DOCUMENTATION OF PEER REVIEW
**INTRODUCTION**

- Even the best of the professionals need approbation. They are only human beings. They need and deserve the reconfirmation of their abilities and the way they work, from their peers. Such reconfirmation that professional seek is provided by the process of “Peer Review” (PR).

- The dictionary meaning of the word “Peer” is “A person who has equal standing with another or others” and the term “Review” is defined as “subject to a formal inspection or appraisal and reassessment of the matter in question”.

- Peer Review for chartered accountants would mean evaluation of a colleague’s work professionally.

- Peer Review Board was established by the Council of the Institute in March 2002 to conduct the system of PR.

- It is mandatory for all the practice units who are auditing listed companies and also Bank branches.
The factors that determine the form and content of documentations for a particular engagement are:

- The nature of the engagement
- The nature of the business activity of the client
- The status of the client
- Reporting format
- Relevant legislations applicable to the client
- Records maintained by the client
- Internal controls in operation
- Quality of audit assistants engaged in the particular assignment and the need to direct and supervise their work
The working papers are classified as follows:

- Permanent Audit Files
- Current Audit Files
A permanent audit file normally includes:

- Copy of initial appointment letter if the engagement is of recurring nature
- Record of communication with the retiring auditor, if any, before acceptance of the appointment as auditor
- NOC from previous auditor
- Information concerning the legal and organisational structure of the entity.
- In the case of a company, this includes the Memorandum and Articles of Association.
- In the case of a statutory corporation, this includes the Act and Regulations under which the corporation functions
DOCUMENTATION FOR PEER REVIEW

✓ Organisational structure of the client

✓ List of governing body including Name, Address and contact details. For instance, the List of Directors in case of a company, List of partners in a partnership and list of Trustees in a Trust.

✓ Extracts or copies of important legal documents, agreements and minutes relevant to the audit.

✓ A record of the study and evaluation of the internal controls related to the accounting system. This might be in the form of narrative descriptions, questionnaires or flow charts, or some combination thereof.

✓ Copies of audited financial statements for previous years
Analysis of significant ratios and trends

Copies of management letters issued by the auditor, if any.

Notes regarding significant accounting policies.

Significant audit observations of earlier years.

Assessment of risks and risk management

Major policies related to Purchases and Sales

Details of sister concerns

Details of Bankers, Registrars, Lawyers etc

Systems and Data Security policies

Business Continuity Plans
A Current audit file normally includes:

✓ Correspondence relating to acceptance of annual reappointment.
✓ Extracts of important matters in the minutes of Board Meetings and General Meetings, as are relevant to the audit.
✓ Evidence of the planning process of the audit and audit programme
✓ Analysis of transactions and balances.
✓ A record of the nature, timing and extent of auditing procedures performed, and the results of such procedures
✓ Evidence that the work performed by assistants was supervised and reviewed.
✓ Copies of communications with other auditors, experts and other third parties.
DOCUMENTATION FOR PEER REVIEW

✓ Copies of letters or notes concerning audit matters communicated to or discussed with the client, including the terms of the engagement and material weaknesses in relevant internal controls.

✓ Letters of representation or confirmation received from the client.

✓ Conclusions reached by the auditor concerning significant aspects of the audit, including the manner in which exceptions and unusual matters, if any, disclosed by the auditor’s procedures were resolved or treated.

✓ Copies of the financial information being reported on and the related audit reports.

✓ Audit review points and highlight.

✓ Major weakness in Internal control
The need for Working papers can be listed as follows:

- They aid in the planning and performance of the audit;
- They aid in the supervision and review of the audit work and to review the quality of work performed, in accordance with AAS 17 “Quality Control for Audit Work”;
- They provide evidence of the audit work performed to support the auditor’s opinion;
- They document clearly and logically the schedule, results of test, etc.
- The working papers should evidence compliance with technical standards;
- They document that Internal control has been appropriately studied and evaluated; and
- They document that the evidence obtained and procedures performed afford a reasonable basis for an opinion.
They retain a record of matters of continuing significance to future audits of the entity;

They enable an experienced auditor to conduct quality control reviews in accordance with Statement on Peer Review issued by the Institute of Chartered Accountants of India;

The process of preparing sufficient audit documentation contributes to the quality of an audit;

They fulfil the need to document oral discussions of significant matters and communicate to those charged with governance, as discussed in AAS 27, “Communication of Audit Matters with those Charged with Governance.
Guidance to staff on Audit documentation

- Filing/keeping of working papers
- Checklist of documents to be obtained and maintained
- Indexing of documents/working papers
- Proper numbering/sequencing of working papers
- Summarizing of overall findings
- Writing of queries
- Discussing with seniors on matters of importance
- Disposing of Query -at staff level/senior level/partner level
- Importance of the working papers to be signed, dated and approved by relevant level of audit staff with sufficient cross reference
Tips for Auditors on documentation / working papers

✓ Clarity and Understanding
✓ Completeness and Accuracy
✓ Logical Arrangement
✓ Legibility and Neatness
✓ Safety
✓ Initial and date
✓ Summary of conclusions
BY
CA ABHAY VASANT AROLKAR
BCOM (HONS.), LLB, ACS, FCA