

STATEMENT ON PEER REVIEW (REVISED 2020)



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

Statement on Peer Review



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

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Committee/Department : Peer Review Board

Email : peerreviewboard@icai.in

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Foreword

The Peer Review Board of the Institute of Chartered Accountants of India (ICAI) was established by the Council in the year 2002, with an objective to enhance the quality of assurance services rendered by the members and to ensure adherence of various Technical, Professional and Ethical Standards by them.

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. The reviews begin with the assumption that professionals work professionally and end with an enhancement of those attributes of professionalism that serve to keep the Indian profession of Chartered Accountancy at the forefront of the accounting and auditing profession in the world. Since inception, the Peer review mechanism has gained momentum speedily and the concept of peer review for the Indian Accountancy Profession has emerged successfully and has been widely accepted.

The importance of Peer Review process is apparent from the fact that in India the Peer Review auditors have been recognised by the Regulators. The Securities & Exchange Board of India (SEBI) has made mandatory with effect from April 1, 2010 that the limited review/statutory audit reports submitted to the concerned stock exchanges by the listed entities shall be given only by those auditors who have subjected themselves to peer review process and holds a valid certificate issued by the 'Peer Review Board' of the ICAI. Further, the Comptroller & Auditor General of India (C&AG) has recognized Peer Review Board's work; as it seeks additional details from the Chartered Accountants firms about their Peer Review Status in the application form for allotment of audit for Public Sector Undertakings.

Having regard to the experience gained since issuance of Peer Review Statement and the changes that have taken place in economic and other fields, this year the PRB of ICAI undertook the task of revising the Statement. In the revision, Definitions of some terms previously used in the Statement have been modified and some new definitions have been introduced. Also the eligibility criteria of Peer Reviewers have been

revised and now Reviewers will also have to clear the empanelment test conducted by the PRB to be eligible to become a Peer Reviewer. Apart from these changes the levels of Practice Units have been re-defined. I am sure that with the revised Statement, the Peer Review Board will be able to serve the members more proficiently.

My sincere appreciation for the efforts put in by CA. Dayaniwas Sharma, Chairman, CA. Satish Kumar Gupta, Vice Chairman and other members of the Peer Review Board for completing the task of revising the Statement on Peer Review in a timely manner.

I am sure that this revised Statement on Peer Review will be immensely useful to the members and other stakeholders.

New Delhi
June 2020

CA. Atul Kumar Gupta
President

Preface

The Peer Review Board has been constituted by the Council of the Institute of Chartered Accountants of India in 2002 for enhancing the quality of attestation services and providing guidance to members to improve their performance and adhere to various statutory and other regulatory requirements. As a pro-active measure, the Institute introduced the Peer Review Mechanism, the first of its kind for any profession in India – in the year 2002 by issuing the Statement on Peer Review. The level of awareness created during the last 18 years by the Peer Review Process has indeed brought about an overall improvement in the quality of attest services rendered by our members.

The Statement provides the terms of reference of such Reviews and the roles and responsibilities of the parties concerned (i.e. the Practice Units as well as the Reviewers) and was released to meet the demands of high quality assurance, consistency and greater transparency. 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 not only details the functions of the Board, Scope of Peer Review but also lays down the eligibility of a Reviewer, Criteria for coverage of Practice Units subject to Review, Obligations of the Practice Unit/ Peer Reviewer and the Review Framework. The implementation of the scope and authority of the Statement is to be ensured both in letter and spirit in the peer Review process. The revised Edition empowers the Board to conduct Empanelment test for empanelling the peer reviewers; to fix the ceiling on number of yearly reviews to be conducted by the Reviewer. Apart from this the criteria for coverage of Practice Units subject to review and eligibility criteria for a members to be empanelled as a Peer Reviewer with the Board has been partially revised.

I wish to place on record my sincere thanks to CA. Atul Kumar Gupta, President and CA. Nihar Niranjana Jambusaria, Vice President of the Institute of Chartered Accountants of India who have been a guiding force behind the revision of this publication

I express my gratitude to CA. Satish Kumar Gupta, Vice Chairman of Peer Review Board, other Board members CA. Anuj Goyal, CA. Prakash Sharma, CA. Rajesh Sharma, CA. Anil Satyanarayan Bhandari, CA. Sushil Kumar Goyal and also all other Council Members who have contributed by giving valuable inputs in revising this Publication.

I appreciate the efforts made by CA. Nidhi Singh, Secretary Peer Review Board and her team for co-ordinating this project. I am sure that this revised Statement on Peer Review will prove to be of immense use to Practice Units and Reviewers.

Hyderabad
June 2020

CA. Dayaniwas Sharma
Chairman
Peer Review Board

Foreword to the First Edition

If there is one aspect of his life that makes every professional proud it is that he is forever ready to show the quality of his work to the world. Professionalism relies heavily on the professionals following the methods and rules laid down for them. This is not a regulatory matter, rather, it is one of the creeds that professionals live by. And the world at large has to be continually satisfied that this creed is embedded and entrenched in everything that professionals do.

It is in explicit recognition of this aspect of professionalism that the Council of the Institute of Chartered Accountants of India decided, in 1998, that a system of review of the work of professionals must be introduced. The Council opined that such reviews would serve to further bolster the confidence of the society at large in the quality of work of Chartered Accountants in India. Following these views of the Council, the Institute thereafter devoted itself to further developing the concept and preparing a framework for such reviews.

The Council, in adopting this Statement on Peer Review, in this year of 2002, has very clearly expressed its view that reviews are for the purpose of enhancing quality of professional work, and they have no relationship whatsoever with any disciplinary or any other regulatory mechanism. The reviews begin with the assumption that professionals work professionally, and end with an enhancement of those attributes of professionalism that serve to keep the profession of chartered accountancy in India in the forefront of the accounting and auditing profession in the world.

Gratitude is owed to Mr. Vinod Jain, FCA, who first steered the whole concept of Peer Review in 1998 as Chairman of the Professional Development Committee, and to Mr. S.L. Daga, FCA, Chairman of the Professional Development Committee during 2001, and Mr. Pankaj I. Jain, the current Chairman of that Committee, whose energetic pursuance of the objectives has resulted in this Statement being brought out in its present format, as also, of course, to the various members of that committee during the named years. It is primarily due to their efforts that this Statement is now being published as a clear expression of the direction that the Council wants the profession to take in the future.

I would also like to thank Dr. B. Chakravarty, Director (CPE) and Secretary PDC and other officer and staff who have made this Statement an exemplary expression of excellent Staff work.

New Delhi
30th March, 2002

Ashok Chandak
President

Preface to the First Edition

As professionals, our lives are bound by our creed- a creed that defines our approach, our methods, our values, and our relationships with our clients for the different kinds of engagement that we take up. Naturally, given the enormous amount of changes that pervade the business world- a word with which we as professionals are in very close interaction-it behoves us also as responsible persons, to upgrade our skills, to devise appropriate systems of work, and to apply methods that ultimately result in value addition to our clients. This way of looking at professional's life not only increases our own standards of performance but also continuously reinforces the credibility of our profession in the eyes of the society at large.

In this kind of career environment, we are our own teachers. But since that is a very limited expression as far as potential for standards enhancement is concerned (since knowledge grows exponentially with interactions), the Institute of Chartered Accountants of India has decided to aid professional firms in their quest for enhancement of quality of work through the implementation of the system of peer review which this Statement embodies. The Council has been debating upon it for some time and has now adopted the statement as it appears here.

The major thrust of the Statement, apart from its insistence on quality and distantiation from regulatory aspects of the profession, lies in the very concept of firms being reviewed by their peers. Clearly, such reviews will not only bring about a change in set ways of professional working, they will also increase interactions between firms in order to adopt best practices in the different areas of professional work that firms engage in.

We hope that the membership at large will welcome this very progressive step taken by the Council and will respond to this initiative in the ways that it deserves to be.

I am grateful to the members of the committee who has unhesitatingly and unstintingly provided their time and efforts in bringing out this Statement. My very special thanks are due to Mr Vinod Jain, FCA and Mr S L Daga, FCA, past Chairmen of this Committee who pioneered the matter and left

me with little to do except to capitalise on their wisdom which was their legacy to me and my committee members.

I am also thankful to Dr. B Chakravarty, Director and Secretary PDC, Mrs Seema Gerotra, Mr T. Paramasivan, Mr Mohit Baijal and other officers and staff of the secretariat of the Professional Development Committee who have put in excellent staff work to aid the committee in its endeavours.

Mumbai
28th March 2002

Pankaj I. Jain
Chairman
Professional Development Committee

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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

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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.

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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

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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.icai.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 1st 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.

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- (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.

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- (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

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- (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 -

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- (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

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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 Cores 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 -

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- (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

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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.

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- (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.

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(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.

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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

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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:

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- (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 Certificate¹

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

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

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

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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

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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: