

The Peer Review in Chartered Accountant Firms and Technological Impact



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ABSTRACT

If we look back into the past few years, Peer Review has gained its value with tremendous speed and a number of researches had been carried out with various perspectives. This article deals with the study of Peer Review System and its impact on auditing done by different chartered accountant firms. The regulations and standards laid down over the various enterprises, entities and corporate houses have been implemented as per the legal frameworks should be monitored by the auditors and it is being 'tested' that whether this system is futile and noneconomical with the use of technology like Computer Assisted Audit Techniques (CAATs).

Keywords : Peer Review System, Auditing, Computer Assisted Audit Techniques (CAATs).

INTRODUCTION

In the present era of diversification in accounts, proper audit is the necessity in order to put a step towards the economic development and other developmental works laid by the government and other private concern so that the fraudulent activities and illegal expenses can be barred.

Mobilization, information gathering, risk assessment and audit program preparation is the part of planning in audit. Two basic types of audit approaches the auditors can use during execution phase are tests of controls and substantive tests. Substantive tests include analytical procedures, detailed tests of transactions and detailed tests of balances. The extent of test is based on the professional judgement of auditors. However, materiality, control, reliance and risks are also major concerns.

The final output of audit work is auditor's report. The types of audit report unqualified, unqualified with explanatory paragraph or modified wording, qualified, adverse or disclaimer depends on the combination of evidences obtained from the field works and the audit findings.

At the end of each working period, the accumulated evidences and performance evaluations should be reviewed to assess scope for improving efficiency or effectiveness for the next auditing period.

To improve profitability of auditing business, the efficient utilization of professional staff seems to be the only practical method and by aiding the use of some computerized tools and techniques in auditing profession in order to assist and enhance auditing tasks it can be complemented. However, the level of automation is still questionable. As long as they still require professional staff involvement, auditing cost is unavoidably high.

Peer Review System is the result of Naresh Chandra Committee which felt the need to establish an independent Quality Review Board to examine and review the quality of audit of any chartered accountant's entity in order to facilitate proper up keeping of books of accounts and evidences properly kept as documentation. As such, a peer review board was formed by the ICAI to adopt peer review system.

It is a system of reviewing the working of one peer by other viz. working of a Chartered Accountant firm by the other Chartered Accountant firm, work of Company Secretary Firms by the Company Secretary, work of Cost accountant by other cost accountant etc. The review report given by them is a public document and the firm can send copies of report to clients, the firm personnel and other outside parties.

This process provide suggestions and guidance to the firms so that they could improve their performance and consequently discharge their responsibility to society in a much better manner at par with international standards, while reviewing the engagement records pertaining to attestation services, the reviewer would concentrate on the areas where the practising members need guidance in improving the quality, consistency and adaptability so that it may act as safeguarding tool for them and to see that they do not get indulged in the law suits.

Thus, it is a fact the reviewer is not intended to evaluate the process of judgement formation by the reviewee. The purpose of review is not to comment on the opinion expressed by the practice units so long as that opinion is based on compliance with appropriate procedures, systems, techniques and tools effectively and consistently. Thus, the reviewer would be concentrating on the adequacy of procedures laid down and not on the audit opinion given by the practice units.

The reviewer ensure the compliance with technical standards laid down by the statutory body to the practice units, the placing of proper system for maintaining the quality of the attestation services work performed by the practice units. The whole concept of peer review is directed at attestation services of adequacy of procedures laid down. If the reviewer uses the technique of data mining or usage of technology in the review, it makes the review simplified and gives the quality report data in less time.

Technology impacts the ways auditors perform their work. To conduct the audit, auditors can no longer rely solely on their traditional auditing techniques. Instead, they have to combine such knowledge and experience with technical skills. In short, the boundary between the financial auditor and the information system

auditor has become blurred. Therefore, it is important for the auditors to keep pace with the technological development so that they can decide what tools and techniques to be used and how to use them effectively. To have a simple resemblance, if a television mechanic has to diagnose a television for repair, he won't use only different types of tools than what he usually used with traditional (CRT or LCD) television rather he will also need different skillsets and an understanding of how an LED television works and its internal functionalities. The transformation which is happening in the audit functionalities is similar and it's a transformation at two levels:

1. Auditors need to know how to audit in digital environment. Take a scenario for instance where the majority of the bookkeeping may be done by Bots, with an enterprise block chain architecture being the tool used for bookkeeping etc. Auditors will soon find them in a scenario where organisations are working with a combination of digital technologies.
2. Auditors and audit firms need to see how they can transform their audit procedures and methodologies by incorporating tools and technologies like advanced analytics, robotic process automation (RPA), Artificial Intelligence (AI), etc.

On account of incorporation of these digital platforms to the audit the expectations of the auditee concerns from the auditors has also increased a lot and simultaneously the peers during the review also reviews the available data from this engrossed point of view. They have to verify that new auditing methods has been implemented in the voluminous amount of data in order to store and retrieve the vast amount of information in less span of time with an increased reliability of data. Whenever the data quantity is huge, it becomes easier to detect the frauds and hidden fraudulent transactions out of the sea of data. It will be a herculean task to pick out these frauds through the traditional sampling method. As such Auditors will need to work with advanced analytical tools to work with the entire dataset of all transactions to build fraud identification models. This helps the auditor to provide right guidance and requirements to maintain sufficient logs and audit trails to the organisations to which they complete their job as an auditor.

The auditing profession is going through a very interesting phase now a day. Computer assisted auditing tools (CAATs) are used to compliment the manual audit procedures. There are many CAATs available in the market. The challenge to the auditors is to choose the most appropriate ones for their working purpose. Both the generalized audit software (GAS), that integrates overall audit functions and other similar software are available to support their work. However, GAS packages tend to be more widely used due to its low cost, high capabilities and high reliability. An auditor may choose different tools which can be incorporated with the GAS in order to get improved result from the work. Very soon this all the phenomenon is going convert into a necessity and in next couple of years almost every auditor will have to perform technology audits and work with Data mining methods, Bots etc. to perform their audit procedures. This era of digital transformation presents more opportunities than challenges for audit and assurance professionals. There is a vast scope to create competitive advantage in the industry by adopting technology driven audit procedures and by also building comfort and expertise in auditing complex, modern and highly dynamic systems and business processes.

Hence, to sum up, Peer Review System is an effective mode to monitor the Auditors' workings and integrity and whether it is futile and non-economical may be concluded with a note that Peer Review system is not futile rather it helps as an effective mode to monitor the auditors' workings and integrity and obviously it is economical too as the review charge is nominal and as prescribed by the institute.

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