

# STATEMENT ON PEER REVIEW



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

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Email : [peerreviewboard@icai.org](mailto:peerreviewboard@icai.org)

Website : [www.icai.org](http://www.icai.org)

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## Foreword

The peer review mechanism introduced by the Council of the Institute, with setting up of the Peer Review Board in March, 2002 is progressing satisfactorily with the objective of providing guidance to its members and to maintain as well as enhance the quality of attestation functions. Peer Review Board with a modest start has achieved some impressive statistics which shows that the concept of Peer Review has been well understood amongst the fraternity. Practice Units where final Peer Review reports have been received have been issued the Peer Review Certificates, in terms of the Statement on Peer Review. There are instances also where the Reviewers have noticed deficiencies during the course of review and sent Qualified Reports. Follow on review has also been directed in all such cases.

The Peer Review Board's mandate does not include setting any new standards, guidance notes, opinions, statements, procedures etc. However, peer review entails a review of attestation engagement records and related financial and other statements to ascertain that the Practice Unit is adhering to Technical Standards already issued by the institute. Where a practice unit is not following Technical Standards already in certain situations, suggestions and recommendations for improvement may be made, and possibly followed by further review, in keeping with the primary thrust of peer review.

The Securities and Exchange Board of India (SEBI) vide its circular dated April, 5, 2010 has made mandatory with effect from April 1, 2010 for the listed entities, limited review/statutory audit reports submitted to the concerned stock exchanges shall be given only by those auditors who have subjected themselves to Peer Review process and hold a valid certificates issued by the 'Peer Review Board' of the Institute.

I would like to place on records, on behalf of council, my deep appreciation for the efforts put in by the Chairman of the Board, CA. Pankaj I Jain, together with all members and his team of officers assisting the Board in bringing out this Revised Statement on Peer Review.

New Delhi  
8, December 2011

**CA G Ramaswamy**  
President



## Preface

The ICAI is forever committed to the goal of enabling the accountancy profession in India to provide services of highest quality in the public interest and which are appreciated worldwide. 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, the Peer Review Board was set up in 2002. The concept of Peer Review for the Indian accountancy profession, the first of its kind in any profession in India, conceived in 1998 took shape in 2002 when the Council of the Institute issued the Statement of Peer Review and set up a Peer Review Board, comprising of members of the Council, representatives from regulatory bodies and industry. The system has successfully matured and is gaining wider acceptance.

The Board has published Peer Review Manual, Training Modules and FAQs for the benefit of both the reviewers and the Practice units. This Statement, not only details out the process and modalities of Peer Review but also provides guidelines to the Board, Reviewers & Practice Unit to cater to the needs of the profession and meet the challenges of the ever changing environment. It also addresses the deficiencies reported by the Reviewer thereby making the Peer Review Process an improvement tool.

The level of awareness created during the last nine years of the Peer Review concept has indeed brought about an overall improvement in the quality of attest services rendered by our Members.

The second edition of this Statement envisages disciplinary action in certain cases apart from partially revising the Coverage of Practice units, Scope of Peer Review, Powers of the Peer Review Board, Reviewer's role, Practice Unit's responsibilities etc. The three stages of implementation has already been achieved and substantial number of Peer Review Reports have been received and considered by the Peer Review Board on continuous basis in respect of Practice units under Level I, II & III for issuing Peer Review Certificates.

I wish to place on record my gratitude to the President CA G. Ramaswamy and the immediate Past President CA Amarjit Chopra for their continuous support and guidance. I would be failing in my duty if I do not acknowledge & thank the tremendous efforts put in by CA Rajendra Kumar, Central Council Member and the convener of the Study Group alongwith CA Uttamchand P Jain, Co-convener and other learned members of the study

group entrusted with the task of revision of the Statement. I also appreciate the Secretariat of the Peer Review Board who have provided inputs, devoted their valuable time and put in efforts to bring the Statement in revised form.

It is my privilege to place before you on behalf of the board, the revised Statement on Peer Review which, I am sure, will serve the desired purpose and am confident that this will prove to be of immense use to Practice Units and Reviewers.

30 November, 2011  
Mumbai

**CA Pankaj I.C. Jain**  
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 engagements that we take up. Naturally, given the enormous amount of changes that pervade the business world – a world with which we as professionals are in very close interaction – it behooves 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 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 my Committee, who have 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 capitalize 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 Bajjal 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 discharging the functions assigned to the Institute under the Act. 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. The Peer Review is conducted of a Practice Unit 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.

## 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

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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,

3.1 **Assurance Services** – means assurance engagements services as specified in the “FRAMEWORK FOR ASSURANCE ENGAGEMENTS” issued by the Institute of Chartered Accountants of India and as may be amended from time to time 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 as stated in section 2 (2) of the Chartered Accountants Act, 1949,

3.3 **Peer Review period** – means 3 years preceding the year in which the Practice Unit is selected or such other period or any period as may be prescribed by the Peer Review Board for conducting a Peer Review.

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