

Peer Review Guidelines 2022

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Peer Review Guidelines 2022

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Peer Review Board Introduction



Introduction

History of Peer Review

- ICAI conceptualised the system of review of the work of professionals in 1998 even before the Chairman of Securities Exchange Commission stressed the need for reform of the regulation of accounting profession.
- The Peer Review Mechanism was introduced by the Council of the ICAI in March 2002 under the guidance of Sh. Sunil Bhargava (nominated member of the Government on the Council), the first Chairman of PRB and Sh. T.N. Manoharan (Vice Chairman).
- The scope and recognition of the Peer Review has widened over the period when SEBI has mandated for practice units to get themselves peer reviewed for undertaking the Assurance assignments of any listed company.



Peer Review – Mandate



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

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



Council Mandate – Peer Review Roll Out

Phase	Category of firms covered for Mandatory Peer Review	Date of Mandate
I	Practice Units which propose to undertake Statutory Audit of enterprises whose equity or debt securities are listed in India or abroad as defined under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: For these Practice Units, there is a pre-requisite of having Peer Review Certificate.	1 st April 2022
II	<p>Practice Units which propose to undertake Statutory Audit of unlisted public companies having <u>paid-up capital of not less than rupees five hundred crores or having annual turnover of not less than rupees one thousand crores or having, in aggregate, outstanding loans, debentures and deposits of not less than rupees five hundred crores as on the 31st March of immediately preceding financial year:</u></p> <p>OR</p> <p>Practice Units <u>rendering attestation services and having 5 or more partners:</u></p> <p>For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit.</p>	1 st April 2023 Now Updated to 90 days from 1 April, 2024



Council Mandate – Peer Review Roll Out

Phase	Category of firms covered for Mandatory Peer Review	Date of Mandate
III	<p>Practice Units which propose to undertake the Statutory Audit of entities which have <u>raised funds from public or banks or financial institutions of over Fifty Crores rupees during the period under review or of anybody corporate including trusts which are covered under public interest entities</u> :</p> <p>OR</p> <p>Practice Units rendering attestation services and <u>having 4 or more partners</u>:</p> <p>For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit.</p>	<p>1st April 2024</p> <p>Extended to 31 December 2024</p>
IV	<p>Practice Units which propose to <u>undertake audits of branches of Public Sector banks</u> :</p> <p>OR</p> <p>Practice Units rendering attestation services and <u>having 3 or more partners</u>:</p> <p>For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit.</p>	<p>1st April 2025</p>



Peer Review Guidelines 2022



Peer Review Guidelines, 2022

- The Chartered Accountants Act, 1949, as amended vide Notification dated 18th April, 2022 through the Chartered Accountants, The Cost And Works Accountants and The Company Secretaries (Amendment) Act, 2022
- Section 15 (2) of the Principal Act (i.e. The Chartered Accountants Act, 1949) , has been amended to insert the following sub- clause :
“ (fa) : to issue Guidelines for the purpose of carrying out the objects of this Act”
- Provisions of Section 15(2)(fa) came into force w.e.f. May 10, 2022 vide MCA Notification dated May 10, 2022



Peer Review Guidelines, 2022

Salient features



Salient features of Peer Review Guidelines

- **Concept of New Units** –has been introduced to cover Firms (referred to as Practice Units) in existence for less than 12 months immediately preceding the date of receipt of application of Peer Review or firms which are in existence for more than 12 months but not rendering any assurance services.
- **Validity of Peer Review Certificate** – The validity of Peer Review Certificate shall be 3 years or such other period as may be decided by the Board. Prior to the Guidelines coming into force, the validity was 3 or 4 years depending on the level of Practice Units.
- **Level of the Practice Units** – The concept of categorisation of Practice Units into LI and LII has been done away with. The Peer Review Guidelines, 2022 do not provide any such categorisation.

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Salient features of Peer Review Guidelines

- **Review Period** – Total Review Period has been reduced to 20 days from earlier period of 45 days. Practice Unit and Reviewers can jointly apply for Extension of review period in Form 7.
- **Acceptance cum Declaration of Confidentiality** – Reviewer has to submit Declaration of confidentiality to the Practice Unit instead of Board.
- **Branch Peer Review** – Practice Unit may opt for Peer Review of the Branch by a separate Reviewer. The Board has provided option to get the branch review done by a separate Peer Reviewer at point no. 2 of Questionnaire Part A.
- **Reviewer Selection** –Option to make a choice of Reviewer from Same City or from outside city is now provided to the Practice Unit. The PU has to however bear the Travel cost of the reviewer.

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Salient features of Peer Review Guidelines

- **Audit Quality Maturity Model:** AQMM is mandatorily applicable w.e.f. 1st April 2023 for firms conducting statutory audit of (i) a listed entity or (ii) Banks other than co-operative banks (except multi-state co-operative banks) or (iii) Insurance Companies. Firms doing only branch audits are not covered. The Board has introduced Part C to the Application cum Questionnaire for self-evaluation by Practice Units using AQMM v 1.0 so that AQMM review for such Practice Units may be conducted.
- **Reviewer's Fees** – The Board has now provided recommendatory scale of Peer Review fees which is exclusive of TA/ DA. Further, the Board has prescribed higher Peer Review Fees for Reviewers doing Peer Review of Practice Units having listed entity clients.
- **Forms-** Board has introduced 10 Forms in Peer Review Guidelines, 2022 to smoothen the process.



Peer Review Guidelines
2022
CHAPTERS



PRG, 2022 – Chapter I

Preliminary

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



PRG, 2022 – Chapter II

Peer Review

Peer Review and its objective

- Peer Review process is
 - based on the principle of systematic monitoring of the procedures adopted and records maintained while carrying out audit & assurance services
 - 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 main objective of Peer Review–
 - (a) compliance with Technical, Professional and Ethical Standards as applicable including other regulatory requirements thereto and
 - (b) having in place proper systems including documentation thereof, to amply demonstrate the quality of the assurance services

Cont...



PRG, 2022 – Chapter II

Peer Review

- **Criteria of Peer Review**
 - **Mandatory** : As decided by the Council
 - **Voluntary** : Suo Motto
 - **Special case** : By Regulator or information received from Secretary, ICAI or DC
 - **New Unit** : Firms in existence for less than 12 months may also apply for Peer Review
 - **As Prescribed by the Board**
- **Procedure for initiating Peer Review**
 - On Receipt of Form 1 by the Board , Board shall recommend a panel of 3 reviewer to the PU
 - PU to select 1 name and inform the Board
 - Board to intimate the reviewer about his appointment; sending Declaration in Form 2 to the PU for acceptance

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PRG, 2022 – Chapter II

Peer Review

- **Peer Review Procedure to be followed by the Peer Reviewer**
 - On receipt of Form 1 from PU , reviewer to intimate date of visit and proposed list of sample in Form 5 to the PU
 - In case any additional information is required, reviewer may issue Form 6 to the PU
 - Reviewer to conduct On-site Review
 - A combination of Compliance and substantive approach to be adopted by the Reviewer
- **Reporting by the Peer Reviewer**
 - Final Peer Review Report to be supported by following documents:
 - Form 9
 - Annexure I ; II &
 - Annexure III (if applicable)
 - List of samples selected by the reviewer
 - Preliminary report , if issued along with PU response and reviewers satisfaction on the same

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PRG, 2022 – Chapter II

Peer Review

- **Fees for Peer Review**
 - Minimum fee recommended by the Board
 - Based on average gross receipt from assurance services during the Review period
 - To be paid by PU to Reviewer within 7 days of receipt of invoice
 - Board reserves the right to withhold the Peer Review certificate for non payment of fees
- **Issuance of Peer Review Certificate**
 - Report considered by the Board or its Sub Committee
 - Peer Review Certificate issued in case of clean report
 - In case of qualified report, “ follow on” review recommended by the Board after 1 year or six months as the case may be
- **Validity of Peer Review Certificate**
 - Certificate to be issued with a validity of 3 years or such period as the Board may decide



PRG, 2022 – Chapter III

Peer Review Board

- **Meetings of Peer Review Board**
 - Governed by Chartered Accountants Regulation , 1988
- **Some important Functions of the Board**
 - To call information / records from Practice Units / Reviewers
 - To arrange orientation and periodic training programmes and to conduct empanelment tests
 - To register / remove Peer Reviewers and maintain a panel
 - To fix the ceiling on number of yearly reviews to be conducted by the Reviewer
 - To revoke or suspend Peer Review Certificate
 - To reject any incomplete application, document or form
 - To review the work performed by a Reviewer
 - To issue such advisory to the Practice Unit / Reviewer as may be considered appropriate



PRG, 2022 – Chapter IV

Administration

- **Secretariat**

An independent Peer Review Secretariat which shall also be bound by the same terms and conditions of confidentiality as the Board members.

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

- To work under the guidance of Chairman
- To receive, scrutinise Forms/ reports/ other documents received from PU/ Reviewers and members
- Maintaining list of empanelled Reviewers; Peer Reviewed PU/ Minutes and other records
- To grant Peer Review as well as empanelment certificates



PRG, 2022 – Chapter V

Practice Units

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



PRG, 2022 – Chapter VI

Peer Reviewer

- **Eligibility to be a Peer Reviewer**

- Member having at least 7 years experience in Assurance practice **OR**

- At least 10 years experience in employment and 3 years in Assurance Practice

- Member should be currently in practice

- **Training and Test for Peer Reviewers**

- A Peer Reviewer should have:

- undergone the training imparted by the Board

- pass the test for Peer Review conducted by the Board.

- A reviewer once empanelled shall remain in the panel for three years from the date of Peer Review test

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PRG, 2022 – Chapter VI

Peer Reviewer

- **Obligations of the Peer Reviewer**

- Shall comply with the provisions of the Guidelines
- The Peer Reviewer shall not take any extracts of the Practice Units' clients' files or records made available to him while conducting Peer Review
- Shall complete the Review within the prescribed time frame unless extended in concurrence with the Practice Unit
- Shall document all his working papers and submit a copy of his working papers to the Board, if so directed by the Board. The Board can so direct within eighteen months of submission of the Peer Review Report.
- In case of non-compliance of any guideline, the Board is empowered to initiate appropriate action as per law.
- May take assistance of a qualified assistant bound by the same obligations as applicable to Reviewer



PRG, 2022 – Chapter VII

Miscellaneous

- **Confidentiality**

Strict confidentiality shall be maintained by all those involved in the Peer Review process, namely, Reviewers, members of the Board, Peer Review Secretariat, qualified assistants and the Practice Unit.

- **Power to remove difficulties**

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



Peer Review Guidelines, 2022

Forms



PRG, 2022 – Forms

Forms under Peer Review Guidelines, 2022

PRG, 2022 has Prescribed 10 Forms

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



PRG, 2022 – Forms

Forms under Peer Review Guidelines, 2022

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

PRG, 2022 – Forms

Forms under Peer Review Guidelines, 2022

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



PRG, 2022 – Forms

Forms under Peer Review Guidelines, 2022

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



PRG, 2022 – Forms

Forms under Peer Review Guidelines, 2022

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



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THANK YOU

