

WORKSHOP ON COMPLIANCE WITH
TECHNICAL AND PROFESSIONAL
STANDARDS

&

COMPLIANCE WITH FRAMEWORK
OF QUALITY CONTROL GENERAL &
SPECIFIC CONTROLS (SQC-1).

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PEER REVIEW REALITY CHECK: ARE YOU READY?

POLL 1

How many of you have already undergone Peer Review at least once?

- A** Yes
- B** No
- C** Scheduled but not yet completed



POLL 2

Out of the members present, how many have acted as a **Peer Reviewer** for any **Practice Unit (PU)**?

- A** Yes
- B** No



PRESENTATION OUTLINE



01

STEPS TO BE FOLLOWED BY
PRACTICING UNIT TO GET ITS
FIRM PEER REVIEWED



02

COST OF
PEER REVIEW



03

TA / DA UNDER
PEER REVIEW



04

FORMS PRESCRIBED IN
PEER REVIEW GUIDELINES



PEER REVIEW
STRONGER TOGETHER
BETTER PRACTICES



STEPS TO BE FOLLOWED BY PRACTICING UNIT TO GET ITS FIRM PEER REVIEWED

***Step 1:** Submit **Form 1** (Application and Questionnaire having 3 Parts Part A, Part B & Part C).

- Part A Profile of the PU & Annexure A
 - (i) Profile Include details like firm profile, FRN, services offered) & Attach Annexure A (partner-wise details, including UDINs).
 - (ii) If no UDIN has been generated by any partner in PU, a NIL Annexure-A must be attached for that partner.
 - (iii) If any Partner Leaves the PU during the Period covered under the Peer Review the UDIN Records of that partner needs to be disclosed in Annexure A of that Partner.
- Part B General Control based on SQC-1
- Part C (Scoring obtained by self-evaluation using AQMMV2.0), Part C Mandatory for the PU conducted the Peer Review of Listed Entities or voluntary at the discretion of the PU.

Step 2: Send the completed form to peerreviewboard@icai.in.

Step 3: The Peer Review Board assigns three reviewers within three working days.

Step 4: The Practice Unit selects one reviewer and informs the Board.

Step 5: The Board appoints the selected reviewer and obtains confidentiality declarations (FORM-2).

Step 6: The Practice Unit shares all relevant documents with the appointed reviewer.

Note on Step-6

- (i) As Per the Peer Review Guidelines the review shall be complete the Peer Review process & submitted the Report in Form-9 & Final Report along with relevant Annexures within 20 Days from the date from which PU Share the Form-1 to the Selected Reviewer.
- (ii) If the Review was not completed with-in prescribed time (i.e., 20 days) that the Joint application (Form-7) needs to be made by PU and RE for seeking additional time for completion of Peer Review process.

PEER REVIEW PROCEDURE TO BE FOLLOWED BY THE PEER REVIEWER - I/4

Step-1 : Before commencement of Peer Review, the Peer Reviewer shall ensure that the **Declaration of confidentiality** is furnished to the Practice Unit and acknowledgement of receipt thereof is obtained by him **(In Form-2)**.

Step-2: On receiving the Application cum Questionnaire in Form 1 from the Practice Unit, the Peer Reviewer shall initiate the Peer Review by intimating the Practice Unit of proposed visit and the proposed samples selected to be kept ready by the Practice Unit. The proposed samples selected are to be intimated by the Peer Reviewer in **Form 5** prescribed by the Board. **(My Recommendation to use Annexure-C share by the Board in E-Mail (More Elaborate as compare to Form-5 Detail))**.

Step-3 :The Reviewer may seek further/ additional clarification **in Form 6** from the Practice Unit on the information furnished/ not furnished by the Practice Unit in the Questionnaire. The Practice Unit **shall** provide this additional information to the Reviewer within one working day to the Reviewer **within one working day**.

PEER REVIEW PROCEDURE TO BE FOLLOWED BY THE PEER REVIEWER -2/4

Step-4 : The Reviewer shall, **within two working days** of receiving the information from the Practice Unit, select assurance service engagements that he would like to review and intimate the same to the Practice Unit and the Peer Review Board **in Form 5**.

Step-5: The number of assurance service engagements to be Reviewed shall depend upon:

- a) The standard of **quality controls** generally prevailing.
- b) The size and nature of **assurance service engagements** undertaken by the Practice Unit.
- c) The methodology generally adopted by the Practice Unit in providing assurance services.
- d) The number of **partners / members involved** in assurance service engagements in the Practice Unit.
- e) The number of locations / branch offices of the Practice Unit.
- f) The Fees charged / received / GST paid by the Practice unit.

Step-6 : The Reviewer shall plan for an “on–site review” visit for initial meeting in consultation with the Practice Unit. The Reviewer shall give the Practice Unit at least two working days to keep ready necessary records of the selected assurance services in Form 5.



PEER REVIEW PROCEDURE TO BE FOLLOWED BY THE PEER REVIEWER -3/4

Step-7 : The Reviewer **may enlarge** the initial sample size of assurance service engagements for review if the Reviewer deems fit.

Step-8: 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 six working days** based on the size of the Practice Unit.

Step-9: 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:

- a) Independence
- b) Maintenance of Professional Skills and Standards
- c) Outside Consultation
- d) Staff recruitment, Supervision and Development
- e) Office Administration


PEER REVIEW PROCEDURE TO BE FOLLOWED BY THE PEER REVIEWER -4/4

Step-I0: The Reviewer is required to adopt a **combination of compliance approach and substantive approach** in the review process.

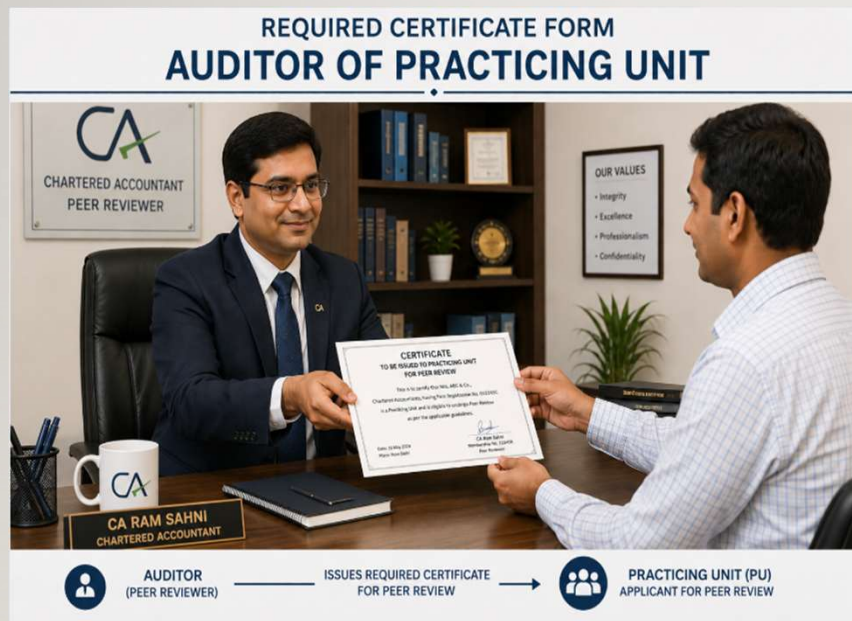
Step-I I : The compliance approach is to assess whether **proper control procedures** have been established / followed by the Practice Unit to ensure that assurance services are being performed in accordance with **Technical, Professional and Ethical Standards**. The following areas shall be considered:

- a) Assurance services **records** for administration
 - b) Review and evaluation of system of **internal controls**
 - c) Substantive tests
 - d) **Financial Statements presentation and disclosures**
 - e) Assurance Services **conclusions**
 - f) Assurance Services **reporting**.
- Step-I2: The Substantive Approach requires a Review of the assurance working papers in order to establish the extent of compliance and whether the assurance work has been carried out as per the Technical, Professional and Ethical Standards.

COST OF PEER REVIEW FEES & TIME TO REVISIT PEER REVIEW COSTS (AVG GROSS RECEIPTS UPTO 5 CR NOT REVISED SINCE FEB, 2018).

<div>  Cost of Peer Review </div>			
<i>Minimum fee recommended for Practice Units where the period of Review is 3 years:</i>			
Average gross receipts *	Fees	Fees for PU conducting Statutory Audit of Listed entities	Additional Fees for AQMM Review
Upto Rs 10 lacs p.a.	Rs 15,000	Rs. 18,000	Rs. 5,000
Over Rs 10 lacs upto Rs. 50 Lacs p.a.	Rs 25,000	Rs. 30,000	Rs. 5,000
Over Rs 50 lacs upto Rs. 1 crore p.a.	Rs 40,000	Rs. 48,000	Rs. 5,000
Over Rs 1 crore upto 3 crore p.a.	Rs 60,000	Rs. 72,000	Rs.10,000
Over Rs 3 crore upto 5 crore p.a.	Rs 75,000	Rs. 90,000	Rs.10,000
Over Rs 5 crore p.a. upto 10 crore p.a	Rs 1,50,000	Rs. 1,80,000	Rs. 20,000
Over Rs. 10 crore p.a upto Rs. 20 crore p.a.	Rs. 2,00,000	Rs. 2,40,000	Rs. 20,000
Over Rs. 20 crore p.a upto Rs. 30 crore p.a.	Rs. 3,00,000	Rs. 3,60,000	Rs. 25,000
Over Rs. 30 crore p.a.	Rs. 5,00,000	Rs. 6,00,000	Rs. 30,000
<i>* For calculating Average gross receipts/ revenue from assurance service clients of Practice Unit (Per Annum) the sum total of gross receipts/ revenue from assurance service clients for all the periods under review shall be divided by number of years under review.</i>			

REQUIRED CERTIFICATE FORM AUDITOR OF P.U.



- The Practice Unit shall make available
- Books of Accounts or
- Financial Statements or
- A certificate from a Chartered Accountant
- to enable the Peer Reviewer to ascertain the amount of fees from assurance services rendered by it during the period of review.

PEER REVIEW FEES-TA/DA BORN BY PU



- The fee structure notified above is exclusive of TA/ DA.
- The TA/DA to be paid is to be mutually decided by the PU and the reviewer and shall be borne by the PU.
- The fees do not include GST which may be charged wherever applicable.

HOW MANY FORMS ARE PRESCRIBED UNDER PEER REVIEW GUIDELINES?

Forms Prescribed Under Peer Review

Understanding the key forms, their purpose and proper completion under the Peer Review process.

Prescribed Forms | Peer Discussion | Review & Documentation

PEER REVIEW PROCESS

Planning → Review → Evaluation → Reporting

Collaborate. Review. Improve Quality.

The infographic features a photograph of four men in business attire sitting around a conference table, engaged in a discussion. On the table are various documents, including a pie chart and a bar chart. In the background, a screen displays the 'PEER REVIEW PROCESS' flowchart, which consists of four steps: Planning, Review, Evaluation, and Reporting, each represented by an icon and connected by arrows. The infographic also includes three circular icons representing 'Prescribed Forms', 'Peer Discussion', and 'Review & Documentation'. At the bottom, there is a logo with three people icons and the text 'Collaborate. Review. Improve Quality.'

- **At Present 10 Forms are Prescribed under Peer Review.**
- **Form No, Name of the Form, Send by who to whom & Nature of Applicability in the Next Slide.**

Form No	Name of The Form	Sender or Receiver	Applicability (M/NA)
1	Application cum Questionnaire	PU to Board & PR	Mandatory
2	Acceptance cum Declaration of Confidentiality	PR to PU & PR Board	Mandatory
3	Application cum Declaration Form for Empanelment as a Peer Reviewer	Eligible Member to Peer Review Board	N.A.
4	Declaration Form (submitted by Board Members & Secretariat)	For ICAI Internal Use	N.A.
5	Notice by Peer Reviewer for Visiting Office of the Practice unit	PR to PU	Mandatory
6	Format for Seeking Additional Information from the Practice Unit by the Reviewer	PR to PU	Mandatory if required
7	Joint Intimation by PU & Reviewer for Extension of Peer Review Completion	PR + PU to PR Board	Mandatory (if time limit exceeded)
8	Application for Extension of Validity of Peer Review Certificate	PU to PR Board	Mandatory if required
9	Letter for Submission of Report to the Peer Review Board	PR to PU & PR Board	Mandatory
10	Notice to PU by the Board for Revocation of Peer Review Certificate	PR Board to PU	N.A.

PEER REVIEW – KEY ASPECTS



1. WHAT IS THE CRITERIA OF PEER REVIEW?

The Criteria of Peer Review are as follows:



(i) Mandatory:

Peer Review can be mandated for such Practice Units as may be decided by the Council.



(ii) Voluntary:

Any Practice Unit may, *suo motu*, apply to the Board for the conduct of its Peer Review.



(iii) Special case:

The Board, based on specific information received from Secretary, ICAI or **Disciplinary directorate or any other Regulator**, which in the opinion of the Board requires a special Peer Review of the Practice Unit, may conduct a special Peer Review of the Practice Unit for such a period determined by the Board.



(iv) New Unit



2. PHASED MANNER IMPLEMENTATION OF PEER REVIEW

Peer Review will be implemented in a phased manner as under:

Phases	Date of Applicability	Type of Practicing Unit
Phase-I 	with effect from 01.04.2022	Practice Units auditing listed entities in India or abroad must obtain a Peer Review Certificate.
Phase-II 	with effect from 01.07.2024	Practice Units auditing unlisted public companies with: Paid-up capital ≥ ₹500 crores, or Annual turnover ≥ ₹1,000 crores, or Outstanding loans, debentures, and deposits ≥ ₹500 crores, or Practice Units providing attestation services with ≥5 partners.
Phase-III 	with effect from 01.07.2025 (Announcement Dated 22 Jan, 2025)	Practice Units auditing entities raising public funds or bank loans exceeding ₹50 crores. Practice Units providing attestation services with ≥4 partners.
Phase-IV 	with effect from 31.12.2026 (Announcement Dated 31 Dec, 2025)	Practice Units auditing branches of Public Sector Banks Practice Units providing attestation services with ≥3 partners.



The phased approach ensures quality, consistency, capacity building and effective adoption of Peer Review.



3. WHAT IS THE PERIOD COVER UNDER PEER REVIEW PERIOD?

The Peer Review covers the following period:



PEER REVIEW PERIOD

Covers the period of **3 (Three) Financial Years**

For Example:

If the Peer Review is conducted in FY 2024-25, then the period covered will be:



The period is fixed to ensure adequate and meaningful review of operations, systems and controls over a significant timeframe.

WHAT IS THE CRITERIA OF PEER REVIEW?

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- **(i) Mandatory:** Peer Review can be mandated for such Practice Units as may be decided by the Council.
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- **(iii) Special case** - The Board, based on specific information received from Secretary, ICAI or **Disciplinary directorate or any other Regulator**, which in the opinion of the Board requires a special Peer Review of the Practice Unit, may conduct a special Peer Review of the Practice Unit for such a period determined by the Board.
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PHASED MANNER IMPLIMENTATION OF PEER REVIEW.

Mandatory Applicability of Peer Review		
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WHAT IS THE **PERIOD COVER** UNDER **PEER REVIEW** PERIOD?



- It refers to the three financial years immediately preceding the year in which the Practice Unit is selected for review, or any other period as may be prescribed by the Peer Review Board for conducting a Peer Review in a specific case. In normal cases for F.Y. 2023-24, 2024-25 & 2025-26.

PEER REVIEW REALITY CHECK: ARE YOU READY?

POLL 3

In your view, what is the **biggest challenge** in Peer Review?

- A** Documentation & compliance
- B** Time constraints
- C** Lack of clarity in procedures
- D** Fear of negative observations



POLL 4

How many of you maintain proper audit documentation as per standards on a **real-time** basis (not post-facto)?

- A** Always
- B** Sometimes
- C** Only during review/inspection
- D** Rarely



PEER REVIEW REALITY CHECK: ARE YOU READY?

POLL 5

Do you believe Peer Review actually **improves audit quality**?

- A** Yes, significantly
- B** To some extent
- C** No major impact
- D** Only increases compliance burden



POLL 6

Do you have a Standard Operating Procedure (**SOP**) or **checklist** for audit documentation?

- A** Yes (formal documented SOP)
- B** Informal process
- C** No system in place



WHAT IS THE MAIN OBJECTIVE OF PEER REVIEW?

- Peer Review does **not** **redefine standards**—it ensures **implementation in letter and spirit**.



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 (PE) as applicable including other regulatory requirements thereto

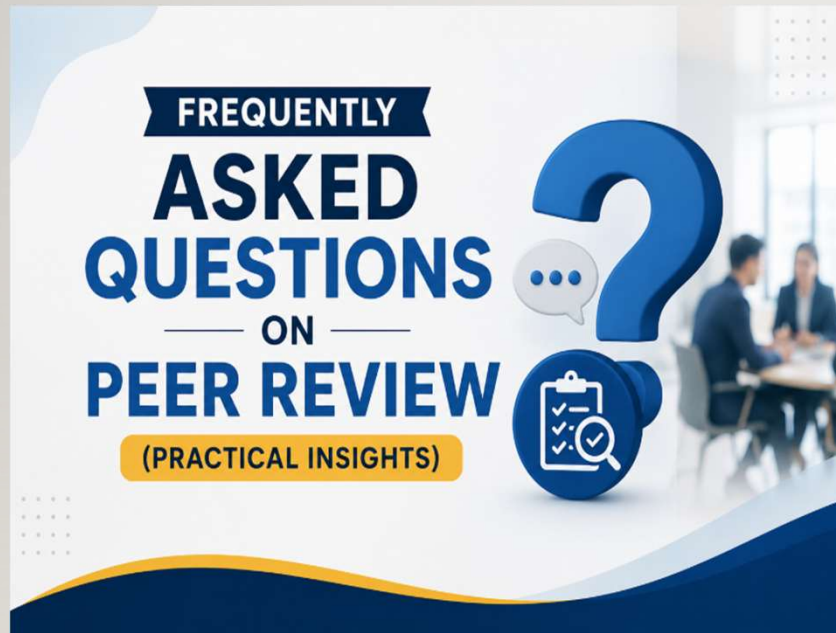
and

(b) have in place proper systems including documentation thereof, to amply demonstrate the quality of the assurance services.

ARE THE BRANCHES OF BIG-SIZED FIRMS UNDER THE PURVIEW OF PEER REVIEW?

- Where a practice unit has a head office at one location and branches or offices at other locations, it would be within the reviewer's scope to examine the quality controls at all such locations.
- Further, where a branch is located in a different city/town, the reviewer is advised to visit, if the Branch turnover from assurance services is more than Rs. 25,00,000.
- However, in respect of branches having turnover less than Rs.25,00,000 the reviewer shall have freedom to arrange, in consultation with the practice unit, for documents, related records and related personnel to be brought to head office and examine them centrally.

FREQUENTLY ASKED QUESTIONS ON PEER REVIEW (PRACTICAL INSIGHTS)



Q-1. Can a Reviewer visit client(s) of the PU?

Q-2. Can PU reject all the reviewers mentioned in the panel and ask for another reviewer?

Q-3. Do Peer Reviewers Retain Documents? – Clarifying the Practice

CAN A REVIEWER VISIT CLIENT(S) OF THE PU?


POLL 7

Can a reviewer **visit the client** of the PU?

A Yes

B No

C May be



- No, he cannot, under any circumstances, communicate with or visit the client(s) of the PU.

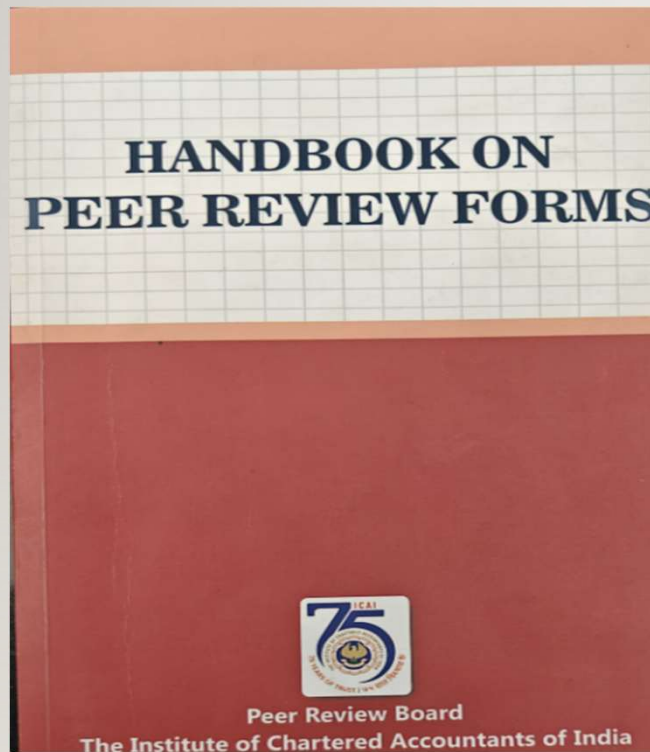
CAN PU REJECT ALL THE REVIEWERS MENTIONED IN THE PANEL AND ASK FOR ANOTHER REVIEWER?

Yes, subject to a maximum of 3 panels. If the Practice Unit fails to choose the name of reviewer even after third panel provided, then reviewer would be appointed by the Board.

Please note that fresh panel may be provided under the following circumstances:

- (i) Where there is a **conflict of interest** between the Practice Unit and the Reviewer.
- (ii) **Pre occupation / ill health** of all three Reviewers.
- (iii) All three Reviewers have **declined** the assignment.

“DO PEER REVIEWERS RETAIN DOCUMENTS? – CLARIFYING THE PRACTICE”



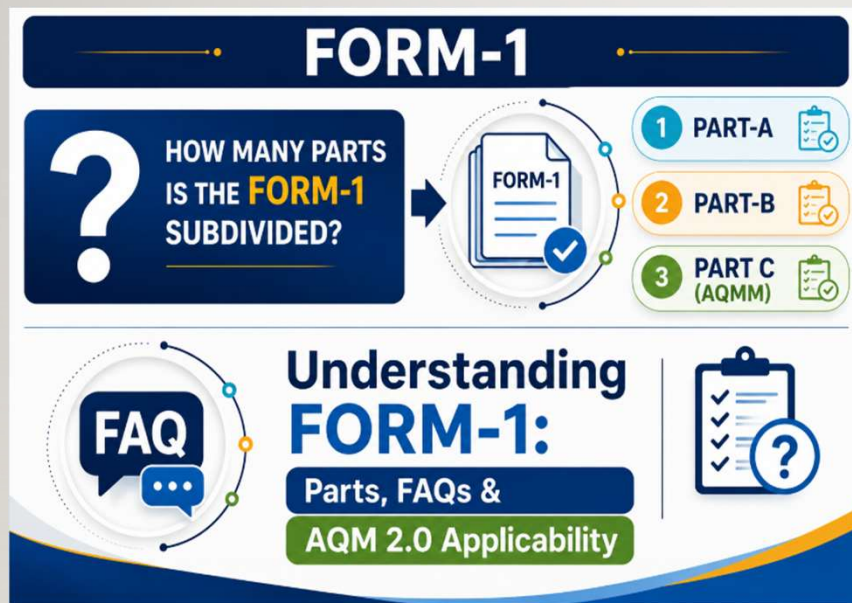
- How many of you believe that a Peer Reviewer takes copies of all the documents covered in the sample (Form-5 or Annexure-C) with them?

How many of you, as Peer Reviewers, obtain documentation from the Practicing Unit?

How many Practicing Units share copies of client documents with the Peer Reviewer?

- No, a Peer Reviewer is not permitted to take copies of any documents covered in the sample during the review process.
- Peer Reviewers are only allowed to examine the necessary documentation at the Practicing Unit's premises. They do not obtain or retain copies of any client records or confidential information.
- Similarly, Practicing Units should not share copies of client documents with the Peer Reviewer. The review process is conducted strictly within the framework prescribed by the Peer Review Board, ensuring confidentiality and compliance with ethical standards.
- **Peer Reviewer shall be required to furnish a Declaration of Confidentiality to the Practice Unit as per Form 2 of these Guidelines while giving consent for appointment as a Peer Reviewer.**

UNDERSTANDING FORM-1: PARTS, FAQs & AQM 2.0 APPLICABILITY



- HOW MANY PARTS IS THE FORM-1 SUBDIVIDED?
- ANNEXURE-A (UDIN) RELATED FAQ'S
- APPLICABILITY OF PARTC-AQMM-2.0
- WIDENING THE SCOPE OF AQMM 2.0 W.E.F.01/04/2026
- MANDATORY REQUIREMENT OF PEER REVIEW CERTIFICATE & AQMM 2.0

HOW MANY PARTS IS THE FORM-I SUBDIVIDED

- Application and Questionnaire having 3 Parts (Part A, Part B & Part C).
- Part A Profile of the PU & Annexure A Profile Include details like firm profile, FRN, services offered) & Attach Annexure A (partner-wise details, including UDINs).
- Part B General Control based on SQC-1
- Part C (Scoring obtained by self-evaluation using AQMMV2.0).

IF A PARTNER LEAVES THE PRACTICING UNIT (PU) DURING THE PERIOD COVERED BY THE PEER REVIEW, DO WE STILL NEED TO INCLUDE THAT PARTNER'S UDIN LIST IN **ANNEXURE-A**?



- Yes, if a **partner leaves** the Practicing Unit during the period covered under Peer Review, the UDIN list of that partner must still be included in **Annexure-A**. This ensures completeness and transparency in the review process, as all attest engagements undertaken during the review period must be reported, regardless of the partner's current association with the firm.

ON WHOM IS **PART C** OF FORM-I APPLICABLE (AQMM V 2.0)?



Part C Mandatory for the PU conducted **Statutory Audit** for

- i) Listed Entity Auditors,
- ii) Banks other than Co-Operative Banks (Except Multistate Co-Operative Banks) &
- iii) Insurance Companies.

However, the firms conducting only branch audits not to be covered.

**Voluntary (CAG scoring benefit).*

POLL 8

Listed Entity Audit Covers What?

- A** Statutory Auditor of Listed Entity
- B** Tax Auditor of Listed Entity
- C** Internal Auditor for Listed Entity
- D** Certification Work for Listed Entity
- E** All of the Above



POLL 9

**Is Compliance with AQMM-2
Mandatory for Bank Branch
or DO Audits in Insurance
Companies?**

A

Yes

B

No



WIDENING THE SCOPE OF AQMM-2.0

W.E.F.01/04/2026

- Firm Auditing the Holding / Subsidiary / Associates / Joint ventures of above said companies.
- Firms **proposing to undertake** “statutory audits” of **unlisted public companies** meeting any of the following criteria:
 - Paid-up capital \geq ₹500 crore.
 - Turnover \geq ₹1,000 crore.
 - Outstanding loans, debentures & deposits \geq ₹500 crore (**as at 31 March of preceding FY**).

MANDATORY REQUIREMENT OF PEER REVIEW CERTIFICATE & AQMM 2.0!

- (d) The listed entity shall ensure that the limited review or audit reports submitted to the stock exchange(s) on a quarterly or annual basis are to be given only by an auditor who has subjected himself to the peer review process of Institute of Chartered Accountants of India and holds a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

HOW DO YOU ADDRESS THE INFORMATION REQUIRED IN FORM-I PART-B & SQC POLICY PRACTICAL INSIGHT?



THE INFORMATION REQUIRED IN FORM-I (PART-B)



- Needs to be provided as per the **Firm's SQC (Standard on Quality Control) Policy**, rather than in a general manner.
- This ensures that the firm is adhering to the prescribed "**technical and ethical standards**" set by the regulatory body.
- **Engagement Performance**: Showcasing that the firm maintains policies for engagement acceptance, execution, and review in line with professional requirements.

THE INFORMATION REQUIRED IN FORM-I (PART-B)



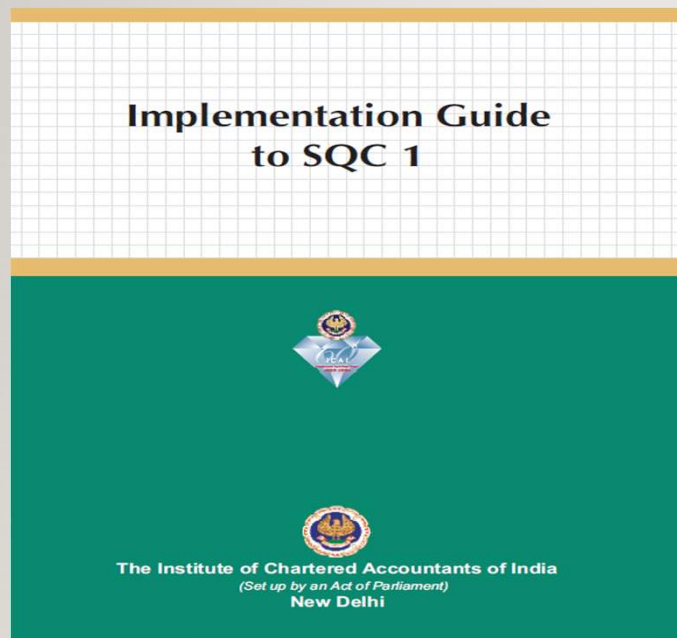
- By aligning the responses with the **Firm's SQC Policy**, the firm demonstrates compliance with **essential quality control measures**, including:

Adherence to Professional Standards:

Ensuring that audit and assurance engagements comply with applicable technical standards. (SAs) and (SQC-I).

Ethical Requirements:- as required by the **Code of Ethics**.

QUALITY CONTROL FRAMEWORK (SQC I)/ GENERAL CONTROL (**NOT APPLICABLE FOR NEW UNITS**) **PART B** OF FORM-I



- Leadership Responsibilities (PART B-I)
- Ethical Requirements (PART B-II)
- Client Acceptance & Continuity (PART B-III)
- HR Policies (PART B-IV)
- Engagement Performance (PART B-V)
- Monitoring (PART B-VI)

QUALITY CONTROL FRAMEWORK (SQC I)

- 1. Leadership Responsibility: **Partner's Accountability, Internal Policies.**
- 2. Ethical Requirements: Independence declarations, Rotation policies, Conflict of Interest checks.
- 3. Acceptance & Continuance of Clients: **Risk assessment before engagement**, Background checks & Integrity of client.
- 4. Human Resource Management: **Staff qualification, Training programs & Work allocation.**
- 5. Engagement Performance: Audit planning, Supervision & Review mechanism.
- 6. Monitoring: Internal peer review, Quality inspections & Corrective actions.

SQC POLICY OF THE FIRM / FIRM MANUAL OF PU LEADERSHIP RESPONSIBILITY

- CONTAINS INFORMATION LIKE
- HO ADDRESS
- BO ADDRESS'S
- FRN
- YEAR OF ESTABLISHMENT
- PREPARED BY
- LAST UPDATED
- FIRM'S PROFILE
- FIRM'S SERVICES
- VISION & MISSION STATEMENT
- ORGANISATION CHART LIKE
MANAGING PARTNER,
ENGAGEMENT PARTNERS
- **MANAGEMENT
RESPONSIBILITY**

SQC POLICY OF THE FIRM / FIRM MANUAL OF PU

ETHICAL REQUIREMENTS

- **Independence**
- **Financial Interests**
- **Gifts and Hospitality**
- **Confidentiality**
- **Partner's & Senior Level Performance**

CLIENT ACCEPTANCE & CONTINUITY

- **Acceptance and Continuance of Client Relationships**

ENGAGEMENT PERFORMANCE POLICIES

- **Consultations**
- **Resolving Differences of opinion**
- **Performing Quality Control Reviews**
- **Eligibility of Quality Control Reviewers**
- **Assembly of Final Engagement Files on a Timely Basis**
- **Retention Policy-Documentation**
- **Whistle Blower Policy**
- **Branch Policies**

MONITORING POLICIES



- **Annual Inspections**
- **Corrective Actions**
- **Dealing appropriately with Complaints and Allegations**
- **Support Functions**

HUMAN RESOURCES POLICY

- **Office timings**
- **Staff Welfare Policy**
- **Leave Policy**
- **Trainings**
- **Training Monitoring**
- **Employee Feedback & Suggestion Policy**
- **Policy for Women**
- **Recruitment Policy**
- **Procedure for Interview and Selection of Candidates**
- **Employment offer made**
- **Annual Performance Review of Employees**
- **Performance Evaluation Form (Annual)**
- **Time Report of the Engagement Team Members**

FUNDAMENTAL PRINCIPLES-ETHICAL REQUIREMENTS



- Integrity: Honesty & Truthfulness
- Objectivity: No Bias/ No Conflict
- Professional competence: Updated knowledge
- Confidentiality: Data protection
- Professional behaviour: Compliance with laws

WHAT ARE THE THREATS INVOLVED WHILE COMPLYING WITH THE FUNDAMENTAL PRINCIPLES?

Ethical Requirements-Threats

- Firm should identify, assess and apply appropriate safeguards to eliminate or reduce the risk from threats



Threats involved while complying with the fundamental principles fall into one or more of the following categories:

- (a) Self-interest threats;
- (b) Self-review threats;
- (c) Advocacy threats; (Supporting Public ally)
- (d) Familiarity threats; (Close Relationship)
- (e) Intimidation threats (Threat of Dismissal)

ANNEXURE I TO ANNEXURE 6, AS PRESCRIBED UNDER THE STANDARDS ON QUALITY CONTROL (SQC) ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA (ICAI)

- Annexure-I: Annual Firm Personnel **Independence Confirmation**.
- Annexure-II: Independence Policies.
- Annexure-III: Client/Engagement Acceptance and Continuance Form.
- Annexure-IV: Engagement **Planning** Memorandum.
- Annexure-V: Engagement **Summary** Memorandum.
- Annexure-VI: Firm **Quality Control Inspection Checklist**.

COMMON NON-COMPLIANCE IN PEER REVIEW

WORKSHOP 

COMMON NON-COMPLIANCE IN PEER REVIEW

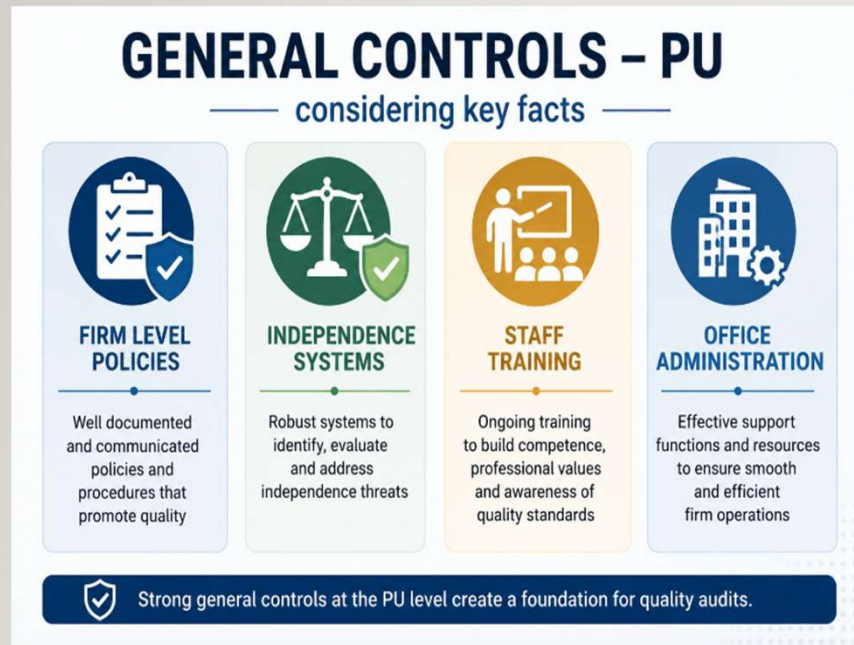
 

LIST OR TYPE OF NON COMPLIANCE		
	SQC Policy of the Firm-Not Available	
	SQC Policy of the Firm not properly drafted	
	Poor documentation	
	Lack of audit evidence	
	Independence issues	
	Improper reporting	

 Quality today, credibility tomorrow. | Compliance is not optional, it's professional responsibility.

- SQC POLICY OF THE FIRM-NOT AVAILABLE
- SQC POLICY OF THE FIRM NOT PROPERLY DRAFTED
- POOR DOCUMENTATION
- LACK OF AUDIT EVIDENCE
- INDEPENDENCE ISSUES
- IMPROPER REPORTING

GENERAL CONTROLS-PU



- FIRM LEVEL POLICIES
- INDEPENDENCE SYSTEMS
- STAFF TRAINING
- OFFICE ADMINISTRATION

SPECIFIC CONTROLS



- AUDIT PLANNING
- EXECUTION
- DOCUMENTATION
- SUPERVISION
- REPORTING

TECHNICAL STANDARDS COVERAGE



- ACCOUNTING STANDARDS/ IND AS
- STANDARDS ON AUDITING
- GUIDANCE NOTES
- LEGAL & REGULATORY COMPLIANCE-LIKE CARO

AUDITING & ASSURANCE STANDARDS

- SQC I / SQC Standards: Quality control at firm level.
- Standards on Auditing
- Standards on Review Engagements: SRE 2400
- Standards on Assurance Engagements: SAE 3000
- Standards on Internal Audit: SIA Series
- ICAI Pronouncements (Guidance Notes, Statements, Notifications, Announcements, Directions issued by ICAI Council).

FIRM QUALITY CONTROL INSPECTION CHECKLIST

ANNEXURE-VI

FIRM QUALITY CONTROL INSPECTION CHECKLIST

Firm Name: _____ Date of Inspection: _____

Sr. No.	INSPECTION AREA	YES	NO	REMARKS
1.	Quality Control Policies and Procedures	<input type="checkbox"/>	<input type="checkbox"/>	
2.	Independence and Ethical Requirements	<input type="checkbox"/>	<input type="checkbox"/>	
3.	Client Acceptance & Continuance Process	<input type="checkbox"/>	<input type="checkbox"/>	
4.	Audit Planning and Documentation	<input type="checkbox"/>	<input type="checkbox"/>	
5.	Engagement Performance and Reviews	<input type="checkbox"/>	<input type="checkbox"/>	
6.	Training and Development of Staff	<input type="checkbox"/>	<input type="checkbox"/>	
7.	Audit Report Quality and Compliance	<input type="checkbox"/>	<input type="checkbox"/>	
8.	Risk Management and Safeguards	<input type="checkbox"/>	<input type="checkbox"/>	
9.	Use of UDIN and Documentation Standards	<input type="checkbox"/>	<input type="checkbox"/>	

Periodic training conducted for Bank Audits, Concurrent Audits, Tax Audits, Statutory Audits (Listed & Non-Listed Entities) and Latest Regulatory Updates.

☐ Yes ☐ No ☐

Inspected By: _____ Reviewed By: _____

Inspector's Signature: _____ Reviewer's Signature: _____

- Initially, the Firm did not maintain a documented Quality Control Inspection Checklist. The same was subsequently prepared and implemented for **all listed clients** for the period under review. However, the checklist requires further strengthening and standardization, and the Firm proposes to extend and maintain it uniformly **for all clients, whether listed or unlisted**, to ensure comprehensive quality control compliance.

DOCUMENTATION REQUIREMENTS-I/2

- 1. Firm Standard Quality Control Policy (SQC)
- 2. Tax Audit Record / Register as per Professional Ethics (PE).
- 3. Company Audit Record / Register as per Professional Ethics (PE)
- 4. Audit & Assurance Certificate Record / Register as per Professional Ethics (PE)
- 5. Appointment Letter
- 6. Communication with Previous Auditor
- 7. Audit Engagement Acceptance Checklist.
- 8. Acceptance Letter to Auditee / Client.
- 9. ADT-01 in case of Appointment in company.

DOCUMENTATION REQUIREMENTS-2/2

- 11. Knowledge of Client Business
- 12. Audit Program
- 13. List of Applicable Laws on the clients / Auditee.
- 14. Check List Accounting Standard (AS).
- 15. Check List Indian Accounting Standards (IND AS).
- 16. Check List on Standards on Auditing (SA).
- 17. CARO Checklist (if Applicable).
- 18. Checklist for Certificates
- 19. MRL for both Audit & Assurance Services.
- 20. Working paper for Conclusion of Audit
- 21. Annexure 1 to Annexure 6, as prescribed under the Standards on Quality Control (SQC).
- 22. Self Evaluation of Digital Competency Model (DCM)-**DIGITAL LEARNING HUB**.

STANDARD QUALITY CONTROL (SQC) POLICY OF PRACTICING UNIT (PU)



- SQC Policy establishes a **structured system** to ensure that all engagements are performed in accordance with professional standards, legal requirements, and ICAI guidelines.”
- “It promotes **consistency**, ethical compliance, and **continuous improvement** in audit and assurance quality across the Firm.”

NON-COMPLIANCE OBSERVED BY QUALITY REVIEW BOARD DURING QUALITY REVIEW (VOLUME 3)



- Why it is necessary for firm to communicate the results of the monitoring of its quality control system to engagement partners and other appropriate individuals within the firm.

PARA 96 & PARA 97 OF SQC-I

- Para 96 of SQC I: Where the **results** of the **monitoring procedures** indicate that a report may be inappropriate or that **procedures were omitted** during the performance of the engagement,
- the firm should determine what further action is appropriate to comply with relevant professional standards and regulatory and legal requirements. It should also consider obtaining legal advice.
- Para 97 of SQC I: **At least annually**, the firm should **communicate the results** of the **monitoring** of its quality control system to engagement partners and other appropriate individuals within the firm, including the firm's chief executive officer or, if appropriate, its managing partner(s).

PARA 100 OF SQC 1: APPROPRIATE DOCUMENTATION RELATING TO MONITORING:

A. Sets out monitoring procedures, including the procedure for selecting completed engagements to be inspected;

B. Records the evaluation of:

- i) Adherence to **professional standards** and regulatory and **legal requirements**;
- ii) Whether the *quality control system has been appropriately designed and effectively implemented; and*

iii) Whether the firm's **quality control policies** and procedures have been appropriately **applied**, so that reports that are issued by the firm or engagement partners are appropriate in the circumstances; and

c. Identifies the **deficiencies noted**, evaluates their effect, and sets out the basis for determining whether and what further action is necessary

VARIOUS REQUIREMENT AS PER CODE OF ETHICS- ICAI



- The Firm maintains a proper and updated UDIN Register in accordance with the UDIN Guidelines and the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI), ensuring traceability, accountability, and authenticity of all certificates and reports issued.

LACK OF TRAINING TO STAFF / ARTICLES



- It is advisable to conduct monthly staff training sessions to enhance technical knowledge, improve efficiency, and reduce the time required for routine tasks.
- Regular training will also help minimize errors, strengthen documentation practices, and support better planning of audits and reviews.
- Additionally, avoiding late working hours is recommended, as a well-rested team remains more focused, energetic, and productive, ultimately contributing to higher-quality deliverables for the firm

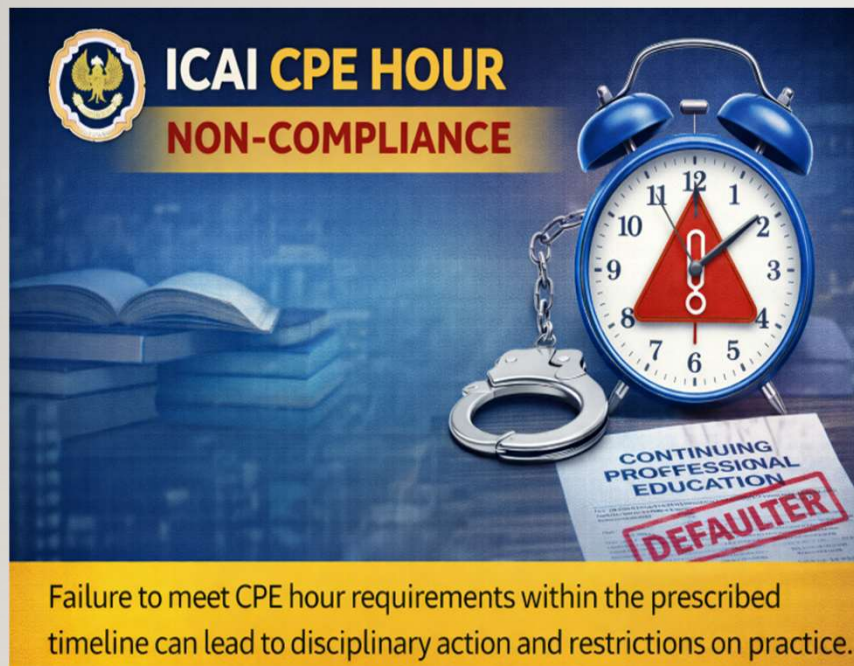
IT IS RECOMMENDED THAT THE FIRM CONDUCTS PERIODIC AND STRUCTURED TRAINING PROGRAMMES FOR ALL PROFESSIONAL AND SUPPORT STAFF BEFORE COMMENCEMENT OF MAJOR AUDIT AND ASSURANCE ASSIGNMENTS



Training shall be conducted either in house or through workshop / seminars.

1. BANK BRANCH AUDIT.
2. TAX AUDIT
3. STATUTORY AUDIT (LISTED / OTHERS)
4. SOCIETY / TRUST AUDIT
5. SPECIAL AUDIT

ICAI CPE HOURS NON-COMPLIANCE



- It is recommended that every partner of the firm ensures timely completion of the minimum prescribed CPE requirements during **each calendar year**.
- **At least 20 hours** may be recorded on the CPE portal through unstructured learning, in addition to the mandatory structured hours.
- Further, all partners should also undergo the requisite practical or virtual training prescribed for undertaking attestation functions, in line with the applicable professional guidelines.
- Consistent compliance with these requirements will strengthen the quality and reliability of the firm's attest engagements.

ENCOURAGE PARTNERS TO PURSUE AT LEAST ONE POST-QUALIFICATION COURSE OFFERED BY ICAI EACH YEAR



- This will not only facilitate the completion of structured CPE hours but also enhance their technical knowledge in specialized areas. Additionally, successful completion of such courses contributes positively to the scoring criteria in the CAG empanelment process, thereby strengthening the overall professional profile of the firm.
- With the availability of numerous virtual programmes by ICAI, even senior members can conveniently participate from their office or home, ensuring continuous professional development without disruption to their schedules.

ISSUE OF CERTIFICATE AS TO WHOM SO EVER IT MAY CONCERN-INCORRECT FORMATS



- During the review, it was observed that the firm continues to issue "To Whomsoever It May Concern" certificates. **This practice is not in line with the applicable ICAI guidelines.**
- The firm is required to adhere strictly to the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016), which sets out the appropriate format, scope, and reporting responsibilities. A copy of the Guidance Note has already been shared for ready reference and compliance.

CERTIFICATES BY CA COMPREHENSIVE CHECKLIST & FARMATS OCTOBER 2025

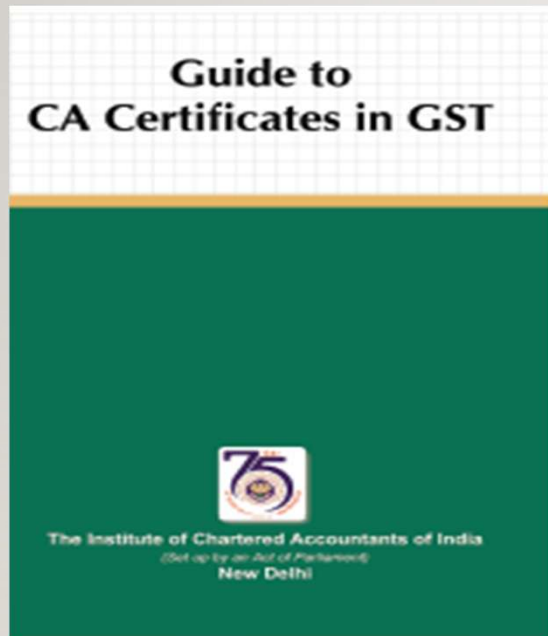


- SECTION A: INDEX FOR REPORT OR CERTIFICATE FOR SPECIAL PURPOSE.
- SECTION B: PROCEDURAL CHECKLIST
- SECTION C: COMPLETION CHECKLIST.

ILLUSTRATIVE FORMATS OF CERTIFICATES

1. UNHEDGED FOREIGN CURRENCY EXPOSURE.
2. NET WORTH CERTIFICATE (NO BOOKS OF ACCOUNT HAVE BEEN MADE FOR VISA).
3. PRACTITIONER'S CERTIFICATE ON STATEMENT OF PPE & INTANGIBLE ASSETS WHERE AUDITED FINANCIALS AVAILABLE.
4. PRACTITIONER'S CERTIFICATE ON STATEMENT OF PPE & INTANGIBLE ASSETS WHERE AUDITED FINANCIALS ARE NOT AVAILABLE.
5. SHARE CAPITAL & SHAREHOLDING PATTERN.
6. CERTIFICATE ON INDIAN ITR ACK.
7. UTILIZATION CERTIFICATE OF GRANT AND RELATED INCOME WHERE AUDITED FS AVAILABLE.
8. UTILIZATION CERTIFICATE OF GRANT AND RELATED INCOME WHERE AUDITED FS NOT AVAILABLE.
9. ANNUAL TURNOVER & COMPUTATION OF NET WORTH AUDITED FS AVAILABLE (TENDER).
10. ANNUAL TURNOVER & COMPUTATION OF NET WORTH AUDITED FS NOT AVAILABLE (TENDER).
11. SCHEME OF MERGER & AMALGAMATION / DEMERGER.
12. HALF YEAR COMPLIANCE (NAME OF DEBENTURE/ TRUSTEE)

ISSUE OF GST CERTIFICATE-INCORRECT FORMATS



- It was noted that the firm's have been issuing GST-related certificates without adequately considering the Guide to CA Certificates in GST.
- This guide provides essential instructions on the scope, format, and verification procedures to be followed. A copy of the guide has already been shared with the concerned personnel for proper implementation.

CAN AN INDIVIDUAL MEMBER WHO IS ALSO A PARTNER IN A FIRM SIGN MORE THAN 60 TAX AUDITS IN A FINANCIAL YEAR BY UTILISING THE MAXIMUM PERMISSIBLE LIMIT AVAILABLE TO A FIRM BASED ON NUMBER OF PARTNERS?

- **For A.Y.2025-26**

- 60 (to be reckoned relating to an Assessment Year)
- Yes, he can sign more than 60 tax audit reports relating to an assessment year by utilising the maximum limit permissible for the firm.
- 44AB in respect of persons covered under section 44AE, 44ADA and 44AD not included.

- **From 1.4.2026**

- 60 in a Financial Year
- No, he **cannot sign** more than 60 tax audits in the financial year. The limit of 60 is the overall limit which includes the reports signed by him as a proprietor and/or as a partner of a firm(s).
- 44AB in respect of persons covered under section 44AE, 44ADA and 44AD not included.

Note – It may be noted that in the case of revision of tax audit report, the revised tax audit report shall not be taken into account for the purpose of reckoning the said limit of 60.

WHETHER THERE IS ANY CEILING ON THE NUMBER OF COMPANY AUDIT (STATUTORY AUDIT) ASSIGNMENTS THAT CAN BE TAKEN UP BY A MEMBER IN PRACTICE OR A FIRM OF CHARTERED ACCOUNTANTS?



Key Question for Professionals

Whether there is any ceiling on the number of **Company audit (Statutory Audit)** assignments that can be taken up by a member in practice or a Firm of Chartered Accountants?

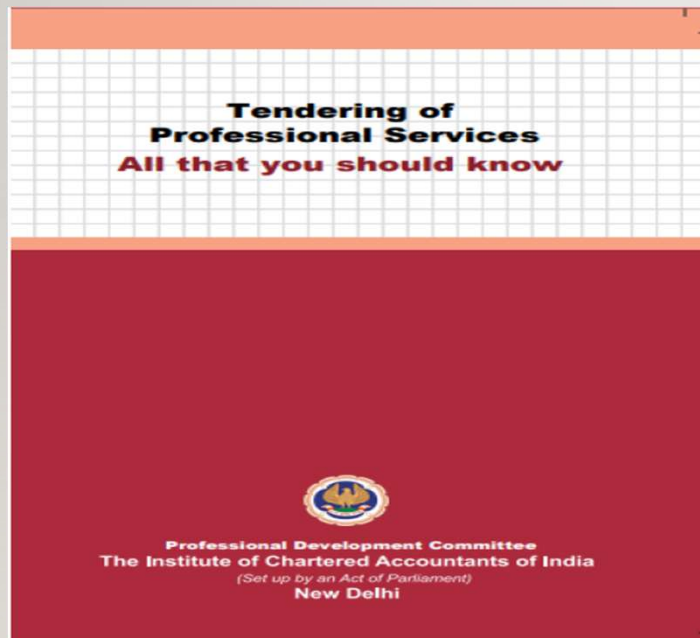


- Yes, in view of the Chapter VIII of Council General Guidelines, 2008 member in practice or a proprietary firm of Chartered Accountant can accept 30 audit assignments whether in respect of private Companies or other Companies, **with the exception of "one person Companies and dormant companies"**.

In computing the “specified number of audit assignments”-

- (a) the number of audit of such Companies, which he or any partner of his firm has accepted whether singly or in combination with any other Chartered Accountant in practice or firm of such Chartered Accountants, shall be taken into account.
- (b) the audit of the **head office and branch offices** of a Company by one Chartered Accountant or firm of such Chartered Accountants in practice shall be regarded as **one audit assignment**.
- (c) the audit of **one or more branches of the same Company** by one Chartered Accountant in practice or by firm of Chartered Accountants in practice in which he is a partner shall be construed as **one audit assignment** only.
- (d) the number of partners of a firm on the date of acceptance of audit assignment shall be taken into account.**

TENDERING OF PROFESSIONAL SERVICES ALL THAT YOU SHOULD KNOW RELEASED IN JULY, 2016.



- TOTAL FAQ'S -40
- ANNEXURE-I: Notification - Responding to Tenders
- ANNEXURE-2: Minimum Recommended Scale of Fees (Check latest guidelines)
- Annexure-3: **Format of Cost Sheet**

TENDER GUIDELINES FOR PRACTICING UNIT (PU)- IS THE PREPARATION OF THE COST SHEET MANDATORY?

Format of Cost Sheet

Particulars	No.	Visits per month	Hours devoted	Cost per hour	Total cost per month	Total cost per annum
<u>Salary to:</u>						
Chartered						
Accountant						
Paid Assistant						
Other Staff						
TOTAL -A						
<u>Stipend to:</u>						
Articles						
TOTAL -B						
<u>Other Expenses:</u>						
Travelling						
Lodging and Boarding						
Local conveyance						
Stationery						
Office overheads						
TOTAL -C						
Grand Total (A+B+C)						

- A cost sheet is be maintained by the Members of the Institute while responding to the tenders and accepting the professional work based thereupon, incorporating the details of the costs being incurred therein having regard to the number of persons involved, hours to be spent, etc.; the same may be called for by the Institute for perusal.

VISIT CDS PORTAL OF ICAI FORTNIGHTLY (14 DAYS OR TWICE IN A MONTH TO GET UPDATED).

**Compendium of Standards
on Internal Audit**

(As on February, 2026)

**Guidance Note on
Financial Statements of
Non-Corporate Entities**

STANDARDS ON AUDITING- CATEGORIZED INTO 9 PARTS

1. GENERAL PRINCIPAL & RESPONSIBILITIES (SQC-I & SA 200 SERIES).
2. Risk Assessment & Response to Assessed Risks (SA 300 & 400 SERIES)
3. Audit Evidence (SA 500 SERIES)
4. Using Work of Others (SA 600 SERIES)
5. Audit Conclusions & Reporting (SA 700 SERIES)
6. Specialized Areas (SA 800 SERIES)
7. Standards on Review Engagement (SRE),
8. Subject Specific Standards &
9. Standards on related Services (SRS)

POLL 10

ACCOUNTING STANDARDS – ICAI

How many Accounting Standards have been issued by ICAI, and how many are currently applicable (active) as on date?

No. of AS / Active AS

- A** 29 / 29
- B** 29 / 28
- C** 29 / 27
- D** 27 / 27



OUT OF THE 29 ORIGINALLY ISSUED,
EFFECTIVELY 27 STANDARDS REMAIN ACTIVE.

- **Withdrawn Standards:** AS 8 (Accounting for Research and Development) were withdrawn
- **Merge Standard:** AS 6 (Depreciation Accounting) merged with AS 10 PPE

POLL 11

STANDARDS ON AUDITING - ICAI

How many Standards on Auditing have been issued by the ICAI?

- A** 36
- B** 39
- C** 46
- D** 50



I. GENERAL PRINCIPAL & RESPONSIBILITIES

S.NO	SA NO	Name of the Standard
1	SQC-1	Standard Control Policy of the Firm
2	SA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standard on Auditing
3	SA 210	Agreeing the Terms of Audit Engagement (Engagement Letter)
4	SA 220	Quality Control for Audit of Financial Statements
5	SA 230	Audit Documentation
6	SA 240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
7	SA 250	Consideration of Laws and Regulations in an Audit of Financial Statements
8	SA 260	Communication with Those Charged with Governance (TCWG)
9	SA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management (TCWG)
10	SA 299	Joint Audit of Financial Statements

FLOW CHART FOR ACCEPTANCE OF PROFESSIONAL WORK

1. APPOINTMENT LETTER
2. COMMUNICATION WITH PREVIOUS AUDITOR
3. ACCEPTANCE LETTER
4. ENGAGEMENT CHECKLIST {CLIENT NEW (REF) OR OLD (PERIOD), Reason of Removal of Auditor, ADT-01}.
5. ENGAGEMENT LETTER
6. KNOWLEDGE OF CLIENT BUSINESS
7. KYC

THE COUNCIL OF ICAI APPROVED THE FOLLOWING KYC NORMS WHICH ARE MANDATORY IN NATURE AND SHALL APPLY IN ALL ASSIGNMENTS PERTAINING TO ATTEST FUNCTIONS. (AUDIT, REVIEW, AGREED UPON PROCEDURES AND COMPILATION OF FINANCIAL STATEMENTS).

CLIENT IS AN INDIVIDUAL/ PROPRIETOR

- **A. GENERAL INFORMATION**

- Name of the Individual
- ☐ PAN No. or Aadhar Card No. of the Individual
- ☐ Business Description
- ☐ Copy of last Audited Financial Statement

- **B. ENGAGEMENT INFORMATION**

- ☐ Type of Engagement

CLIENT IS A NON-CORPORATE ENTITY

- **A. GENERAL INFORMATION**

- Name and Address of the Entity
- ☐ Copy of PAN No.
- ☐ Business Description
- ☐ Partner's Names & Addresses (with their PAN/Aadhar Card/DIN No.)
- ☐ Copy of last Audited Financial Statement

- **B. ENGAGEMENT INFORMATION**

- ☐ Type of Engagement

CLIENT IS A CORPORATE ENTITY

- **A. GENERAL INFORMATION**

- **A. GENERAL INFORMATION**

- ☐ Name and Address of the Entity
- ☐ Business Description
- ☐ Name of the Parent Company in case of Subsidiary
- ☐ Copy of last Audited Financial Statement

- **B. ENGAGEMENT INFORMATION**

- ☐ Type of Engagement

- **REGULATORY INFORMATION**

- ☐ Company PAN No.
- ☐ Company Identification No.
- ☐ Directors' Names & Addresses
- ☐ Directors' Identification No

COMMUNICATION WITH PREVIOUS / RETIRING AUDITOR

- In the opinion of the Council, the following would in the normal course provide such evidence:-
 - (a) Communication by a letter sent through “Registered Acknowledgement due”, or
 - (b) By hand against a written acknowledgement, or
 - (c) Acknowledgement of the communication from retiring auditor’s vide email address registered with the Institute or his last known official email address , or
 - (d) Unique Identification Number (UDIN) generated on UDIN portal (subject to separate guidelines to be issued by the Council in this regard)
- Note: E-mail, the communication would be deemed as complete on receipt of acknowledgement from the retiring auditor’s

Q. How can the Incoming auditor know the E-mail id. of retiring auditor?

A .The Incoming auditor may seek the E-mail id. from the retiring auditor on phone, or from the client.

Q. Which of the two mail ids – registered with the Institute , or last known official id. is preferable for communication?

A. The member may communicate on either of the two. There is no order of the preference.

Q. What will be the position if the Incoming auditor sends an E-mail , however, does not receive an acknowledgement from the retiring auditor ?

A. It would **not** be reckoned as valid communication, as the positive evidence of delivery is not available.

Q. What kind of acknowledgment from the retiring auditor will be deemed as valid to qualify for positive evidence of delivery?

A. Any kind of acknowledgement would be deemed as positive evidence of delivery, e.g. writing “ok” , “Received” , etc.



WHETHER A MEMBER OF THE INSTITUTE WILL BE DEEMED TO BE **GUILTY OF PROFESSIONAL MISCONDUCT IF HE ACCEPTS HIS APPOINTMENT AS AN AUDITOR IMMEDIATELY AFTER INTIMATING HIS APPOINTMENT OVER THE PHONE TO THE PREVIOUS AUDITOR?**

- Yes, the member would be held guilty of professional misconduct for the following reasons:
- (a) That he had failed to communicate with the retiring auditor in writing; and
- (b) That he did not wait for a reasonable length of time for a reply to be received from him.

IN CASE OF APPOINTMENTS DONE BY GOVERNMENT ENTITIES / COMPANIES /BANKS OR THEIR BRANCHES, THE TIME FOR ACCEPTANCE OF AUDIT IS SOMETIMES SO LITTLE THAT THERE IS NO TIME TO WAIT FOR THE REPLY OF THE RETIRING AUDITOR. WHAT SHOULD BE THE RECOURSE IN SUCH CASE?

- In case the time schedule given for the assignment is such that there is no time to wait for the reply from the retiring auditor, the Incoming auditor may give a conditional acceptance of the appointment and commence the work which needs to be attended to immediately after he has sent the communication to the retiring auditor in accordance with this clause. In his acceptance letter, he should make clear to the client that his acceptance of appointment is subject to professional objections, if any, from the retiring auditor and that he will decide about his final acceptance after taking into account the information received from the retiring auditor.

WHAT ARE THE DUTIES OF RETIRING AUDITOR?

- On the request of the Incoming Auditor to the retiring auditor for providing known information regarding any facts or other information of which, in the opinion of the retiring auditor, the **Incoming auditor needs to be aware before deciding whether to accept the engagement**, the retiring auditor shall provide the information diligently.
- Further, the paragraph R 320.8 in Volume-I of Code of Ethics provides that subject to provisions of Clause (8) of Part I of First Schedule of the Chartered Accountants Act, 1949, and Council directions thereunder, the existing or predecessor accountant, when asked to respond a communication from a proposed accountant, shall provide the information honestly and unambiguously to the proposed accountant.

IT WAS OBSERVED THAT THERE HAVE BEEN DEFICIENCIES IN THE COMPLIANCE AND DOCUMENTATION OF THE STANDARDS ON AUDITING (SA 200)

- SA requires the auditor to adopt an **attitude of professional skepticism**; this is necessary in all aspects of planning and performing an audit
- Para 18 of SA 200: The auditor shall comply with **all Sa's relevant to the audit**. An SA is relevant to the audit when the SA is in effect and the circumstances addressed by the SA exist. (Ref: Para.A54-A57)
- Para 20 of SA 200: The auditor **shall not represent compliance with SAs in the auditor's report unless the auditor has complied with the requirements of this SA and all other SAs relevant to the audit.**

IMPORTANT PARA OF SA 200

- Para 21 of SA 200: Determine whether any audit procedures in addition to those required by the SAs are necessary in pursuance of the objectives stated in the SAs; and (Ref: Para.A70)
- Evaluate whether sufficient appropriate audit evidence has been obtained. (Ref: Para.A71)
- Para 22 of SA 200: Subject to paragraph 23, the auditor shall comply with each requirement of an SA unless, in the circumstances of the audit:
 - The entire SA is not relevant; or
 - The requirement is not relevant because it is conditional and the condition does not exist. (Ref: Para. A72-A73)

DEPART FROM SA 200 UNDER SPECIAL CIRCUMSTANCES

- Para 23 of SA 200: In exceptional circumstances, the auditor may judge it necessary to **depart from a relevant requirement in an SA**. In such circumstances, the auditor **shall perform alternative audit procedures** to achieve the aim of that requirement.
- Para 24 of SA 200: If an objective in a relevant SA cannot be achieved,
 - the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the SAs,
 - **to modify the auditor's opinion** or
 - **withdraw from the engagement.**
 - Failure to achieve an objective represents a significant matter requiring **documentation** in accordance with **SA 230**. (Ref: Para.A75-A76)

NON-AVAILABILITY OF ENGAGEMENT LETTERS (NON-COMPLIANCE OF SA 210)



- In a few instances, the engagement letters were not found on record.
- The required engagement letters have since been prepared and placed in the respective files.
- It is important that these documents are duly reviewed and signed by the engagement partner to ensure compliance with professional standards and to formally establish the scope, terms, and responsibilities of the assignment.

ENGAGEMENT LETTER FOR CERTIFICATE (NON-COMPLIANCE OF SA 210)



- It is recommended that engagement letters be prepared for all certificates issued by the firm. Based on past experience, standardized engagement letters—covering the nature of services rendered or likely to be requested, along with the applicable fees—should be finalized and communicated to clients either at the beginning of each year or at the time of receiving a request for issuance of a certificate. This practice will ensure clarity, avoid misunderstandings, and strengthen the firm's compliance with professional standards.

OBSERVATIONS RELATED TO SA 230, AUDIT DOCUMENTATION BY QRB. CAN A PARTICULAR ENGAGEMENT DOCUMENTATION INCLUDE CROSS REFERENCE OF RELEVANT INFORMATION FILED IN ANOTHER SECTION OF AN AUDIT FILE?

- The working papers were collectively **maintained** in electronic files and in manual files (**Hybrid Manner**).
- **Cross referencing** (Linking or comparing) of work papers in manual file and the electronic file is recommended to evidence a single set of audit work papers.
- Engagement documentation encompasses electronic as well as manual records. To avoid unnecessary repetition and to demonstrate cohesion of the audit work as a whole, an audit firm, as provided under SA 230, may find it appropriate to cross refer certain information with corresponding information filed in another section of an audit file

IS IT NECESSARY FOR AN AUDIT FIRM TO OBTAIN A COPY OF MINUTES OF MEETINGS OF GOVERNING BODY / OWNERS?

- Obtaining and reviewing the minutes of meetings of the governing body/ owners is a **standard part of the audit process** for understanding of the organization's governance and operations.
- Provides insights into the organization's decision-making processes, governance practices, and **significant events or decisions** that could impact the financial statements or the audit process.

2. RISK ASSESSMENT & RESPONSE TO ASSESSED RISKS

11	SA 300	Planning an Audit of Financial Statements (Audit Planning)
12	SA 315	Identifying and Assessing the Risks of Material Misstatement
13	SA 320	Materiality in Planning and Performing an Audit
14	SA 330	The Auditor's Responses to Assessed Risks
15	SA 402	Audit Considerations Relating to an Entity Using a Service Organization
16	SA 450	Evaluation of Misstatements Identified During the Audit

3. AUDIT EVIDENCE

17	SA 500	Audit Evidence
18	SA 501	Audit Evidence—Specific Considerations for Selected Items
19	SA 505	External Confirmations
20	SA 510	Initial Audit Engagements—Opening Balances
21	SA 520	Analytical Procedures
22	SA 530	Audit Sampling
23	SA 540	Auditing Accounting Estimates and Related Disclosures (Prov For Doubtful Debts, Warranty, Impairment)
24	SA 550	Related Parties
25	SA 560	Subsequent Events
26	SA 570	Going Concern
27	SA 580	Written Representations (MRL)

NON-AVAILABILITY OF MRL IN CASE OF CERTIFICATE



- It is recommended that the firm obtain a Management Representation Letter (MRL) even in cases involving certificates or other assurance services.
- This document serves as an important safeguard, providing written confirmation of the information and assumptions provided by the client.
- Additionally, it is advisable that the MRL be signed by all directors, partners, or key managerial personnel, as applicable, to prevent any future disputes or inconsistencies in accountability. This practice enhances transparency and strengthens the overall reliability of the engagement.

4. USING WORK OF OTHERS

28	SA 600	Using the Work of Another Auditor
29	SA 610	Using the Work of Internal Auditors
30	SA 620	Using the Work of an Auditor's Expert

5.AUDIT CONCLUSIONS & REPORTING

31	SA 700	Forming an Opinion and Reporting on Financial Statements
32	SA 701	Communicating Key Audit Matters in the Independent Auditor's Report
33	SA 705	Modifications to the Opinion in the Independent Auditor's Report
34	SA 706	Emphasis of Matter Paragraphs and Other Matter Paragraphs
35	SA 710	Comparative Information—Corresponding Figures and Comparative F.S
36	SA 720	The Auditor's Responsibilities Relating to Other Information

EMPHASIS OF MATTER (EOM) V/S OTHER MATTER (OM)

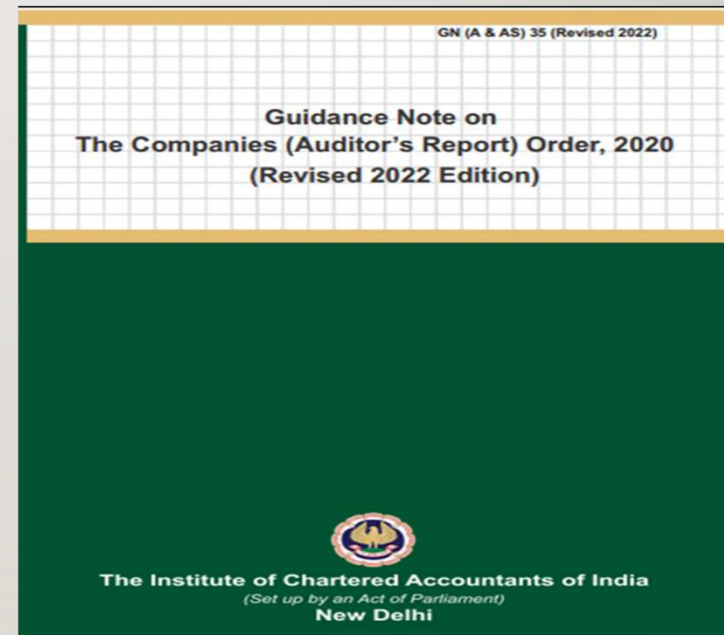
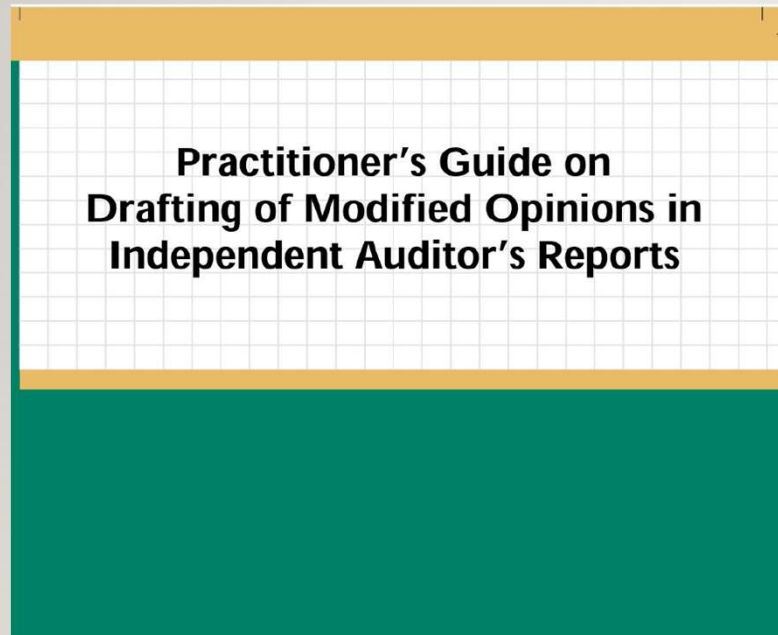
- **Emphasis of Matter (EOM)**

- Used to refer to a matter **appropriately presented or disclosed** in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to the users' understanding of the financial statements.

- **Other Matter (OM)**

Used to refer to a matter **other than those presented or disclosed** in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report.

WE NEED TO WORK HARD ON DRAFTING OF REPORTS.



6. SPECIALIZED AREAS

37	SA 800	Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
38	SA 805	Special Considerations—Audits of Single Financial Statements and Specific Elements
39	SA 810	Engagements to Report on Summary Financial Statements

ISSUE OF SPECIAL PURPOSE AUDIT REPORT NOT AS PER STANDARD ON AUDITING



- It was observed that the requirements under the **SA-800 series were not adequately followed** during the course of the assignments reviewed.
- These Standards on Auditing, which relate specifically to special purpose audits and engagements, prescribe essential procedures, documentation standards, and reporting responsibilities.
- Non-compliance with these standards may lead to gaps in audit evidence and weaken the overall quality of the engagement. Adherence to the SA-800 series is therefore strongly recommended to ensure consistency, reliability, and compliance with professional requirements

7. STANDARDS ON REVIEW ENGAGEMENT (SRE),
8. SUBJECT SPECIFIC STANDARDS &
9. STANDARDS ON RELATED SERVICES (SRS)

40	SRE 2400	Engagement to review historic financial statements
41	SRE 2410	Review of Interim Financial information by Independent Auditor of the Entity
42	3400	The Examination of the prospective Financial information
43	3402	Assurance reports on controls at a service organization
44	3420	Assurance Engagements to Report on the compilation of Performance information included in the prospectus
45	SRS 4400	Engagement to perform agreed upon procedures regarding financial information
46	SRS 4410	Compilation Engagements

WHAT IS THE VALIDITY PERIOD OF THE PEER REVIEW CERTIFICATE?

- The Peer Review Certificate issued to a Practice Unit shall be valid for a period of three years or such other period as may be decided by the Board.
- *Provided that if the Peer Review Report has been received before the expiry of the earlier Peer Review Certificate, the date of commencement of the Certificate shall be the date following the date of expiry of the earlier Peer Review Certificate.*
- The validity of the Peer Review Certificate issued to New Units shall be decided by the Board **(Generally 18 Months)**.
- It is the responsibility of the Practice Unit to complete its Peer Review and ensure submission of all necessary documents by the reviewer within sufficient time before the date of expiry of the previous certificate

REVOCATION OF PEER REVIEW CERTIFICATE BY THE BOARD?

The Board may, subject to the principle of natural justice, revoke the Peer Review Certificate of the Practice unit during its currency, if-

- i) The Practice Unit has not complied with **the order or advisory issued by the Peer Review Board**; or
 - ii) The Peer Review Board receives any **Directions from the Secretary, ICAI, Disciplinary Directorate** or directions from any Regulator through Secretary, ICAI or the Council.
 - iii) On an information received from the Practice Unit or otherwise that the Practice Unit or any of its partners are held guilty by the Disciplinary Committee or the Court within one month of the final order issued by the DC/ Court as the case may be, the Board may take such immediate action as is considered necessary, including **suspending or revoking the Peer Review Certificate**.
 - iv) **On an information received from Practice Unit that there is a change of one half (50%) or more of the partners the Certificate shall be revoked on the expiry of six months from the date of such change or shorter period in case the change has occurred during the last six months of the validity of the certificate.**
- The Board shall issue a notice to the Practice Unit in **Form 10 & the Practice Unit** shall be given an **opportunity** to present its response for the observations made by the Board stated in Form 10.
 - The name of the Practice Unit whose Certificate has been revoked shall be hosted on the ICAI website

WHAT ARE THE MINIMUM RECOMMENDATORY RECORDS THAT MAY BE MAINTAINED BY A PU?

- The PUs may maintain minimum recommendatory records for the following:
 - (i) Profile of the PU should be bifurcated into information relating to,
 - (a) Partners and constitution of the firm;
 - (b) Staff including qualified members of the Institute and other professional bodies; and
 - (c) Articled clerks.
 - The reviewer while performing the review should examine whether the file is maintained properly and is regularly updated for any changes.
 - (ii) List of Clients
 - (iii) Staff Files

MANUAL OF POLICES AND PROCEDURES FOR (BASICALLY SQC POLICY) :

- (a) acceptance of an engagement and appointment letter duly authorized in writing is received.
- (b) skills and competence for particular type of engagement
- (c) the manner of assignment and delegation of authority and responsibility for different kinds of engagement
- (d) the procedure for consultation
- (e) policy for retention of clients
- (f) guidelines for monitoring the engagement; and
- (g) policies regarding direction and supervision of the engagement

WHEN CAN A REVIEWER QUALIFY HIS REPORT?

- A Reviewer can qualify the report due to one or more of the following
 - (a) non-compliance with technical standards
 - (b) quality control system design deficiency
 - (c) non-compliance with quality control policies and procedures (SQC-1); or
 - (d) non-existence of adequate training programmes for staff.
 - (e) non-existence of internal control system.
 - (f) non-maintenance of current file and permanent file as per standards laid down by ICAI.

1. The PU does not have any documented policies for its system of quality control in accordance with SQC-1
2. While the PU has **documented policies for independence**, there was no evidence on record to show that the said policies or the related quality controls were implemented.
3. The PU does not have a practice of obtaining **engagement letters** as required under SA 210, Agreeing the Terms of Audit Engagement.
4. It was observed during examination of engagement files that **the staff deployed lacked industry expertise and was, in general, inexperienced**. Moreover, there was no evidence in the working papers prepared by articled assistants of any review performed by a senior resource.
5. The PU does not have any **standard documented policy or procedure for planning and performing audits**. Nor does it have any **standard checklists** to ensure that resources performing the engagement have ensured compliance with relevant technical standards, either accounting or auditing. There is also no standard documentation policy, with the result that engagement files lack consistency and file contents vary significantly from one file to another.



6. Working papers were found to have no supporting documentation to demonstrate that a risk-based audit was performed. There were no documents in the audit files to show that the engagement partner and his team had done any planning at all.

(a) SA 300, Planning an Audit of Financial Statements. (Audit Program).

(b) SA 315, Identifying and Assessing the Risk of Material Misstatement.

(C) SA 320, Materiality in Planning and Performing an Audit.

7. No evaluation of the control environment of the entities audited.

8. The PU was found to have complied with none of the requirements of SA-240. The Auditor's Responsibilities Relating to Fraud.

9. The PU does not perform any controls evaluation or testing. No Evidence of SA 530 Audit Sampling.

10. The PU has no practice of documenting the samples selected for tests of details, what audit procedures were applied to test the samples, or the outcome of such testing, if performed. The only document that evidences performance of tests of details are query sheets. In several instances it was observed that queries were raised but there is nothing to evidence how they were solved or disposed of.



WHERE STANDARDS FALL SHORT, QUALIFICATION SPEAKS.

- 11. The PU Audit files lack evidence of how significant estimates & judgements were audited or how the engagement teams **reached a conclusion** that the process adopted by the clients for making those estimates and judgements was sufficient and appropriate.
- 12. When Financial Statement Prepares on the basis of Going Concern (SA-570) The Entity **current liabilities** were in **excess** of its **current assets** by **several multiples** the entity had **made cash losses** during the **last three years** and its accumulated losses **were five times its share capital**.

PROFESSIONAL INDEMNITY INSURANCE



- The firm should obtain a Professional Indemnity Insurance policy to safeguard its interests in the event of any unforeseen incidents arising during the course of professional services.
- Such coverage provides financial protection against claims, except in cases of gross negligence or willful misconduct. Implementing this measure will strengthen the firm's risk-management framework and enhance overall professional security

THANK YOU



FOR YOUR VALUABLE TIME &
PATIENCE HEARING.



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“

Committed to Quality, Integrity &
Continuous Professional Excellence.

”

*Thank
You!*

