

# One day training program for PEER REVIEWERS– by PEER REVIEW BOARD of ICAI, Hosted by NAVI MUMBAI branch OF WIRC–

- ▶ Subject–
- ▶ **RATIONALE & SIGNIFICANCE  
OF PEER REVIEW**
- ▶ **Date-30/05/2025- FRIDAY at NAVI  
MUMBAI BRANCH OF WIRC**
- ▶ Speaker– CA. RAMLAXMAN R. NOLAKHA–  
9322140998 rlnolakha22@yahoo.com
- ▶ Disclaimer– PPT for speaker's reference only–refer ICAI  
website for completeness,

# CA. RAMLAXMAN NOLAKHA



## PROFESSIONAL AWAKENING =MY CHOICE=

- 1 PEER REVIEW
- 2 STANDARDS ON AUDITING
- 3 STUDY AND LEARNINGS FROM  
“NFRA” ORDERS
- 4 AQMM
- 5 CODE OF ETHICS
- 6 MOTIVATIONAL AND SPEAKING  
SKILLS
- 7 PROFESSIONAL QUIZ

# 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.

# MISSION AS..

Leverage  
technology

Create global  
professional by  
training

Highest ethical  
standards

Cutting edge  
R & D

Establish  
members/firm's as  
Indian multinational  
service providers

# TRUST UNLIMITED





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

- ▶ Members as on 01/05/2025 505385
- ▶ Practicing members as on 01/05/2025 155654
- ▶ 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 reviewers as on june 2024–3251



# Editorial Board ICAI–October 2024

- ▶ The Chartered Accountancy profession has been at the forefront of promoting and protecting the Public interest.
- ▶ By upholding ethical principles and demonstrating leadership, the profession creates value for the greater good.....
- ▶ 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 ...,
- ▶ 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, .”
- ▶ ...”It is commendable that the Chartered Accountants of India takes pride in its steadfast dedication to excellence and integrity.”

# AUDIT QUALITY– CHECKS BY..CG/MCA/ICAI

- ▶ CENTRE FOR AUDIT QUALITY DIRECTORATE–SINCE 2020
- ▶ **PEER REVIEW BOARD SINCE 2002 (GUARDIANS OF QUALITY)**
- ▶ QUALITY REVIEW BOARD–SINCE 2007
- ▶ FINANCIAL REPORTING REVIEW BOARD– SINCE 2002
- ▶ TAX AUDITS QUALITY REVIEW BOARD–SINCE 2018
- ▶ ETHICAL STANDARD BOARD –SINCE 2009
- ▶ AUDITING AND ASSURANCE STANDARDS BOARD–SINCE 2002
- ▶ NATIONAL FINANCIAL REPORTING AUTHORITY– SINCE 2018
- ▶ ACCOUNTING STANDARD BOARD –SINCE 1977
- ▶ (note– before year mentioned above they may be with different names)



# QRB report observations–Audit quality

## PVT LTD.CO.2023–24

Chart 4

Chart 5

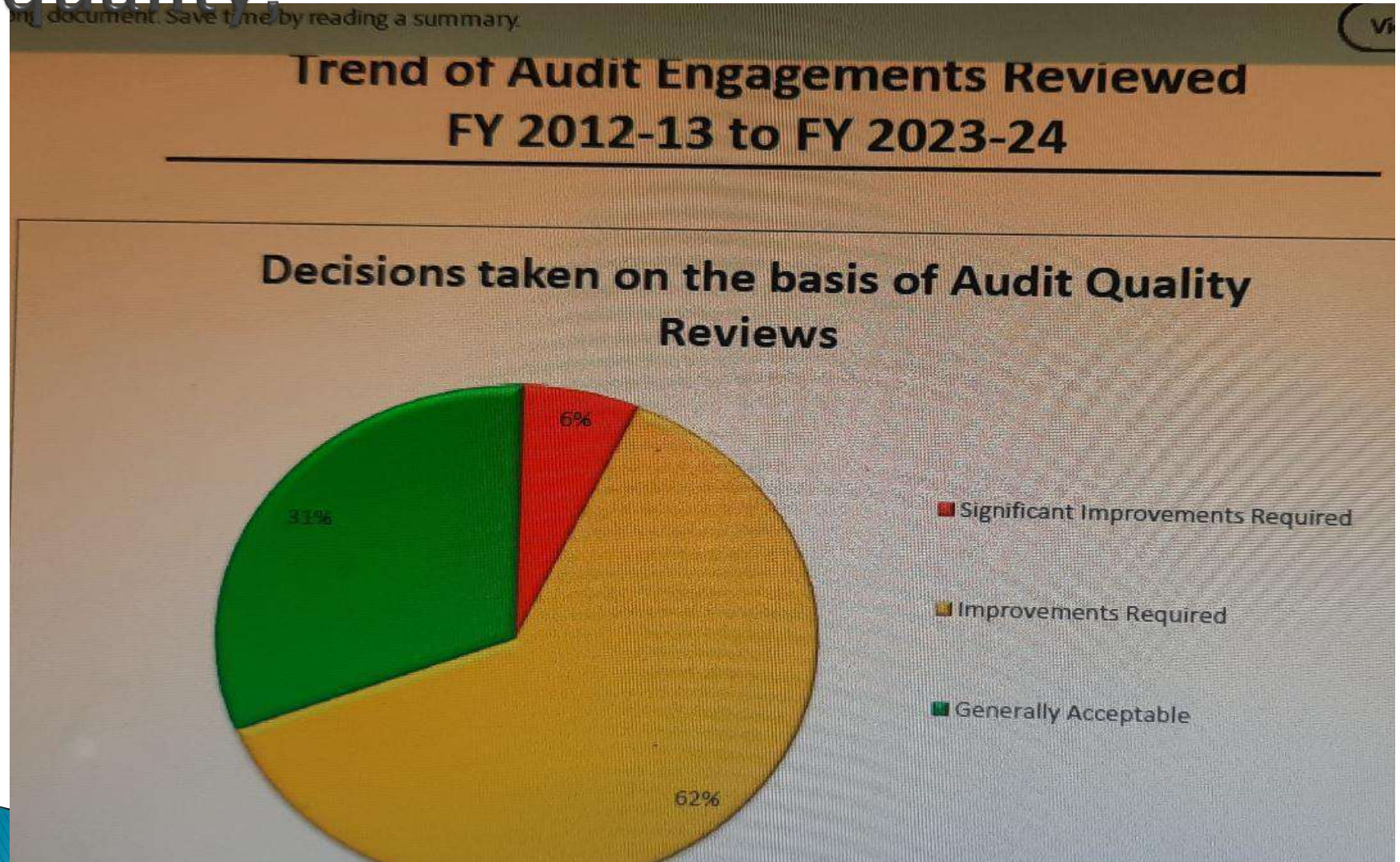
### b) Findings of Audit Engagements Reviewed

The following chart represents the decisions taken based on the findings of the Audit Quality review carried out in respect of 33 audit engagements of private limited companies, during the year. In 85% of the audits reviewed, QRB has initiated action, while 70% cases required improvement where QRB issued advisories to the concerned AFURs to ensure improvement in the quality of their services in future, 15% cases were forwarded to the Disciplinary Directorate of the ICAI for its examination. Further, 15% cases were found to be acceptable and therefore closed with no further action.





# QRB report-observations on audit quality





# 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,

# FOCUSS....



# PEER REVIEW as defined–clause 2(14) of PRB guidelines 2022

- ▶ a-An examination and review of the system and procedures to determine
- ▶ b-whether the same have been put in place by practice unit for ensuring the quality of assurances services
- ▶ **c-as envisaged by the TPE standards as applicable including AQMM wherever applicable or**
- ▶ d-any other regulatory requirements as may be prescribed by the Council or any Committee and
- ▶ e-whether the same were consistently applied during the period under review;

# Continued–

- ▶ PEER REVIEW BOARD–PRB established in 2002, non standing committee of ICAI for overall conduction, supervision of peer review process in accordance with PR guidelines,
- ▶ PRACTICE UNIT–PU– assurance firm registered with ICAI seeking to be reviewed,
- ▶ REVIEWER–RE– registered member duly passed training, test and assigned to carry review when selected in accordance of PR guidelines,
- ▶ AQMM–Audit Quality Maturity Model, as per CAQ Directorate,

# Guardians of quality– PEER REVIEW BOARD–proactively maintain audit and assurance quality standards

- ▶ **Peer review process continue to evolve in response to changes in technology, regulations, and industry best practices, there is growing emphasis on continuous improvement , knowledge sharing, and benchmarking to enhance the effectiveness and relevance of peer review in todays, dynamic business environment-**
- ▶ **source–july 2024– ICAI JOURNAL**

# 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 CONTINUED–

- ▶ Review starts with objective to determine if system and procedures are designed and put into place, (refer SQC1 and other standards,)
- ▶ 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,

# Main objective of PR–as per website..

- ▶ 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,*

# MANDATE–

- ▶ 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,
- ▶ 5–Prescribed criteria–as PRB may deem fit,

# 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 22/01/2025
- ▶ 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

# –continued

- ▶ 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 personnel, supported by documentations in place,



# 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 2022...

- ▶ Obligations of PU and RE provided in guidelines of Peer review –
- ▶ 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. 1<sup>st</sup> april 2023 for practice units conducting audit of specified entities.

# AQMM continued---

- ▶ 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

# Announcement by Centre for Audit Quality Directorate 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, v2.0
- ▶ 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 –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	<b>Some progress will have to fine tune</b>
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



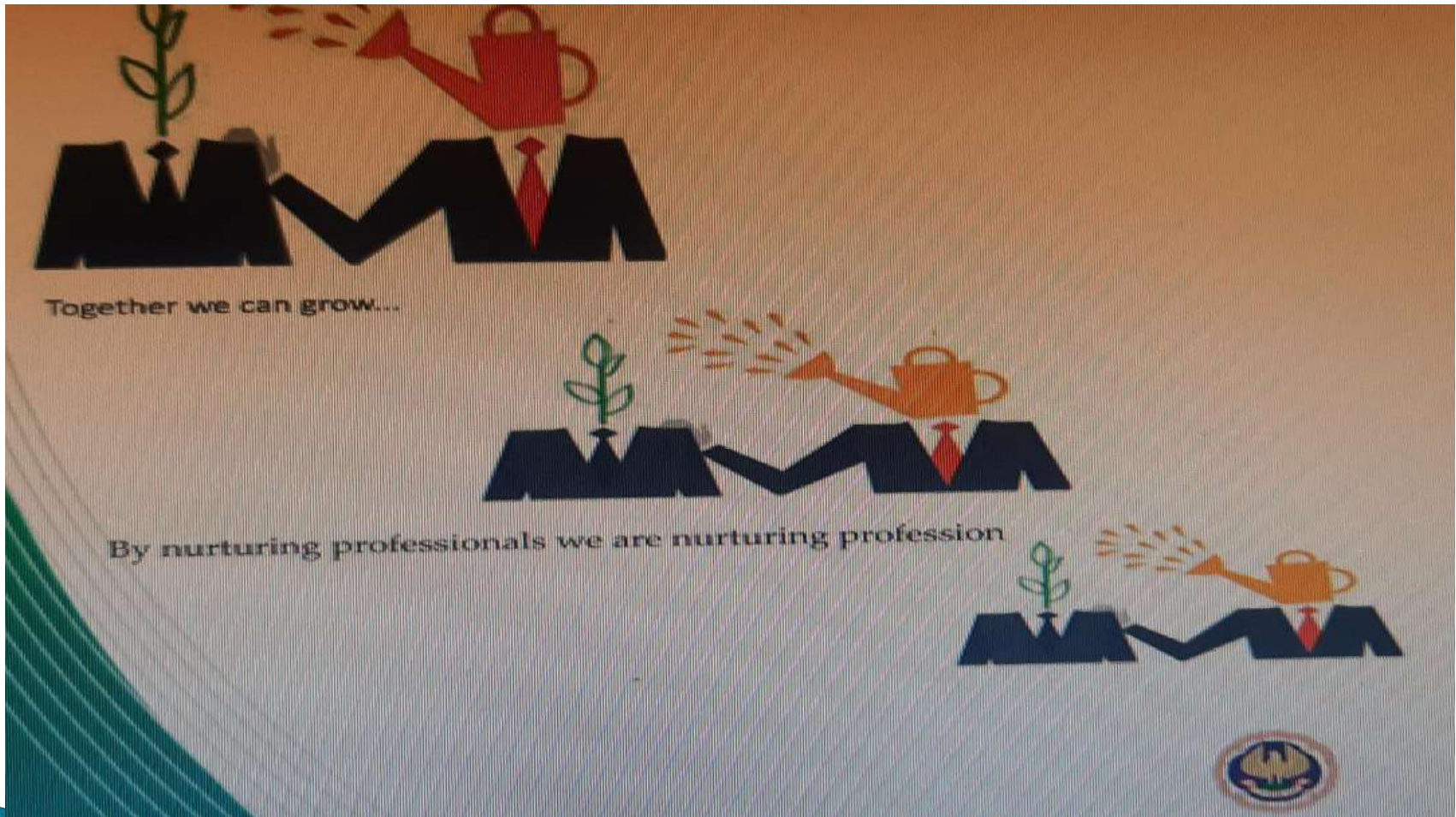
# PEER REVIEW–What not ?

- ▶ 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,
- ▶

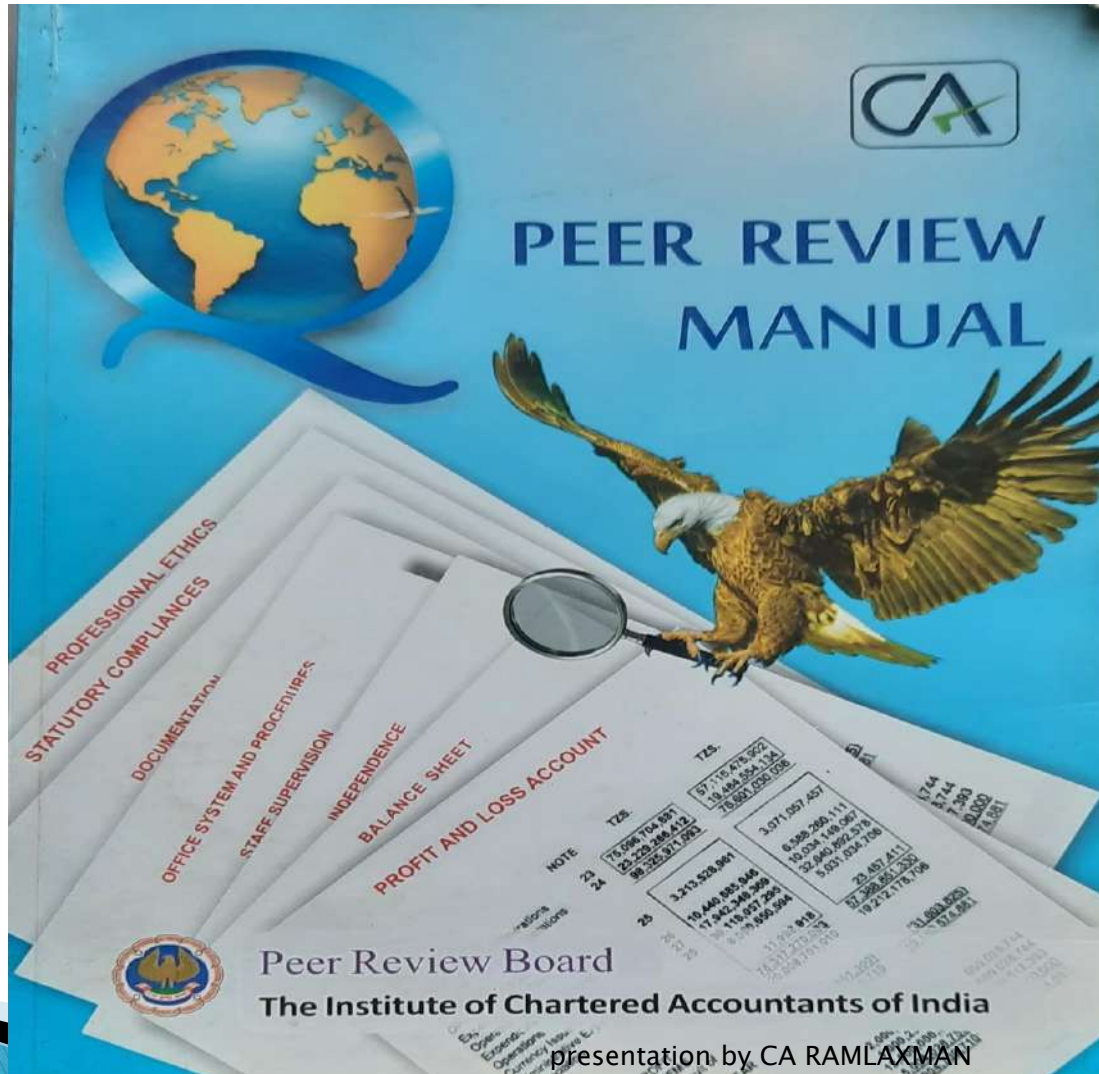
# PEER REVIEW –what not continued–

- ▶ It's not investigation,
- ▶ It's not 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,
- ▶

# TOGETHER WE CAN GROW....



**‘GARUDA’ – our strength – (source – old edition of manual.)**







A photograph of a winding asphalt road with double yellow lines, curving through a dense forest. In the background, there are rolling hills or mountains under a cloudy sky. The overall tone is somewhat dark and moody.

# STAY FOCUSED.

 quote fancy



# QUIZ–RUN UP.....



presentation by CA RAMLAXMAN  
NOLAKHA 9322140998

# QUIZ– FOR 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	

# Quiz continued–

11	AQMM v2.0 has 3 sections	Name–all three	
12	Total scores in AQMM are	A–660 B–620 C–600	
13	Major percentage for improvement required as per QRB report 2023–24	60–70 30–40 50–60	
14	In AQMM V2.0 minimum maturity level percentage	30 40 50	
15	AQMM V2.0 contains checklist as major part of scoring in first group	1–True 2–False	
16	AQMM v2. effective from	A–01 /04/2025, B–yet to decide by CAQ directorate	
		presentation by CA RAMLAXMAN NOLAKHA 9322140998	

Thanks NAVI MUMBAI BRANCH OF WIRC-ICAI for  
opportunity to share my experiences  
welcome- CA. R. L. Nolakha -9322140998  
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