall have the same meaning as assigned to them under the Chartered Accountants Act, 1949, and the Rules and Regulations framed thereunder.

#### 4.0 Authority of the Statement on Peer Review

- 4.1 The Statement on Peer Review applies to all Practice Units and Peer Reviewers.
- 4.2 The Statement on Peer Review issued in relation to the conduct of members in performance of assurance services intends to:
- (i) promulgate a structured framework for ensuring the quality of assurance services and for conducting Peer Review;

- (ii) provide framework in relation to the roles and responsibilities with respect to the parties involved in Peer Review Process including the Peer Review Board; and
- (iii) prescribe the scope of Peer Review and the procedures to be adopted for the conduct of a Peer Review.

## **5.0 Powers of the Council**

- 5.1 To constitute and empower the Board and to fill the vacancies arising in the Board from time to time.
- 5.2 To amend this statement governing the framework of the Peer Review process and the procedures framed thereunder including the roles of the Board and/or Reviewer.
- 5.3 To authorise the Board to decide upon the scope and procedures governing the Peer Review process.
- 5.4 To refer such matters to the Board in relation to Peer Review as the Council may deem fit.
- 5.5 To approve the Annual Budget of the Board.
- 5.6 To call for such information from the Board relating to the Practice Units / Reviewers as it may deem fit.

## **6.0 Peer Review Board**

### **6.1 Establishment and Appointment**

- (a) The Board shall be constituted by the Council.
- (b) The Board shall consist of a maximum of twelve members to be appointed by the Council, of whom not less than 50% shall be from amongst the members of the Council.
- (c) 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.
- (d) The Council shall appoint the Chairman and the Vice-Chairman from amongst its elected members appointed on the Board.
- (e) The term of two third 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 may be rotated every year by the Council of the Institute.

- (f) Casual vacancies on the Board shall be filled by the Council.
- (g) A Member of the Disciplinary Committee or the Board of Discipline shall not be eligible for appointment as a member of the Board.

## 6.2 Meetings

- (a) No business shall be transacted at any meeting of the Board unless there are present at least one third members of the Board but not less than three members, including the Chairman or, in his absence, the Vice-Chairman.
- (b) If there is no quorum within half an hour of the time fixed for the meeting, the meeting shall stand adjourned to a date, time and place fixed by the Chairman or, in this absence, the Vice-Chairman.
- (c) The Board shall meet as and when required for transaction of the business before it. However, at least one meeting shall be held in every three months.

## 6.3 Reporting

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

## 7.0 Scope of Peer Review

- 7.1 The Peer Review process shall apply to all the assurance engagements of a Practice Unit.
- 7.2 Once a Practice Unit is selected for Review, its assurance engagement records pertaining to the Peer Review Period shall be subject to Review.
- 7.3 The 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) Training programmes for staff (including article and audit assistants) concerned with assurance functions, including availability of appropriate infrastructure.
  - (v) 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.

- (vi) 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.

## **8.0 Functions of the Board**

8.1 The Board shall be vested with the powers to enforce compliance of the provisions of this Statement by the Practice Units and others.

8.2 The powers and duties of the Board shall include:

- (a) 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.
- (b) To arrange for orientation and periodic training programmes for Reviewers and/or Practice Units.
- (c) To conduct empanelment tests for empanelling the Peer Reviewers.
- (d) To prescribe the procedures to be followed in relation to Peer Review.
- (e) To register and/or remove the Peer Reviewers and maintain a panel of Reviewers.
- (f) To fix the ceiling on number of yearly reviews to be conducted by the Reviewer.
- (g) To fix the terms and conditions of appointment of the Reviewers.
- (h) To prescribe formats for maintenance of records by Peer Reviewers and to examine the same.
- (i) To Review the work performed by a Reviewer.
- (j) To collect information to determine the level of a Practice Unit as referred to in Para 11 of this Statement
- (k) To define the scope of selection of Practice Unit for Peer Review as the Board may deem fit.
- (l) To select and notify the Practice Unit for Peer Review to be conducted during the year.
- (m) To select three Reviewers and seek their acceptance for undertaking the Peer Review of the Practice Units. Further intimate their names to the Practice Unit and allow the Practice Unit to choose any one Reviewer therefrom within 30 days 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: -

- (i) the Practice Unit does not select Reviewer within a period of 30 days or such other period as may be fixed, from the date of service of the intimation; or
  - (ii) the Reviewer selected by the Practice Unit does not give his confirmation within 30 days of being intimated by the Peer Review Board.
  - (iii) the Practice Unit on its own requests the Board to appoint a Reviewer.
- (n) To call for such information on regular intervals from UDIN Directorate as may be considered necessary .
  - (o) To call for information from Practice Units to update data on Regular intervals for Level I and Level II entities for *suo moto* peer review action .
  - (q) To prescribe a register to be maintained by the Practice Unit for assurance services rendered during the year .
  - (r) On considering the report of a Reviewer:
    - (i) issue such advisory to the Practice Unit as may be considered appropriate; or
    - (ii) order a "Follow On" Peer Review to be carried out; or
    - (iii) issue Peer Review Certificate in the format as the Board may decide.
  - (s) To ensure that all the Practice Units comply with appropriate Audit Assurance Quality Index as may be defined by the Council at appropriate time.
  - (t) To form such sub groups of the Board, as may be necessary to discharge its various functions.
- 8.3 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
  - (iii) such other related matters and/or information it may be deemed fit.
- 8.4 (i) Pursuant to a follow on review carried out in terms of Clause 8.2(r), if the report of the reviewer continues to be adverse then the deficiencies as reported shall be referred to a Sub Group of the Board. The Sub Group shall consider the nature

and materiality of the deficiencies contained in the follow on review and give its findings to the Board within 30 days from the date the said matter was referred to it.

- (ii) The Board shall consider the findings of the sub group 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 Group have observations on material deficiencies in the Practice Unit then the Board shall revoke the Peer Review Certificate and refer the matter to the Council for considering whether the same may be referred to the Disciplinary Directorate for initiating disciplinary action.

8.5 The Board shall Review the Panel of Reviewers periodically.

8.6 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.

## **9.0 Compliance with the Statement on Peer Review**

All Practice Units and Reviewers shall comply with the provisions of this Statement. Any non-compliance by a Practice Unit or Reviewer 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, notwithstanding anything contained in Clause 8.4 of this Statement, is empowered to forward the name of a Practice Unit or Practice Units or Reviewer to the Council for initiating Disciplinary action.

## **10.0 Eligibility to be a Reviewer**

10.1 A Peer Reviewer : -

- (a) Shall be a member in practice with at least 10 years of experience for Level I entities as referred to in Para 11 of this Statement and 7 years of experience for Level II entities.
- (b) In case a member has moved from industry to practice and is currently in practice he should have at least 15 years of experience in industry and at least 5 years experience in practice for Level I entities as referred to in Para 11 of this Statement and an experience of at least 10 years in industry and at least 3 years experience in practice, for Level II entities.
- (c) Should have undergone the requisite training and cleared the requisite test for

Peer Review as prescribed by the Board.

- (d) Should have conducted audit of Level I Entities for at least 7 years or got his entity audited for at least 7 years which should be a Level I entity to be eligible for conducting Peer Review of Level I Entities as referred to in Para 11 of this Statement.

10.2 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 acceptance of Peer Review appointment.
- (b) sign a Declaration of Confidentiality as per Annexure A to this Statement .

10.3 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-
- (iv) he or his partners or personnel has any obligation or conflict of interest in the Practice Unit.

10.4 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 before the date of appointment as reviewer of that Practice Unit.

## **11.0 Practice Units subject to Review**

11.1 Every Practice Unit including its branches, based on their category as determined below will be subject to Peer Review in accordance with this Statement.

### **Level I**

A Practice Unit which has undertaken any of the under-mentioned assurance services in the period under review shall be treated a Level I entity:

- (i) Central Statutory Audit of Public Sector Banks, Private Sector Banks, Foreign Banks, Cooperative Banks and Public Financial Institutions.
- (ii) Central Statutory Audit of Central or State Public Sector Undertakings and Central Cooperative Societies based on criteria such as turnover or paid up capital etc. as may be decided by the Board.

- (iii) Central Statutory Audit of Insurance Companies.
- (iv) Statutory Audit of asset management companies or mutual funds.
- (v) Statutory Audit of enterprises whose equity or debt securities are listed in India or abroad.
- (vi) Statutory audit of any body corporate including trusts which are covered under public interest entities.
- (vii) 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.
- (viii) Statutory Audit of entities which have raised donations and / or contributions over Fifty Crores rupees during the period under review.
- (ix) Statutory Audit of entities having net worth of more than two Hundred and Fifty Crores rupees at any time during the period under review.
- (x) Statutory Audit of entities which have been funded by Central and / or State Government(s) schemes of over Fifty Crores rupees during the period under review.
- (xi) Statutory Audit of Non – Banking Financial Companies (NBFCs) as may be defined by the Board.
- (xii) Central Statutory Audit of Regional Rural Banks.
- (xiii) Statutory Audit of parent, subsidiary, associate, and joint venture of the above entities.

**Level II**

A Practice Unit which has undertaken any of the under-mentioned assurance services in the period under review shall be treated as Level II entity:

- (i) Statutory / Internal / Concurrent / Systems / Tax audit and / or Departmental Review of Branches / Offices of -
  - (a). Public Sector undertaking
  - (b). Public Sector or Private Sector and / or Foreign Banks
  - (c). Insurance Companies
  - (d). Co-operative Banks
  - (e). Regional Rural Banks

- (ii) Statutory Audit of Non – Banking Financial Companies (NBFCs) as may be defined by the Board.
  - (iii) Statutory Audit of entities having Net Worth of over Five Crores rupees or an annual turnover of more than Fifty Crores rupees during the period under Review.
  - (iv) UDIN's generated by the Practice Units more than the specified number determined by the Board from time to time.
  - (v) Statutory Audit of entities which have raised funds from public or banks or financial institutions of more than Twenty Five Crores rupees but less than Fifty Crores rupees during the period under review.
  - (vi) Any other Practice Unit providing assurance or other services not covered under (i) (ii), (iii), (iv) and (v) hereinabove.
- 11.2 **Special case review** : The Board, based on specific information received from Secretary, ICAI or any other Committee of the Institute including Disciplinary directorate or any other Regulator , which in the opinion of the Board requires a special review of the Practice Unit, may conduct a special review of the Practice Unit.
- 11.3 Any Practice Unit not selected for Peer Review, may *suo moto* apply to the Board for the conduct of its Peer Review. The Board shall act upon the same within 30 days from the date of receipt of such request.
- 11.4 An auditee (Client) may request the Board for the conduct of Peer Review of its auditor (Practice Unit). The Board shall act upon the same within 30 days from the date of receipt of such request.
- 11.5 The Board may, with the approval of the Council, modify any of the above criteria.

## 12.0 Obligations of the Practice Unit/ Peer Reviewer

### (A) Obligations of the Practice Unit

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.

- 12.1 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.
- 12.2 Provide to the Reviewer such explanation or further particulars/ information in respect of anything produced in compliance with a requirement under sub clause (1) above, as the Reviewer shall specify.

- 12.3 Provide to the Reviewer all assistance in connection with Peer Review;
- 12.4 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, 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.

**(B) Obligations of the Peer Reviewer**

- 12.5 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.
- 12.6 The Reviewer shall complete the Review within the prescribed time frame.

**13.0 Periodicity of Peer Review**

- 13.1 The Periodicity of Peer Review will be as under:

- (a) Level - I Practice Units – Once in 3 years.
- (b) Level - II Practice Units – Once in 4 years

However, if the Board so decides or otherwise at the request of the Practice Unit, the Peer Review for a Practice Unit can be conducted at shorter intervals.

**14.0 Fees for Peer Review**

- 14.1 The fees for Peer Review / "Follow On" review/ special review including the limit of out of pocket expenses payable to the Reviewer shall be decided by the Board from time to time and shall be paid by the Practice Unit. In case the Reviewer has to conduct "Follow-On" Review, the same rate would apply to the follow-on Review also. On completion of Peer Review, the Reviewer shall send the final clean report/ Qualified Report as the case may be to the Board. The Board after confirming that there is no discrepancy in the documents submitted by the Reviewer, shall direct the Reviewer to raise an invoice on the Practice Unit. The amount shall be paid by the Practice Unit within 15 days of receipt of bill from the Reviewer.
- 14.2 The Board shall issue a certificate on receipt of payment of fee by the Reviewer.

**15.0 Review Framework**

The Peer Review process will include

- Selection of Practice Unit and appointment of Reviewer

- Planning
- Execution and
- Reporting.

#### 15.1 Selection of Practice Unit and appointment of Reviewer

- (i) **Notification to the Practice Unit:** A Practice Unit which has been selected for Peer Review shall be notified by the Board.
- (ii) A declaration in the form approved by the Board shall be submitted by the Practice Unit within seven days from the date the Practice Unit (PU) has been notified by the Board so that Reviewer to be allotted from the Panel of three reviewers can be identified by the Board as per Level submitted by Practice Unit, in the declaration form.
- (iii) Names of three Reviewers shall be recommended by the Board to the Practice Unit so selected.
- (iv) The Practice Unit shall select one out of the three Reviewers and intimate to the Board within seven days of receipt of the names.
- (v) The Board shall intimate the Reviewer so selected and seek his consent within seven days.

#### 15.2 Planning :

- (i) *Information to be furnished by Practice Unit*

On intimation by the Board, of the Reviewer's consent, the Practice Unit shall, within 15 days furnish the following information to the Reviewer:

- Duly filled-in Questionnaire sent by the Board.
- Complete list of assurance engagement clients indicating the nature of service provided and the fees charged for the period under review.
- A note on the policies and procedures adopted by the Practice Unit in relation to independence, staff supervision and development, 'Second Person' review and the process generally followed in carrying out assurance services.
- Details of any proceedings against the Practice Unit or any of its partners or qualified assistants taken by any regulatory, monitoring or enforcement bodies relating to investigation or allegation of deficiency in the conduct of attest function by them during the period of three years preceding the period

of review or at any time thereafter i.e. till the date of submission of the duly filled-in Questionnaire

(ii) *Information to be furnished by Peer Review Board.*

The Peer Review Board shall call for relevant information from the UDIN Directorate and share the concerned details with Peer Reviewer which shall form part of Peer Review.

(iii) *Selection of Sample by the Reviewer:*

- (a) The Reviewer shall within 15 days of receiving the information from the Practice Unit select a sample of the assurance services that he would like to review and intimate the same to the Practice Unit and the Peer Review Board .
- (b) The Reviewer may also seek further / additional clarification from the Practice Unit on the information furnished / not furnished as mentioned in clause 15. 2(i) above.
- (c) The Reviewer shall plan for an “on-site review” visit or initial meeting in consultation with the Practice Unit. The Reviewer shall give the Practice Unit at least fifteen days time to keep ready the necessary records of the selected assurance services.
- (d) The Reviewer and Practice Unit shall mutually co-operate and ensure that the entire review process is completed within 90 days from the date of notifying the Practice Unit about its selection for Review.

### 15.3 Execution

(i) ***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 seven to fifteen working days based on the size of the Practice Unit.

(ii) ***Compliance Review-General Controls***

- (a) 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:
  - Independence



- Maintenance of Professional Skills and Standards
- Outside Consultation
- Staff recruitment, Supervision and Development
- Office Administration

**(iii) Selection of Assurance Service Engagements for Review**

- (a) 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.
- (b) From the initial sample selected at the planning stage, the Reviewer, in consultation with the Peer Review Board, may reduce or enlarge the initial sample size of assurance service engagements for review.

**(iv) Review of Records**

The reviewer is required to adopt a combination of compliance approach and substantive approach as mentioned below in the review process.

**(A) Compliance Approach – Assurance 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.

#### 15.4 Reporting

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.

The Peer Review Report shall address compliance or otherwise on the following areas of controls:

- (a) Independence
- (b) Maintenance of professional skills and standards.
- (c) Outside consultation
- (d) Staff recruitment, supervision and development.
- (e) Office administration.

(i) ***Discussion/Communication of Findings***

- (a) After completing the on-site review, the Reviewer, before making his Report to the Board, shall communicate his findings to the Practice Unit if in his opinion, the systems and procedures 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.
- (b) The Practice Unit shall, within 15 days of the date of receipt of the findings, make its submissions or representations, in writing to the Reviewer.

(ii) ***Peer Review Report of Reviewer***

- (a) At the end of an on-site review if the Reviewer is satisfied with the reply received from the Practice Unit, he shall submit a Peer Review Report to the Board along

with his initial findings, response by the Practice Unit and the manner in which the responses have been dealt with. A copy of the report shall also be forwarded to the Practice Unit.

- (b) In case the Reviewer is of the opinion that the response by the Practice Unit is not satisfactory, the Reviewer shall accordingly submit a modified Report to the Board incorporating his reasons for the same. The Reviewer shall also submit initial findings, response by the Practice Unit and the manner in which the responses have been dealt with. A copy of the report shall also be forwarded to the Practice Unit.
- (c) In case of a modified report, the Board shall order for a "Follow On" Review after a period of one year from the date of issue of report as mentioned in (b) above. 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.

#### 15.5 Working Papers

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 12 months of completion of Review / submission of Review Report.

#### 15.6 Peer Review Certificate

On receipt of the Peer Review Report, the Board shall within three months:

- (a) Issue a Peer Review Certificate to the Practice Unit mentioning the next due date for Review.
- (b) Inform the Practice Unit that a Peer Review certificate cannot be issued along with the reasons therefor as well inform the Practice Unit about the due date for conducting a follow on review.

#### 15.7 Validity of Peer Review Certificate<sup>1</sup>

A Practice Unit cannot continue with the existing certificate, whose validity has expired. All documents signed by the Practice Unit during the intervening period (i.e. expiry of previous certificate and issuance of new certificate) will be invalid. Therefore, it is the responsibility of the Practice Unit to complete the Peer Review of the firm and submit all necessary documents at least one month before the date of expiry of the previous certificate.

#### 15.8 Revocation

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<sup>1</sup> As per decision of the Peer Review Board taken at its 56th meeting held on 30<sup>th</sup> July 2018.

The Board may, subject to principle of natural justice, revoke the Peer Review Certificate of the Practice unit, if -

- (i) the Practice Unit has not complied with the order or advisory issued by the Peer Review Board; or
- (ii) the follow on review has been initiated by the Peer Review Board on the recommendation of the Peer Reviewer and the Practice Unit has not complied with the recommendations thereof; or
- (iii) the Peer Review Board receives any Directions from Secretary, ICAI, other Committees of ICAI including Disciplinary Directorate or complaint from any Regulator through Secretary, ICAI or the Council.

## **16.0 Referral of Disputes and Appeal**

- 16.1 Where a dispute arises over the powers of the Reviewer or the process of the Review or the conclusions reached therein or for any particular matter related to Review, the Practice Unit or the Reviewer or both may refer the dispute to the Board in the prescribed Form, in duplicate, duly verified and signed by the Reviewer or Practice Unit or the partner / proprietor of the Practice Unit within 30 days from such event.
- 16.2 Where a dispute is referred to the Board, the same shall ordinarily be disposed off within 60 days, after an opportunity of being heard is provided or receipt of written submission from the parties to the dispute and the Board shall communicate its decision to each of the parties to the dispute within 30 days of the Board meeting.
- 16.3 Where the Practice Unit or the Reviewer or both are not satisfied with the decision of the Board, the aggrieved party or parties may file a review application in duplicate before the Council, in writing, within 60 days from the date of receipt of the decision of the Board. The Review Application should be duly verified and signed by the Reviewer or Practice Unit or the partner / proprietor of the Practice Unit, as the case may be.
- 16.4 The decision of the Council shall be final and binding on all the parties.

## **17.0 Immunity**

- 17.1 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 this Statement except as provided under Clause 8.4 of this Statement.
- 17.2 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 this Statement.

- 17.3 The members of the Board shall not be held liable by virtue of their having discharged the responsibilities as given in this Statement 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 this Statement.

## **18.0 Confidentiality**

- 18.1 Strict confidentiality shall be maintained by all those involved in the Peer Review process, namely, Reviewers, members of the Board, any-qualified assistants or Practice Unit.
- 18.2 All persons governed by the secrecy provisions:
- (a) 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) Reviewer shall not make use of or disclose the contents of Review report or any confidential information about the process of Review unless as required by the Board or the Council.
- 18.3 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.
- 18.4 A Declaration of Confidentiality ( **Annexure 'A'**) shall be signed by the persons who are responsible for the conduct of Peer Review i.e., Reviewers and his qualified assistants and be filed with the Board. All members of the Board shall also sign a declaration of Confidentiality in a manner as may be prescribed by the Board.

## **19.0 Procedural Departures**

- 19.1 Wherever the Reviewer, his qualified assistant or any member of the Board had not followed the prescribed procedures, they shall have to justify significant departures and such justification shall have to be mandatorily made known to the Board within a reasonable period of time.

## **20.0 Budget and Finance**

- 20.1 The Council shall approve the Annual Budget of the Board.

- 20.2 The Board shall have the autonomy to administer its budget after the approval as above. For this purpose, the Secretary to the Board shall be the authorized officer.

### **21.0 Secretariat**

- 21.1 The Council may cause an appropriate and independent Secretariat to be set up to assist the Board in the discharge of its functions.
- 21.2 All persons working in the Secretariat shall be subject to the same norms of confidentiality as the Board Members and Reviewer(s).
- 21.3 Appropriate arrangements for training of personnel of the Secretariat shall be made from time to time.

## **Annexure 'A'**

### **Declaration of Confidentiality**

In accordance with the Statement on Peer Review, this Statement of Confidentiality is to be individually filled in and signed by each of the persons who are responsible for the conduct of Peer Review i.e., Reviewer and his qualified assistants. The Reviewer shall be responsible for taking this undertaking from all those persons who assist him or are likely to assist him in conducting Peer Reviews, and shall send the same to the Board. The duly filled in and signed statement of Confidentiality shall be filed by the Reviewer and his qualified assistants for each Review undertaken by them.

To

The Chairman,  
Peer Review Board,  
The Institute of Chartered Accountants of India  
New Delhi

Sir,

I, 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 is not gained by anyone.
- The Practice Unit's assurance services procedures shall not be disclosed to any third party except as provided under this Statement.
- 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 this Statement.
- Access shall not be given to any person other than as required under the Peer Review Statement, 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 understand that any breach of the provisions regarding confidentiality as contained in the Statement on Peer Review will be considered as gross negligence and make me liable to appropriate disciplinary action.

Signature:

Name:

Designation:

Membership No.

Name of Practice Unit Reviewed :

Date:

Place:



**Declaration to be mandatorily filed by all Practice Units (Firms and Individual practitioners) covered under Peer Review.**

**DECLARATION**

**The Chairman,  
Peer Review Board,  
The Institute of Chartered Accountants of India,  
ICAI Bhawan,  
Hostel Block, 2nd Floor,  
A-29, Sector 62, NOIDA 201309  
Dist- Gautam Budh Nagar (UP)**

I/We hereby declare that my/our firm has undertaken any of the under-mentioned assurance services\* in the period under review

<b>I.</b>	<b>Level LI</b>
<input type="checkbox"/>	Central Statutory Audit of Public Sector Banks, Private Sector Banks, Foreign Banks, Cooperative Banks and Public Financial Institutions.
<input type="checkbox"/>	Central Statutory Audit of Central or State Public Sector Undertakings and Central Cooperative Societies based on criteria such as turnover or paid up capital etc. as may be decided by the Board.
<input type="checkbox"/>	Central Statutory Audit of Insurance Companies.
<input type="checkbox"/>	Statutory Audit of asset management companies or mutual funds.
<input type="checkbox"/>	Statutory Audit of enterprises whose equity or debt securities are listed in India or abroad.
<input type="checkbox"/>	Statutory audit of any body corporate including trusts which are covered under public interest entities.
<input type="checkbox"/>	Statutory Audit of Entities which have raised funds from public or banks or financial institutions of over Rs. Fifty Crores during the period under Review.

<input type="checkbox"/>	Statutory Audit of Entities which have raised donations and / or contributions over Rs. Fifty Crores during the period under Review.
<input type="checkbox"/>	Statutory Audit of entities having Net Worth of more than Rs. Two Hundred and Fifty Crores at any time during the period under Review.
<input type="checkbox"/>	Statutory Audit of entities which have been funded by Central and / or State Government(s) schemes of over Rs. Fifty Crores during the period under Review.
<input type="checkbox"/>	Statutory Audit of Non – Banking Financial Companies (NBFCs) not falling under L II.
<input type="checkbox"/>	Central Statutory Audit of Regional Rural Banks.
<input type="checkbox"/>	Statutory Audit of Parent, Subsidiary, Associate, and Joint Venture of above entities.
<b>II</b>	<b>Level LII</b>
<input type="checkbox"/>	Statutory / Internal / Concurrent / Systems / Tax audit and / or <b>Departmental Review of Branches / Offices of</b> Public Sector undertaking/ Public Sector or Private Sector and / or Foreign Banks/ Insurance Companies/ Co-operative Banks/ Regional Rural Banks.
<input type="checkbox"/>	Statutory Audit of Non – Banking Financial Companies (NBFCs) where there is no public interest involvement in acceptance of deposits below Rs. 50 Crores
<input type="checkbox"/>	Statutory Audit of entities having Net Worth of over Rs. Five Crores or an annual turnover of more than Rs. Fifty Crores during the period under Review.
<input type="checkbox"/>	Statutory Audit of Entities which have raised funds from public or banks or financial institutions of more than 25 Crores but less than Rs. 50 Crores during the period under Review.
<input type="checkbox"/>	Any other Practice Unit providing assurance or other services not covered under (i) (ii), (iii) (iv) and (v) hereinabove.

**Please note: The following services are not covered under the definition of assurance services\*:**

- (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

**Services rendered under tender during the year \_\_\_\_\_:**

S. No.	Year of Audit/ Professional work	Name of organisation	Nature of Assignment	Gross Receipts	Bid Deposit date

**The following additional information is being furnished to enable Peer Review Board to select the firms to be reviewed and allocate appropriate Peer Reviewers:**

- Name of practice unit (as per ICAI Records):  
\_\_\_\_\_
- Head Office Address (as per ICAI Records):  
\_\_\_\_\_
- Status (Partnership/Proprietorship/Limited Liability Partnership/Practicing in Individual Name)  
\_\_\_\_\_
- Date of establishment of the PU:  
\_\_\_\_\_
- Firm Registration Number: \_\_\_\_\_  
(Membership no., in case of an individual practicing in own name)
- Telephone Number: 1. \_\_\_\_\_ 2. \_\_\_\_\_
- Email Address: \_\_\_\_\_
- Branches at Cities :  
1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_ 4. \_\_\_\_\_
- Number of Partners:
- No. of Tax Audit reports (u/s 44 AB of Income tax Act) signed for the period under review:

S.no.	Name of Partner	FY:	FY:	FY:


11. No. of UDINs generated for the period under review:

S.no.	Name of Partner	FY:	FY:	FY:

12. Gross Receipt from the assurance services (including services on tender ) of the firm and its branches separately (for immediately preceding three financial years) (in Rs. Lakhs)

Financial Year			
Head Office			
Branch 1			
Branch 2			
Branch 3			

13. Disciplinary proceedings: If unresolved disciplinary proceedings of the Institute have been initiated against any Partner/employee of the PU, furnish details:

(I)

(ii)

(iii)

This mandatory declaration is being furnished to facilitate implementation of Peer Review in terms of Peer Review Statement issued by the Council of the Institute of Chartered Accountants of India.

**Signature:**

Date:

Name of firm:

Name of Proprietor/Partner:

Individual practicing in own name:

Membership No. of the \_\_\_\_\_:

Mobile Number (as per ICAI records):

**Declaration of Confidentiality**

To

The Chairman,  
Peer Review Board,  
The Institute of Chartered Accountants of India.

Sir,

I 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 is not gained by anyone.
- The practice unit's assurance services procedures shall not be disclosed to third party except as provided under the statement on Peer Review.
- 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 statement on Peer Review.
- Access shall not be given to any person other than as required under the Peer Review Statement, 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 understand that any breach of the provisions regarding confidentiality as contained in the Statement on Peer Review will be considered as gross negligence and make me liable appropriate disciplinary action.

Signature :

Name :

Designation :

Membership No.:

Name of Practice Unit to be reviewed:

Peer Review Period for aforesaid PU:

Date :

Place :

Phone No :

Email Id :

Note : To be submitted on mail [ld-peerreviewboard@icai.in](mailto:ld-peerreviewboard@icai.in)

## Fees of Peer Review

*(Notified by the Peer Review Board at its 64<sup>th</sup> Meeting held on 4<sup>th</sup> June, 2020)*

In exercise of power vested in the Peer Review Board by the Statement on Peer Review, the Board has in its 64<sup>th</sup> Meeting held on 4<sup>th</sup> June, 2020 notified the fees of Peer Review for **Level -I and II Practice Units** <sup>1</sup>including honorarium and TA/DA for reviewer and his qualified assistant, shall be as under:

Average gross receipts/ Revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review	Fees
Less than Rs 10 lacs p.a.	Rs 15,000/-
From Rs 10 lacs to 50 Lacs p.a.	Rs 25,000/-
From Rs 50 lacs to 1 crore p.a.	Rs 40,000/-
From Rs 1 crore to 3 crore p.a.	Rs 60,000/-
From Rs 3 crore to 5 crore p.a.	Rs 75,000/-
From Rs 5 crore p.a. to 10 crore p.a	Rs 1,50,000/-
From Rs. 10 crore p.a to Rs. 20 crore p.a.	Rs. 2,00,000/-
From Rs. 20 crore p.a to Rs. 30 crore p.a.	Rs. 3,00,000/-
Above Rs. 30 crore p.a.	Rs. 5,00,000/-

The fees of Peer Review is to 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. 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.

<sup>1</sup> 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.



**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA  
NEW DELHI  
PEER REVIEW BOARD**

## APPLICATION FORM FOR EMPANELMENT AS A PEER REVIEWER

Photograph

- [illegible]





14. Experience on the basis of Tendering Services (Last 5 years):

S. No.	Year of Audit/ Professional work	Name of Organisation	Nature of Assignment	Gross Receipts	Bid Deposit Date

15. Number of Financials filed in XBRL format:

16. No. of Tax Audit reports signed:

17. Audit & Assurance services experience in the signing capacity only  
(on the basis of type/level of organization)

Level	Please (✓) the type of Organization	No. of years of experience*
Level - I	<input type="checkbox"/> Central Statutory Audit of Public Sector Banks, Private Sector Banks, Foreign Banks, Cooperative Banks or Public Financial Institutions	
	<input type="checkbox"/> Central Statutory Audit of Central or State Public Sector Undertakings and Central Cooperative Societies	
	<input type="checkbox"/> Central Statutory Audit of Insurance Companies	
	<input type="checkbox"/> Statutory Audit of asset management companies or mutual funds	
	<input type="checkbox"/> Statutory Audit of enterprises whose equity or debt securities are listed in India or abroad	
	<input type="checkbox"/> Statutory audit of any body corporate including trusts which are covered under public interest entities	

	<input type="checkbox"/> Statutory Audit of Entities which have raised funds from public, banks or financial institutions of over Rs. 50 Crores	
	<input type="checkbox"/> Statutory Audit of Entities which have raised donations and / or contributions over Rs. 50 Crores	
	<input type="checkbox"/> Statutory Audit of entities having Net Worth of more than Rs. 250 Crores	
	<input type="checkbox"/> Statutory Audit of entities which have been funded by Central and / or State Government(s) schemes of over Rs. 50 Crores	
	<input type="checkbox"/> Statutory Audit of Non Banking Financial Companies (NBFCs) not falling under L II	
	<input type="checkbox"/> Central Statutory Audit of Regional Rural Banks	
	<input type="checkbox"/> Statutory audit of Parent, Subsidiary, Associate, or Joint Venture of above entities	
Level - II	Statutory / Internal / Concurrent / Systems / Tax audit and / or Departmental Review of Branches / Offices of <input type="checkbox"/> Public Sector Undertakings <input type="checkbox"/> Public Sector or Private Sector and / or Foreign Banks <input type="checkbox"/> Insurance Companies <input type="checkbox"/> Co-operative Banks <input type="checkbox"/> Regional Rural Banks	
	<input type="checkbox"/> Statutory Audit of Non Banking Financial Companies (NBFCs) where there is no public interest involvement in acceptance of deposits below Rs. 50 Crores	
	<input type="checkbox"/> Statutory Audit of entities having Net Worth of over Rs. Five Crores or an annual turnover of more than Rs. Fifty Crores	
	<input type="checkbox"/> Statutory Audit of Entities which have raised funds from public or banks or financial institutions of more than 25 Crores but less than Rs. Fifty Crores	
	<input type="checkbox"/> Any other Assurance or other service not covered above	

18. Major Audit & Assurance work handled:

[illegible]

<b>NBFCs</b>									
1.	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Asset Management Company</b>									
1.	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Mutual Funds</b>									
1.	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1. Please specify the level of responsibility as:  
Audit assistant-**AS** and Supervisory-**SP**.
2. Please specify the Code for Turnover (per annum in rupees) as :  
1 to 50 crores-**1**; 50 to 200 crore-**2** and above 200 crores-**3**.
3. Specify code for Audit fees per annum in rupees:  
upto 50 thousand-**1**; 51000 to 2 lacs- **2**;  
2 lacs to 5 lacs-**3** and more than 5 lacs-**4**.
19. Industry Working Experience:

S. No.	Job Title/ Designation	Name of the Company	Nature of Industry	Worked from (Date)	Worked Till (Date)	Class of the company	Listed on any Stock Exchange (Yes/ No)	Turnover <sup>2</sup>	Key Responsibility Areas pertaining to assurance services

20. Whether you have attended any Peer Review Training Programme, conducted earlier (including the current training) by Peer Review Board. If yes, mention below the required details:

S. No.	Venue	Date of Training

21. Details of CPE Programmes attended (during Last one year):

Name of the Programme	Venue	CPE Hours

22. Whether any Disciplinary action is pending against you (*referred to Disciplinary Committee for enquiry*)? Yes ☐ No ☐

If yes, please give details:

23. RE Code -  -

24. Cleared the test conducted by PRB : Yes/ No

25. If answer to 24 is Yes: **(certificate of online test to be attached)**

**Declaration:**

*I hereby declare that*

- a. *I am a member of the Institute and currently in Practice*
- b. *I Possess minimum:( TICK THE APPLICABLE POINT OR STRIKE THROUGH THE POINT WHICH IS NOT APPLICABLE)*
  - **TEN YEARS / SEVEN YEARS** experience of audit & assurance services and am currently active in the practice of accounting and auditing **(Note: 10 / 7 years' audit experience need not be continuous but cumulative; but any block of**

***less than 2 years' experience in determining cumulative experience shall not be counted);***

- c. *I have moved from industry to Practice and have the following industry experience:( Tick the applicable point)*
- *Fifteen years experience in Industry*
  - *Ten years experience in Industry*
- d. *The information given above is true and correct and nothing has been concealed there from; and*
- e. *I will immediately intimate to the Board at [peerreviewboard@icai.in](mailto:peerreviewboard@icai.in), if any Disciplinary Action is initiated against me or against Qualified Assistant ( if used during particular Peer Review), in future.*

**Signature:**

**Name:**

**Mem.No.:**

**Date:**

---

For Office Use Only:

1. Whether applicant:

(a) Is member of the Institute	Yes <input type="checkbox"/>	No <input type="checkbox"/>
(b) possess atleast 10 years' audit experience	Yes <input type="checkbox"/>	No <input type="checkbox"/>
(c) possess atleast 7 years' audit experience	Yes <input type="checkbox"/>	No <input type="checkbox"/>
(d) possess atleast 15 years' Industry experience	Yes <input type="checkbox"/>	No <input type="checkbox"/>
(e) possess atleast 10 years' Industry experience	Yes <input type="checkbox"/>	No <input type="checkbox"/>
(f) is currently active in the practice of accounting and auditing	Yes <input type="checkbox"/>	No <input type="checkbox"/>

2. Whether applicant is to be considered for allotment of reviews of practice units falling under:  
Level 1 peer review only: ☐
3. Whether complete information in the prescribed format is given in respect of points:
1. Audit Working experience: Yes ☐ No ☐
2. Major Assurance work handled: Yes ☐ No ☐
4. Whether all other applicable points of the form have been filled  
Yes ☐ No ☐  
If No, Points .....
5. Whether any Disciplinary action is pending  
Yes ☐ No ☐
6. RE No. allotted .....



## APPENDIX VI

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### Model Letter to the Practice Unit Informing Selection of Sample

Date

{Name and address of the practice unit selected for review}

Dear Sir/Madam,

Subject: Information for Selection of Sample Assurance Service Engagements.

This is with reference to the letter no. \_\_\_\_\_ dated \_\_\_\_\_ issued by the Peer Review Board regarding carrying out peer review of your firm, in response to which you have selected me as a reviewer, for the purpose.

I hereby acknowledge the receipt of the duly filled in questionnaire. Based on the analysis of the said questionnaire, I have selected sample assurance services and clients for review as per the enclosed list. You are requested to ensure the ready availability of the relevant records related to the assurance services rendered to these clients for carrying out peer review.

I plan to visit your office for the review on *{mention the proposed date(s)}*. You are requested to confirm your convenience for above mentioned date(s).

Thanking you,

Yours faithfully,

-Sd-

(Name of the Reveiwer)

Encl.: as above

Copy to : Peer Review Board.

**Model Preliminary Report (Initial Findings)**  
(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 as Appendix. 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.

Reviewer's Code No.

Place:

Date:

**Appendix  
(Recommendatory)**

**FOLLOW-UP ON PREVIOUS FINDINGS**

1. Sampling basis (as per peer review Board's guidelines)

Narrative:

Status:

2. Sample tested

Narrative:

Status:

3. Working papers

Narrative:

Status:

4. Conclusions drawn

Narrative:

Status:

Recommendation:

Firm response:

**NEW FINDINGS**

5. Client acceptance/continuance

Narrative:

Implications:

Recommendation:

Firm response:

6. Engagement letter

Narrative:

Implications:

Recommendation:

Firm response:

7. Communication with Those Charged With Governance

Narrative:

Implications:

Recommendation:

Firm response:

8. Team brainstorming meeting

Narrative:

Implications:

Recommendation:

Firm response:

9. Annual Independence Declaration

Narrative:

Implications:

Recommendation:

Firm response:

10. Annual Internal Compliance Reviews

Narrative:

Implications:

Recommendation:

Firm response:

11. Internal QA manual

Narrative:

Implications:

Recommendation:

Firm response:

12. Updates of audit questionnaires

Narrative:

Implications:

Recommendation:

Firm response:

### Model Final Report

#### A. Final Report

To,  
Peer Review Board.

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

#### 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 maintenance of the quality of assurance service work they perform.

Signature of the Reviewer

(Name of the Reviewer)

Membership No.

Reviewer's Code No.

Place:

Date:

**B. Qualified Final Report**

To Peer Review Board.

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

**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**

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 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.

As per the requirement of Statement on Peer Review, 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.

Reviewer's Code No.

Place:

Date :



## APPENDIX IX

Annexure I to the Final Peer Review Report of M/s. \_\_\_\_\_ for Peer Review Period \_\_\_\_\_

**General instructions: Tick 'Yes' / 'No', wherever applicable.**

Sl.No.	Particulars	Observations	
1	Date on which questionnaire is received		
1a	Total number of Assignment handled by the PU		
2a.	Number of initial samples selected for review		
2b.	Was the completeness of the PU clients list verified		
3 (a)	Was there any change made in initial sample selected by the Reviewer?	Yes/No	
(b)	If 'Yes', specify the number selected, after change		
4	Name of the Qualified Assistant of the reviewer (if any) who helped in the Peer Review.		
5	Whether 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	
	(v) Office Administration	Yes/No	
6	Whether audit records administration is satisfactory?	Yes/No	
7	Whether working papers are properly maintained?	Yes	No
7a	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)	Whether the preliminary report issued by the Reviewer contained any deficiencies? ( <i>Discrepancies regarding Tendering Process should form part of Preliminary Report</i> )	Yes	No/NA
(c)	If 'Yes', please specify the areas of deficiencies ..... ..... ..... .....		
14(a)	Whether PU has responded to the preliminary report?	Yes	No/NA
(b)	Whether the Reviewer is satisfied with the response received from the PU?	Yes	No/NA
15	If the Reviewer is not satisfied with the response of the PU, whether qualified report has been issued?	Yes	No/NA
16(a)	Is the Final Report qualified?	Yes	No/NA
(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 separately.		
19 (a)	Whether the PU obtained/Procured any professional work including attest functions through process of tendering.	Yes/NO/NA	19 (a)
(b)	If yes, then please attach sheet provided by PU in required format	Yes/NA	(b)
20 (a)	Whether appointment letters are properly issued to staff recruited by the PU.	Yes/No	20 (a)
(b)	If not , whether the fact, with response of PU has been incorporated in Preliminary Report (Point 13(a) mentioned above)		(b)
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	21
22 (a)	Whether PU has been reviewed by Quality Review Board?	Yes/No	22 (a)
22(b)	If Yes, has the Reviewer ensured for the necessary compliance as regards to the submission of Compliance Report to QRB by PU? When was Compliance Report submitted? (refer point 2(t) of Part B of the Questionnaire)	Yes/ No/ N.A	22(b)

Signature

Date:

Name of Reviewer

Membership No. RE No.

Email ID:

Contact No.

**ANNEXURE II (Reporting Format)**  
**FOR LEVEL I & Level II PRACTICE UNITS Compliance according to SQC 1**

Questions	Reviewer's Comments
<b>Quality Control, Ethical Requirement &amp; Independence</b>	
1. Does the PU's system of quality control include policies and procedures addressing 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 applicability of any legislation and professional standards relevant to the engagement, information required of the client or any other pertinent matter?	
(d) For taxation engagements, a description of the self-assessment rules (e.g. substantiation audits, reasonable care) which informs clients of their responsibilities and the penalties relating to any tax shortfall?	
(e) For taxation engagements, a statement in writing that the responsibility for the accuracy and completeness of the	

particulars and information provided by the client rests with the client. That any advice given to the client is only an opinion based on your knowledge of the client's particular circumstances. Finally that a taxpayer has obligations under self assessment to keep full and proper records in order to facilitate the preparation of accurate returns	
(f) For compilation engagements, a reference to an appropriate disclaimer of liability and the limitations of the engagement?	
(g) The client's responsibility for the completeness and accuracy of the financial information/report?	
(h) 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?	
(i) 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 ensure appropriate consultation takes place, with either internal or external professionals possessing the relevant expertise, to resolve difficult or contentious matters including to: <ul style="list-style-type: none"> <li>• appropriate consultation takes place on difficult or contentious</li> </ul>	

<p>matters to take document and agree conclusions (Assurance Practices only); and -1 (SQC). SA 220]</p>	
<p>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?</p>	
<p>9. Whether the checklist manual used is updated on timely basis ? if so who has taken the responsibility to update the same in the PU and when was latest updation done to manual?</p>	
<b>Engagement Documentation</b>	
<p>10. Was there a system of file noting to document unusual issues that were not covered in the standard working papers?</p>	
<p>11. Was there a system of maintaining carry forward working papers?</p>	
<p>12. Does the PU have proper policies and procedures in place to ensure appropriate monitoring of tax lodgment process?</p>	
<p>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)?</p>	
<b>Audit Planning and Risk Assessment</b>	
<p>14. Does the file contain an audit strategy? (SA 300) 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?</p>	
<p>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 ]</p>	
<p>15. 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)</p>	

<p>16. 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)</p> <p>(a) Inquiries of management and others within the entity;</p> <p>(b) Analytical procedures; and</p> <p>(c) Observation and inspection?</p>	
<p>17. 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) And where applicable, have there been discussions within the team regarding the susceptibility of the financial reports to material misstatement? [SA 330]</p>	
<p>18. 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) Has the PU documented these risks? (SA 315)</p>	
<p>19. As part of the risk assessment, has the PU determined whether any of the risks identified are, in the PU's judgment, significant risks (SA 315, 330)</p>	
<p>20. 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]</p>	
<p>21. Does the audit plan outline the nature, timing and extent of direction and supervision of engagement team members and the review of their work? [SA 300]</p>	
<p>22. 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)</p>	

23. 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]	
24. 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 has not previously identified or disclosed to the PU? [SA550]	
25. 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 ]	
26. 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]	
27. 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)	
28. 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)	
29. Is there evidence that the PU has planned and performed the audit with professional skepticism and using professional judgment? (SA 200, SA240)	
30. 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? (SA805)	
<b>Audit Sampling and Other Selective Testing Procedures</b>	
31.	
(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 where: (SA330)	
(c) In the design of tests of control and tests of details, has the PU determined appropriate means of selecting items for testing that are effective in meeting the purpose of the audit procedure? (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 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) When undertaking an audit sample, did the member:	
(i) 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)	
<b>Materiality</b>	
32. Has the PU determined: (a) 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) Where management refused to correct some or all of the misstatements communicated by the PU, did the PU: (i) determine whether such uncorrected mis statements were material, individually or in aggregate? (SA450) (ii) evaluate whether the financial report as a whole was free from material misstatement? (SA450)	
<b>Audit Documentation</b>	
33. (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:	
(i) on a timely basis; and (SA 230)	
(ii) that is inadequate which would result in an experienced auditor being unable to understand: (SA 230)	

(e) When existing audit documentation has been 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?	
(f) 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)	
<b>Audit Evidence</b>	
34. (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) 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)	
(i) the requirements of the applicable financial reporting framework relevant to accounting 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) Has the PU obtained sufficient appropriate audit evidence about whether:	
+ management's decision to recognize, or to not recognize, the accounting estimates in the financial report;	
+ the selected measurement basis for the accounting estimates, and	
+ 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)	
(i) If the PU has used an expert, has the PU evaluated:	
+ whether the expert has the necessary competence, capabilities and objectivity for the PU's purposes? (SA 620)	
+ the adequacy of the expert's work for the PU's purposes? (SA620)	
(j) 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)	
(k) 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]	

(I) Has the PU obtained an understanding of the services provided by a service organization to the client, and has the PU evaluated the design and implementation of the client's internal control relating to these services?(SA 402)	
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Signature

Date:

Name of the Reviewer

Membership No.

RE No.

Email Id:-

### **Peer Review Board Advisories for Peer Reviewer**

1. While corresponding with the Board reviewer should mention correct RE/PU number.
2. Firm's letterhead should not be used while corresponding with the Board or the PU.
3. Any names either of employer or partner or clients should not be mentioned while corresponding with the Board or the PU.
4. Before commencing the peer review exercise study in detail the Peer Review Manual.
5. While conducting peer review ensure adherence to the Statement on Peer Review and the guidelines issued by the Board.
6. Ensure adherence to the Illustrative Time Schedule given in the Peer Review Manual.
7. Formal consent letter accepting peer review assignment, together with the Declaration of Confidentiality or letter intimating non-acceptance with reasons should be sent to the Board and not to the PU.
8. In cases where the Board has permitted an assistant, the Declaration of Confidentiality of the Assistant, if any, assisting you in the assignment should also be sent.
9. 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)
10. 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.

11. While selecting the sample, the reviewer should adhere to the Sample selection criteria as prescribed by the Board which is stated as follows:

- (i) **Proposed Sample size and validity of the Peer Review Certificate based on Level of the Practice Unit:**

Minimum sample criteria for Level I and Level II Practice Units to obtain certificate having validity of 3 and 4 years for Level I and Level II Practice Unit respectively:

Average gross receipts/ Revenue from assurance service Clients of Practice Unit (Per Annum) for the period under review	Sample size for L1 Firms	Sample size for L2 Firms
Upto Rs 5 crore p.a.	10	8
From Rs 5 crore p.a. to 10 crore p.a	15	10
From Rs. 10 crore p.a to Rs. 20 crore p.a.	20	15
From Rs. 20 crore p.a to Rs. 30 crore p.a.	25	20
Above Rs. 30 crore p.a.	30	25

**\*Note: If minimum sample criteria is not satisfied either for L1 or L2 then a certificate with validity of 1 year would be issued irrespective of level of Firm**

**For newly established firms** (existence of firm between 1-3 years) :5 (Five) samples Three year validity certificate to be issued to said newly established firm, irrespective of levels defined in the Statement on Peer Review. If minimum sample criteria is not satisfied then One year certificate to be issued i.e. Sample size '03 to 04'.

**For newly established firms** (less than 1 year): 3 (Three) samples. One year validity certificate to be issued to said newly established firms, irrespective of levels defined in the Statement on Peer Review. On completion of 1 year validity certificate, the firm can reapply suo moto for review of their firm and on review 1 year certificate is to be issued unless the existence of firm is 3 years or more and a certificate of full validity period can be issued on completion of review of 3 years.

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

- (ii) if average gross receipts of PU are more than Rs 50 Lakh then Reviewer has to select minimum 10% of sample- assurance service/s from each category from Clause 30 A to Q of H.O. and its branch/es, if any, of Part A of the Questionnaire copy.

- (iii) Sample chosen should compulsorily include that assurance engagement assignment which has the highest turnover among the population.
  - (iv) One sample mandatory of assurance services provided on tender.
  - (v) Samples from assurance services provided at branch if such turnover is more than the turnover at the Head office, and/ or the turnover of assurance services from the branch is more than Rs. 25 lakhs.
  - (vi) At least one sample from each category 30 A to R has to be selected and at least 1 sample from each '*type of Assurance engagement*' should be selected.
  - (vii) If sample size is less than minimum, then 100% selection has to be done, compulsorily and the fact intimated to the Board. However, if minimum sample criteria is not satisfied either for L1 or L2 or newly established Practice Units then a certificate with validity of 1 year would be issued irrespective of level of Firm.
  - (viii) sample selected should be representative of total population of assurance services.
12. An assurance engagement, which is the subject matter of any disciplinary proceedings before ICAI or any other judicial body, should not be reviewed.
  13. 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.
  14. In case the review exercise is likely to exceed 2 days, inform the PU as well as the Board, in advance, indicating the additional time to be taken, with reasons. However ensure that the review exercise does not exceed 72 hours.
  15. 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)
  16. An unqualified report may be issued only if there is reasonable compliance of the above.
  17. After on- site visit, issue a Preliminary Report for PU's response.
  18. PU's response to the Preliminary Report should be obtained in writing.
  19. Point out the deficiencies or non-compliances noticed during the course of review and do not give any advice/suggestions in the Preliminary Report.



20. Review findings should be discussed with the PU before finalizing the Peer Review Report (Final-clean/qualified).
21. Any objections raised by the PU must be dealt with before submitting the Peer Review Report (Final-clean/qualified) to the Board.
22. Issue the Peer Review Report (Final-clean/qualified) after discussing draft report with the Practice Unit.
23. Peer Review Report should be issued on Reviewer's personal letter-head, alongwith RE number/PU number and correct name of the PU.
24. Peer Review report should be addressed to the Board and should be dated as of the date of the conclusion of the review.
25. Peer Review Report (Final-clean/qualified) should be prepared in the prescribed format(s) as given in the Peer Review Manual.
26. Peer Review Report (Final-clean/qualified) should be clear and specific and it should also be free of any ambiguity.
27. Peer Review Report (Final-clean/qualified) may also contain suggestions.
28. Peer Review Report (Final-clean/qualified) should contain an attachment, which describes the peer review conducted including an overview and information on planning and performing the review.
29. Ensure that there is no contradiction in the information given in the Annexure to the Report and the Peer Review Report.
30. While submitting the Peer Review Report (Final-clean/qualified) to the Board, enclose Annexure I and Annexure II to the Report, copy of the questionnaire submitted by the PU, copy of Preliminary Report and PU's response thereto and the manner in which PU's representation has been dealt with.
31. Copy of the Peer Review Report (Final-clean/qualified) should also be sent to the PU, while submitting to the Board.
32. Wherever so ordered by the Board, complete the follow-on review within the stipulated time period.
33. While conducting follow-on review, cover the period subsequent to the period covered in the Qualified Final Report.
34. The follow-on report should be in the format of Final Report, accompanied by the Annexure I and Annexure II. It should contain reference to the letter from the Board, directing follow-on review.

35. The follow-on report should contain an attachment indicating how the PU has dealt with the deficiencies pointed out in the earlier review.
36. The cost of review and TA/DA wherever applicable should be charged at the rates notified by the Board, from time to time, for various Stages.
37. 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.
38. Extracts of the client's file or records examined while conducting peer review should not be carried, as a part of the working papers.

### 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 articled 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.