

One day training program for PEER REVIEWERS –by PEER REVIEW BOARD of ICAI, Hosted by NAGPUR BRANCH

- ▶ Subject–
- ▶ **RATIONALE & SIGNIFICANCE OF PEER REVIEW**
- ▶ **Date-20/05/2025-at BRANCH ,NAGPUR**
- ▶ Speaker– CA.RAMLAXMAN R. NOLAKHA–9322140998 rlnolakha22@yahoo.com
- ▶ Disclaimer– ppt for speaker's reference only–refer ICAI website for correctness,

ICAI Emblem...



- ▶ ICAI Emblem with “GARUDA” in centre “.....ya esa supteshu jagarti..” symbolizes qualities of “GARUDA” and CA. being fearless, decisive, strong, innovative and ability to face challenges.

ICAI VISION 2030

1–World,s leading
Accounting body

2–A regulator and developer of
trusted and independent
professionals

With 3–WORLD CLASS COMPETANCIES in
Accounting , Assurances, Taxation, Finance
and Business advisory services.

How world class competencies?

- Holistic education.
- Effective practical training.
- Continuous professional development.

Ensure that the knowledge base of the profession keeps pace with emerging global practices and innovations.

WE in numbers–ICAI website visited on 16/05/2025 and refer july 2024 ICAI journal

- ▶ Students as on 01/05/2025 1056260
- ▶ Members as on 01/05/2025 505385
- ▶ UDIN,s generated crossed– 8 cr.
- ▶ Practicing members as on 01/05/2025 155654
- ▶ Generally Every third member is women CA.
- ▶ Number of PR certificates issued in 2004–22
- ▶ Number of PR certificates issued in 2023–1327
- ▶ Number of PU having certificate june 2024–4415 and as on 16/05/2025 6705
- ▶ Trained Peer reviewer as june 2024–3251
- ▶ Though total membership increased but practicing members numbers not much variation,

Editorial Board ICAI–October 2024

- ▶ The Chartered Accountancy profession has been at the forefront of promoting and protecting the Public interest.
- ▶ The profession has always proactively worked with various government and business entities as trusted advisors. By upholding ethical principles and demonstrating leadership, the profession creates value for the greater good.....
- ▶ while safeguarding economic stability and public trust through adherence to legal and moral boundaries.

ICAI president writes–

- ▶ ...We promote professional excellence by fostering a culture of life long learning amongst members and students, cultivating responsible citizen's through a holistic education and skill development that nurtures talent and uphold the principles of excellence , independence and integrity.

CA,s are.....source– ICAI President

- ▶ Chartered Accountants are unsung hero's and leaders in India's journey towards economic development,
- ▶ CA,s are key to facilitate International collaboration.....CA,s are laying a strong foundation for financial growth and contributing to India's emergence as a Global economic leader,

CA's in the eyes of National leaders–

- ▶ “.....CA,s are uniquely positioned as important pillars in the economic growth of the nation. CA,s in Bharat have the highest ethical quotient and the signature of CA. is unrivalled brand, you are the soldiers in incremental growth trajectory of the country.”
- ▶ ...”It is commendable that the Chartered Accountants of India takes pride in its steadfast dedication to excellence and integrity.”

Core elements of Professional Ethics–

- ▶ Integrity,
- ▶ Objectivity,
- ▶ Confidentiality,
- ▶ Professional behavior,
- ▶ Professional Competence and due care,



Meanings...

- ▶ Rationale= a noun that means the basic or underlying,
- ▶ Significance= value, materiality, seriousness, importance,
- ▶ Peer=equal or similar standing with another,
- ▶ Review=survey, to go through, report with or without observations, retrospective evaluation or re examinations of subject matter with certain criteria's,

Continued–

- ▶ PEER REVIEW BOARD– established in 2002, non standing committee of ICAI for overall conduction, supervision of peer review process in accordance with PR guidelines,
- ▶ PRACTICE UNIT– assurance firm registered with ICAI seeking to be reviewed,
- ▶ REVIEWER– registered member duly passed training, test and assigned to carry review when selected in accordance of PR guidelines,

PEER REVIEW GUIDELINES 2022

- ▶ Clause 2–definitions
- ▶ clause 3–objective,
- ▶ Clause 4–coverage,
- ▶ clause 5–criteria,
- ▶ clause 6–procedure for initiating PR,
- ▶ clause 7 PR procedures to be followed by PR, clause 8–new unit review,
- ▶ clause 9–reporting by PR,
- ▶ clause 10–communication ,
- ▶ clause 11–Joint intimation for extension,
- ▶ clause 12–fee
- ▶ Appendix–applications,Forms and questionnaires etc,

PEER REVIEW – in the context of CA. profession,

- ▶ Review starts with objective to determine if system and procedures are designed and put into place, (refer SQC1 and other standards,)
- ▶ It's quality control process,
- ▶ Through out the world concept of peer review inter alia is being used by all accounting bodies as a tool for enhancing the quality of services being rendered by professional accountants, ICAI too established system of PR to be at par with others,

Main objective of PR—as per web..

- ▶ Main objective of PEER REVIEW is to ensure that in carrying out the assurance service assignments the members of institute---
- ▶ *A-comply TPE as applicable including other regulatory requirements,*
- ▶ *B-have in place proper system including documentation there of to,*
- ▶ *C-amply demonstrate the quality of assurance services,*

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- ▶ Peer review in India is governed by ICAI's non standing committee Peer Review Board established in 2002.
- ▶ Options for review–Mandatory, Voluntary, Special case, New Unit, Decision of Board,

- ▶ 1–Mandatory– as mandated by council time to time,
- ▶ 2–Voluntary– any PU may sui motto apply,
- ▶ 3–Special case–Board on specific information received from Secretary, disciplinary directorate, regulators, or in opinion of board require special review,
- ▶ 4–New units as per PR guidelines clause 5,

PEER REVIEW RECOGNISED BY REGULATORS–

- ▶ 1– SEBI–wef. 01/04/2010, limited review/SA reports to be given only by those auditors who have subjected to PR process and holds valid certificate issued by PRB,
- ▶ 2–C&AG– has recognized peer review board work and decided to allocate substantial points to reviewed firms for allotments,
- ▶ 3– PRB announcements for mandatory reviews in phased manner–phase IV dated....
- ▶ 4– CAQ directorate announcements for firm's auditing listed entities, banks etc. wef. 01/04/2023 AQMM scores to review by reviewer,

Announcement dated 22/01/2025, deferment of phase III and IV of peer review mandate

| phase | Category of PU covered | PR mandatory date |
|-------|--|-------------------|
| III | <p>PU,s which proposes to undertake SA of entities which have raised funds from public or banks or FI,s of over 50 crores rupees during the period under review or of any body corporate including trusts which are covered under PIE : for these PU there is a prerequisite of having PR certificate</p> <p>OR</p> <p>PU,s rendering attestation services and having 4 or more partners: for these PU, there is prerequisites of having PR certificate before accepting SA.</p> | 01/07/2025 |
| | | |
| | | |

PR MANDATE CONTINUED PHASE IV

| phase | Category of PU | Mandatory date |
|-------|---|----------------|
| IV | <p>PU,s which proposes to undertake audits of branches of PSB: for these PU,s there is prerequisites of having PR certificate</p> <p>OR</p> <p>PU,s rendering attestation services and having 3 or more partners: for these PU,s there is a prerequisites of having PR certificate before accepting ANY SA,</p> | 01/01/2026 |
| | | |

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- ▶ Significant objective is to identify deficiencies ? -----No,
- ▶ but to improve quality of services ,identify weakness that are pervasive and chronic in nature, where practice unit may require guidance,
- ▶ Review by independent CA. professional called reviewer and on panel,
- ▶ System and procedures in place reviewed through enquiries with personnels, supported by documentations in place,

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- ▶ Review covers standards on quality control– SQC1 and other standards procedures put into system but also various elements of audit, assurance, documentations, infrastructures, human resources, trainings, digital competency and overall firm's operations, profile and workings for betterment,(AQMM)
- ▶ It's proactive pursuit to upgrade and maintain standards of auditing and assurance quality,

Important clause – Peer Review Guidelines 2022

Chapter II : Clause 4 – Coverage of Peer Review

- (1) The Peer Review process shall apply to *all the assurance engagements signed* by a Practice Unit during the period under review.
- (2) Once a Practice Unit is subjected to Peer Review, its assurance engagement records pertaining to the Peer Review Period shall be subject to examination and review by the Peer Reviewer.
- (3) A Practice Unit having one or more branches at various locations in India may opt to get the Peer Review of any branch or branches conducted by a Branch Peer Reviewer. The Reviewer conducting the Peer Review of the Head Office shall consider the report of the Branch Peer Reviewer and shall issue a consolidated report for the Practice Unit.
- (4) **The Peer 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) Self evaluation under Audit Quality Maturity Model or any other guideline issued by the Centre for Audit Quality.
 - (v) Training programmes for staff (including article and audit assistants) concerned with assurance functions, including availability of appropriate infrastructure.
 - (vi) Compliance with directions and / or guidelines issued by the Council to its Members, including fees to be charged, number of audits undertaken, register for Assurance Engagements conducted during the year and such other related records.

Other basic points from PR guidelines...

- ▶ Obligations of PU and RE provided in guidelines of Peer review –also follow advisories as per PR manual,
- ▶ Training , test passing compulsory for panel reviewer along with 7/10 years experience as provided ,
- ▶ Peer review certificate to PU granted for 3 years validity,
- ▶ Minimum fee scale provided for reviewer fee, TA/DA payable on mutual agreement.
- ▶ PU Client's records and visit to clients not allowed,

Continued ...

- ▶ Minimum 18 months retention of working papers compulsory for reviewers from date of report,
- ▶ Assistance CA is also under same obligation as reviewer,
- ▶ Reviewer in eligibility for Peer review specified,
- ▶ New units PU provisional certificates rules provided,
- ▶ Branches peer review can be carried by separate branch reviewer,
- ▶ All communications through email allowed, all publications and support by PRB for PU and RE,

AUDIT QUALITY MATURITY MODEL v1.0 and v2.0 source ICAI publication.

Disclaimer=ICAI may not necessarily subscribe
to the views expressed by the author of this
session.

COVERAGE WEF Period..

- ▶ PU submitting application in form 1 on or after 01/04/2025 will be covered (i.e. 01/04/2022 to 31/03/2025) assurances signed,
- ▶ PU can adopt AQMM v 2.0 earlier too.
- ▶ AQMM v 1.0/rev 1.0 mandatory applicable w.e.f. 1st april 2023 for practice units conducting audit of specified entities.

- ▶ AQMM applicability
- ▶ The AQMM v1.0 has been made mandatory w.e.f. april 1, 2023 to the firm's auditing following entities
 - ▶ (a) listed entity or
 - ▶ (b) banks other than cooperative banks(except multi state cooperative banks) or
 - ▶ (c) insurance companies
- ▶ However firms doing only branch audits are not covered,
- ▶ Level obtained by reviewer is recorded on website of ICAI against validity of firm's peer review list

General instructions–continued

- ▶ Report in annexure III duly awarded scores by both PU and reviewer alongside explanation for difference,
- ▶ Level of firm AQMM assigned by reviewer based on rating is also to be inserted in the final report,

Announcement by Centre for audit quality of ICAI-22/08/2024

- ▶ The AQMM v1.0/rev1.0 has been made mandatory wef. april 1,2023 to the firm's auditing the following entities–next slide,
- ▶ There is no change regarding applicability of AQMM v2.0 therefore AQMM v2.0 is also mandatory for firm's auditing the aforesaid entities. WEF. 01/04/2025

Suggested publications of ICAI for AQMM v1.0, v2.0

- ▶ Implementation Guide for Audit quality maturity model v1.0, v1.0,
- ▶ Guidance for reviewers on AQMM model v1.0 page 100 to 136 peer review manual volume II
- ▶ Hand book on peer review forms– page 79 to 107 – v1.0
- ▶ Audit quality maturity model v2.0–august 2024 edition, IG for v2.0,ppt,

SCORING PATTERN–AQMM v1.0

| SECTION | REFERENCE | MAXIMUM SCORE | % |
|---------|--|---------------|--------|
| 1 | Practice Management– Operations | 280 | 46.67 |
| 2 | Human Resources Management | 240 | 40.00 |
| 3 | Practice Management Strategic /Functional | 80 | 13.33 |
| | TOTAL | 600 | 100.00 |

OVERALL Scores of the PU, v1.0

| Scores received | Level | Narrative |
|-------------------------------|--------------|--|
| Up to 25% in each section | Level 1 firm | Indicates that firm is very nascent–will have to take immediate steps to upgrade its competency or will be left lagging behind |
| 25% to 50% in each section | Level 2 firm | Indicates firm has made some progress will have to fine tune further to reach the next level of competency |
| 50% to 75% in each section | Level 3 firm | Indicates firm has made substantial progress will have to fine tune further to reach the highest level of competency |
| 75% and above in each section | Level 4 firm | Indicates that firm has made significant adoption of standards and procedures should focus on optimising further. |
| | Note– | If firm has different scoring in different sections then the one with the lowest score is to be considered for the purposes of overall ranking of the firm.–ref. hand book |

Small and medium firms.....V2.0

- ▶ *In v2.0 more weightage given to checklists, formats, and templates related to assurance function which will assist large number of small firms and medium firms to enhance the audit quality levels.(out of 370 maximum scores up to 230 is marked for checklist and templates under section 1)*

V2.0 HAS 3 SECTIONS

- 
- ▶ 1–Practice Management Assurance
 - ▶ 2–Human Resource Management
 - ▶ 3–Digital Competency

Scoring Pattern i.e. maximum score that can be granted to a Firm

| | |
|---------------------------------------|--|
| 1-Practice management Assurance | Maximum scores 370 61.67% of total |
| 2-Human Resources Management | Maximum scores 150 25.00% of total |
| 3-Digital Competency | Maximum scores 80 13.33% of total |

SCORING PATTERN –maximum scores that can be granted–v2.0

| SECTION | HEADS | MAXIMUM SCORES | % OF TOTAL SCORES | 30% MINIMUM SCORES |
|---------|---|----------------|-------------------|--------------------|
| 1 | PRACTICE MANAGEMENT (280 in v.1) | 370 | 61.67 | 111 |
| 2 | HUMAN RESOURCES MANAGEMENT (240 in v.1) | 150 | 25.00 | 45 |
| 3 | DIGITAL COMPETENCY (80 in v.1–head practice management functional) | 80 | 13.33 | 24 |
| TOTAL | | 600 | 100 | 180 |

Minimum %age under each section to become eligible for level...v.2.

| Section | Maximum scores possible | Minimum scores required | Minimum % age |
|---|-------------------------|-------------------------|---------------|
| 1 | 370 | 111 | 30 |
| 2 | 150 | 45 | 30 |
| 3 | 80 | 24 | 30 |
| Note–each section 30% minimum required to become eligible for level to be assigned, | | | |

FIRM,S MATURITY LEVEL and interpretations v2.0

| Firms maturity level–greater than | Firms, maturity level less than | Level to assign | Ranking judgment |
|-----------------------------------|---------------------------------|-----------------|---|
| 30% or equal to 30% | Less than 50 % | I | Firm is very nascent take steps to upgrade |
| 50% or equal to 50 % | Less than 70% | II | Some progress will have to fine tune |
| 70% or equal to 70% | Less than 85% | III | Firm is in substantial progress |
| 85% or equal to | Less than 100% | IV | Firm is in significant adoption of standard and procedures should focus on optimizing further |
| Note– | | | Level I to IV is in lower ranking to high rankings |

General instructions for Scoring– source–PRM Vol. 2 ,v1.0 page 100

- ▶ Scoring is either full or zero, in quantitative terms,
- ▶ If firm has implemented something then it has to get marks, implementation has to be in full and not partial,
- ▶ The PR can make qualitative recommendations for improvements for the benefit of the PU in his report as a separate annexure to PRB and PU,
- ▶ I.G. to refer for more clarity,
- ▶ PR IS REQUIRED TO GO THROUGH THE ENTIRE AQMM QUESTIONNAIRE AND SCORE IN TOTALITY AND TEST CHECKS IS NOT RECOMMENDED,

PEER REVIEW–What not ?

- ▶ It's not audit, assurance or certification,
- ▶ It's not fault finding,
- ▶ It's not internal audit,
- ▶ It's not generating UDIN,
- ▶ It's not obtaining papers from clients,
- ▶ It's not review for unlimited years,
- ▶ It's not a certificate/report that all is well but have limitations,
- ▶ It's not mere enquiries but also inspection, observations, examinations,
- ▶

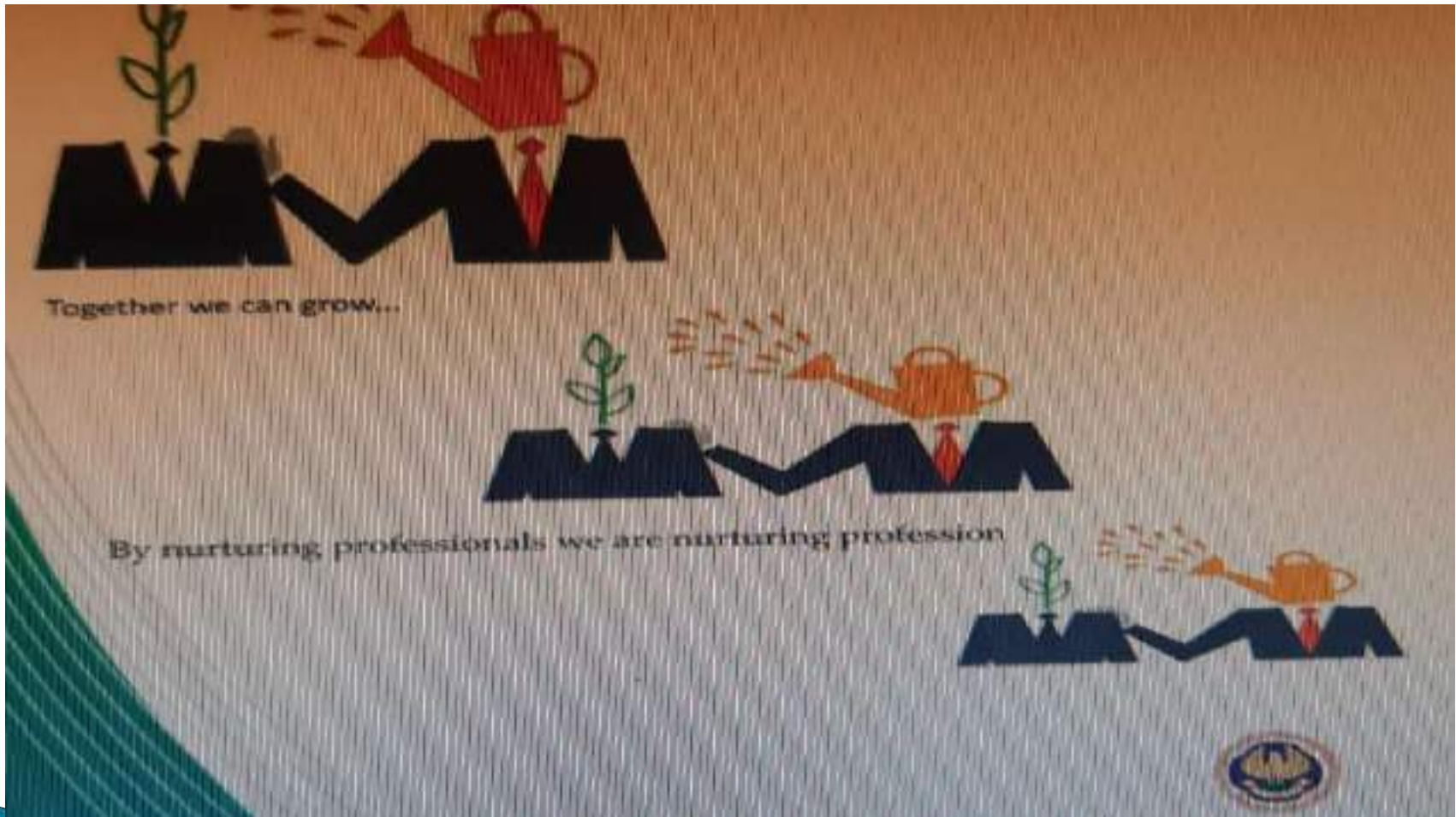
PEER REVIEW –what not continued–

- ▶ It's not investigation,
- ▶ It's not for degrading but enhancing and upgrading system and procedures,
- ▶ It's not full review of assurances but based on samples selected representing population,
- ▶ It's not carried by outsider, but by individual CA. Peer only on panel,
- ▶ It's not one way but two way communication with mutual cooperation,

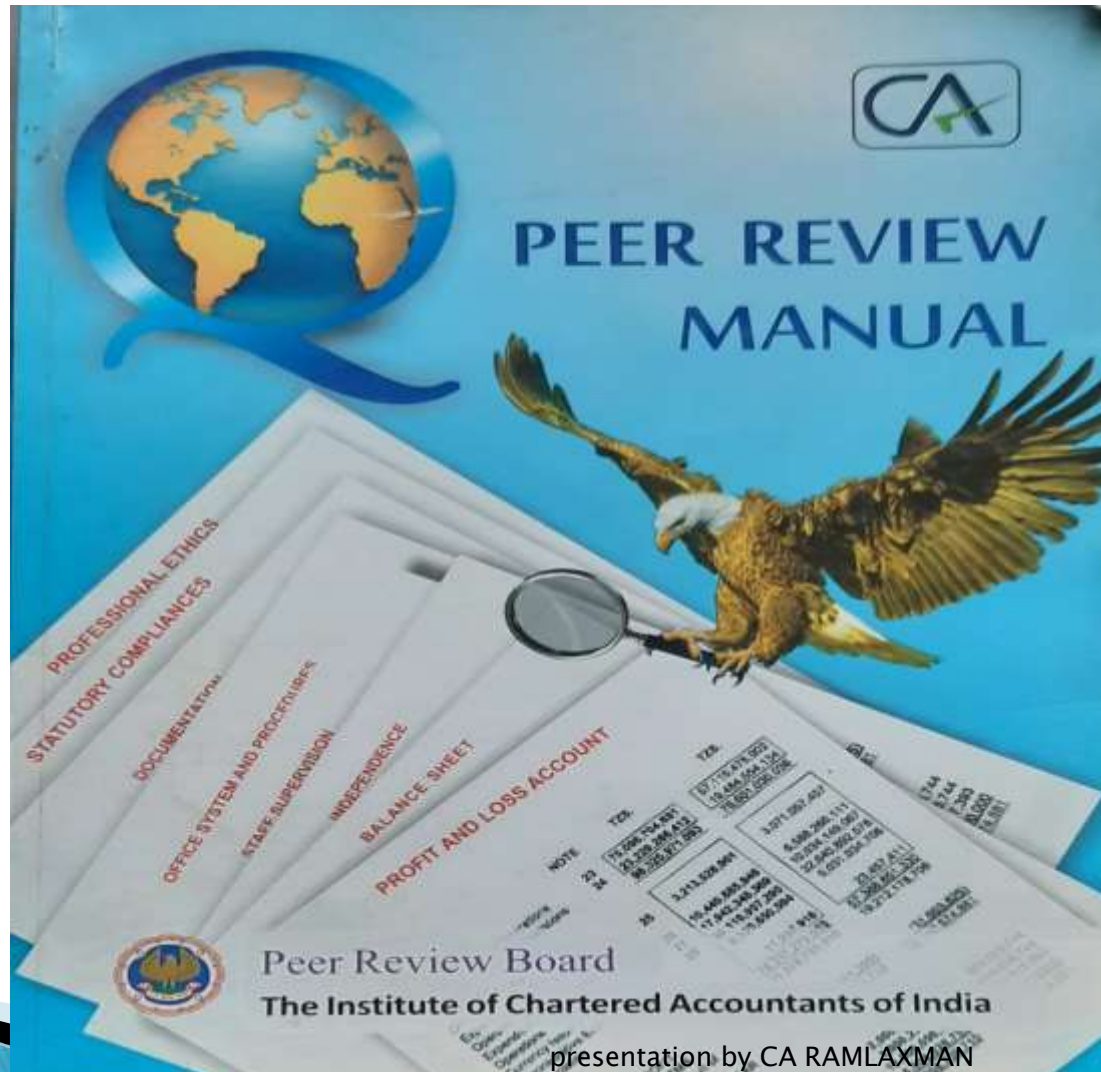
SIGNIFICANCE FROM THE VIEW OF..

- ▶ ICAI
- ▶ STAKE HOLDERS
- ▶ PRACTICE UNITS
- ▶ REVIEWER,S
- ▶ REGULATORY AUTHORITIES
- ▶ VARIOUS GOVERNING RULES AND ACTS,
- ▶ INTERNATIONAL PROFESSIONAL BODIES
- ▶ NATION AS WHOLE
- ▶ CA FRATENITY

TOGETHER WE CAN GROW....



'GARUDA' – our strength – (source – old edition of manual.)



presentation by CA RAMLAXMAN
NOLAKHA 9322140998

QUIZ-RUN UP.....



presentation by CA RAMLAXMAN
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QUIZ– REVISION–

| Quiz no | question | Answer option | |
|---------|--|--|--|
| 1 | PRB was established in year | A–2020 B– 2002 | |
| 2 | PRB is non standing committee of ICAI | A–yes B–no | |
| 3 | Peer review is voluntary for all types of PU,s | A–true B–false | |
| 4 | Peer review report need to generate UDIN | A– since it is not assurances so– not required B– it,s necessary to generate UDIN with in 60 days | |
| 5 | Fault finding is significant objective of PR | A– yes its core motto of PR, B– review of System of quality control and procedures | |

Quiz-continued

| Quiz number | Quiz- | Answer-options | |
|-------------|--|---|--|
| 6 | As of now PR guidelines 2022 in operation | A- no its 2020 statement B- no such guidelines issued C- yes as per committee website | |
| 7 | Review covers technical, professional but not ethical standards | A- false B- true | |
| 8 | Review need not also focus on training and office administration | A- true B-false C-partly true | |
| | | | |
| | | presentation by CA RAMLAXMAN NOLAKHA 9322140998 | |

Quiz-continued

| Quiz no. | Quiz- | Answer option | |
|----------|--|---|--|
| 9 | As per latest mandate PR annoucement-3 or more partners firm to get reviewed w.e.f. 01/01/2026 | A- true B- false C- no such announcement D- will let you know later | |
| 10 | Key objective of PR is to identify isolated cases of engagement failures but not to identify weaknesses that are pervasive and chronic in nature | A- totally false B- totally true C- refer PR guidelines 2020 D- will update after today,s training | |
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| | | | |
| | | | |

Thanks WIRC NAGPUR BRANCH-PRB-ICAI for
opportunity
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