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THE INSTITUTE OF Company Secretaries of India

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

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DEFINITION

The dictionary meaning of the term "peer" is, a person of the same legal status or a person who is equal to another in abilities, qualifications, age, background, etc.

"Review" means to look back upon (a period of time, sequence of events, etc.)

Thus, "Peer Review" is a self improvement process and is a method of evaluation of a person's work or performance by a group of people in the same occupation, profession, or industry.

CONCEPT OF PROFESSIONAL PEER REVIEW

Professional Peer Review focuses on the performance of professionals, with a view to improving quality, upholding standards, or providing certification.

OBJECTIVES OF PEER REVIEW

- To ensure that in carrying out their Services, the Practising Company Secretaries (PCS) has complied with the Technical Standards laid down by the Institute and has in place proper systems (including documentation systems) for maintaining the quality of the Services/work they provide.
- Maintenance as well as enhancement of quality of attestation services and to provide guidance to members to improve their performance and adhere to various statutory and other regulatory requirements.
- Identification of the areas where a practising member may require guidance in improving the quality of his performance and adherence to various requirements as per applicable Technical Standards and Regulatory Requirements.

RATIONALE FOR PEER REVIEW

The concept of whole-time practice, which received its initial statutory recognition in 1988, has gained momentum after the enactment of the Companies (Amendment) Act, 2000 which required Compliance Certificate to be issued by a Practising Company Secretary for Companies having a prescribed paid up capital. The Companies Act, 2013 has increased responsibility of Company Secretaries to higher level. Company Secretaries in practice are also being recognised for issuing certificates under various laws.

Excellence is the hallmark of success in a competitive environment. Performance can be judged and enhanced to a level of excellence only by evaluation by a competent professional. The Council of the Institute, therefore, decided to introduce Peer Review for Practising Company Secretaries (PCS) to periodically evaluate the quality, sufficiency of systems, procedures and practices, so that excellence in their performance is maintained.

GUIDELINES FOR PEER REVIEW

The whole Peer Review process is dealt as per Guidelines for Peer Review of Attestation Services by Practising Company Secretaries as amended by the Council of ICSI from time to time.

ATTESTATION SERVICES COMING UNDER THE PURVIEW OF PEER REVIEW*

Currently, the following attestation services are included under the purview of Peer Review. In case Practice Unit is rendering any of the below services it needs to get itself Peer Reviewed:

- Annual Returns Certification
- Issuance of certificate under clause 47C of the listing agreement
- Issuance of Secretarial Audit Reports
- Issuance of Compliance Certificates under Clause 55A of Depositories & Participant Regulations, 1996
- Issuance of Reconciliation of Share Capital under the provisions of Circular No. CIR/MRD/DP/30/2010 dated September 6, 2010 issued by the SEBI
- Issuance of Diligence Reports for Banks

* Since the scope of services is dynamic, situations may arise whereby regulatory prescriptions may necessitate certification in other areas also in due course.

BENEFITS OF PEER REVIEW

There are significant benefits which a Practice Unit (PU) will obtain in undergoing a Peer Review. Some of them are mentioned below:

- Comfort to the P.U. that he has adhered to various statutory, documentary and other regulatory requirements.
- If deficiencies are noticed and corrective measures suggested, the P.U. will have an opportunity to correct the deficiencies and thereby enhance his professional competence.
- If a Peer Review Certificate is issued in favour of the P.U. it enhances his credibility in the eyes of the general public.
- Since a Chinese Wall exists between the Peer Review Process and the Disciplinary Proceedings, the P.U. will benefit from Peer Review without any apprehension of any disciplinary proceedings being initiated against him for any deficiencies noticed on his part.
- Clients of the P.U. will benefit from knowing that their P.U. is periodically reviewed by the ICSI.

SELECTION OF MEMBERS/ FIRMS FOR BEING PEER REVIEWED

Peer Review of a Practice Unit is conducted:

- (a) Whenever a Peer Review is mandated
- (b) Whenever a Peer Review is requested
- (c) Whenever a Peer Review is conducted.

A Peer Review is said to be mandated when the Council of the Institute or any legislative amendment to law requires a Peer Review to be conducted. A Peer Review is said to be requested when a Practice Unit (PU) requests the Peer Review Board to have itself Peer Reviewed on a voluntary basis. A Peer Review is said to be conducted when a Peer Review is undertaken based on random selection initiated by the Peer Review Board.

OBLIGATIONS OF THE PRACTICE UNIT

The Practice Unit under review shall provide access to any record or document as may be asked for by the reviewer for the purpose of Peer Review.

PERIODICITY OF PEER REVIEW

The Peer Review of every practice unit should be mandatorily carried out at least once in a block of five years. However, if the Board so decides or otherwise at the request of the practice unit, the Peer Review for such a practice unit can be conducted at shorter intervals.

ELIGIBILITY TO BECOME PEER REVIEWER

A Peer Reviewer shall be a Member of the Institute who should— (a) Possess at least 10 years of post membership experience (b) Be currently in whole time practice as a Company Secretary.

Apart from the above, the Reviewer must not be associated in any manner with the management committee of any Chapter/Regional Council (RC) or Council of the ICSI. He/She shall also not be related to the prospective Practice Unit. The Peer Reviewer shall not be penalized by the Board of Discipline (BoD) / Disciplinary Committee (DC) of the Institute.

EMPANELMENT OF REVIEWERS

Institute organizes regular Training Programme throughout the Country for eligible members to empanel as Peer Reviewer.

QUALITIES OF REVIEWER

The nature and complexities of Peer Review requires the exercise of professional judgment. The reviewer should:-

- Be well acquainted with the technical aspects of the attestation services.
- Know the provisions of Code of Conduct of ICSI.
- Have studied various cases decided on Code of Conduct of ICSI.
- Get himself/herself acquainted with decisions of various courts on 'cases relating to deficiency in service'.
- Be aware of relevant provisions of CS Act 1980, Consumer Protection Act, Evidence Act, IPC, etc.
- Have studied the technical standards like Secretarial Standards, Guidance Notes, Notifications and Guidelines issued by Council of ICSI.
- Be aware of evolving standards and best practices in the field.
- Be good at drafting, written and spoken English.
- Display professional and courteous behavior while on Peer Review visit.
- Understand his limitations.
- Be clear about what is outside the scope of Peer Review.

REVIEWER'S APPROACH

- The approach of the Reviewer should be courteous, professional and helpful throughout the review process.
- He should be appreciative of good practices while suggesting areas of improvement.
- He should adopt a collaborative approach with the P.U. during the review process and should ensure minimum disruption to the P.U. during the Peer Review.

- He should be able to provide practical and insightful comments in a discussion mode as a Peer during the review process.
- He should try and give value addition to P. U. and not merely adopt a tick box approach.
- In determining issues which are subjective, the purpose is not to replace the PU's opinion with the opinion of the Reviewer but to verify the process followed in exercise of judgement by the PU. Verification of the process will include verification of working papers maintained by the PU.

METHODOLOGY TO BE FOLLOWED BY REVIEWER

Offsite review

- This contemplates studying the information given by the PU in the Questionnaire and based on the same make his own observations about possible areas where improvement is possible and to note other aspects to be discussed in personal meeting with PU.

Onsite review

- Verification of information given by the PU.
- Test checks in respect of a attestation / assignments handled by the PU.
- Interaction with the staff & trainees of PU should be a part of the Peer Review.
- Calling for the records in respect of the client maintained by the PU to verify whether proper systems and procedures have been followed.

COMPLIANCE WITH PEER REVIEW GUIDELINES

- The Peer Reviewer is required to follow guidelines of Peer Review of Attestation Services by Practising Company Secretary.

REPORTING

The central element of a Peer Review is the assessment i.e. the professional judgement by the peers. Para 16.3 of the Guidelines for Peer Review contains provisions for the report of Peer Reviewer.

At the end of an on-site review, the reviewer shall, before making his report to the Board, communicate a preliminary report to the practice unit. The reviewer shall report on the areas where systems and procedures had been found to be deficient or where he has noticed non-compliance with reference to any other matter. In arriving at this conclusion, the Reviewer shall be expected to examine the materiality of the non-compliance or deficiency, the number of occasions when such non-compliance was noticed and its overall impact on the quality of attestation service rendered by the P.U.

In case of Clean Final Reports, the same may be directly submitted to the Board for the purpose of issuance of Certificate to the Practice Unit.

DISPUTE RESOLUTION

Where there is any dispute between the Peer Reviewer and the Practice Unit, the same may be forwarded to the Peer Review Board of the ICSI. The Board, after giving opportunities to the concerned parties, may give its decision. In case, the parties are not satisfied with the decision of the Board, they may appeal to the Council, ICSI against the order of the Board.

STEPS IN PEER REVIEW

- Selection of Practice Unit to be Peer Reviewed on Random/Request basis.
- Intimation to Practice Unit impending Peer Review along with Questionnaire.
- Return of Questionnaire within one month.
- Panel of 3 suggested reviewers be sent to Practice Unit.
- Choice of Reviewers within 15 days to be intimated to Peer Review Board by Practice Unit.
- Peer Reviewer be intimated of selection.
- Consent of Peer Reviewer be received within 7 days.
- Selection of Sample by the Peer Reviewer.
- Intimation of sample to the Practice Unit two weeks in advance of visit by Peer Reviewer.
- Fixation of date for onsite visit by Peer Reviewer after consultation with Practice Unit.
- Onsite visit within 60 days from the date of Intimation to Peer Review about impending Peer Review.
- Onsite review from one day to a maximum of three working days.
- Initial meeting between the Peer Reviewer and sole proprietor/ partner of the Practice Unit so as to ensure accuracy of the responses to the Questionnaire.
- Reviewer to carry out a compliance review of the General Controls and evaluate the degree of reliance to be placed on them.

- Key control areas to be considered – Independence; Maintenance of Professional Skills and standards; Outside consultation; Staff supervision and Development; Office Administration.
- Review of Records by the Reviewer on Compliance Approach/ Substantive Approach.
- Preliminary Report of Reviewer to the Practice Unit reporting deficiencies in systems and procedures. In case there is no deficiency, Clean Final Report may be directly submitted to the Board.
- Practice Unit may make submissions or representations in writing to the Peer Reviewer within 21 days from the date of receipt of the Preliminary Report.
- Interim Report by the Reviewer to the Peer Review Board based on his observations and the responses received from the Practice Unit.
- Peer Reviewer may conduct a review of attestation services again after a period of six months if so directed by the Peer Review Board.
- Peer Review Board may issue instructions to the Practice Unit regarding the application by it of Technical Standards (compliance review within six months).
- Peer Reviewer to issue Final Report to the Board incorporating the findings as discussed with the Practice Unit.
- Issue of Peer Review Certificate to the Practice Unit by the Peer Review Board.

So, what you are thinking, please go for Peer Review of your Practice Unit(s), if not done earlier.

HELPDESK FOR PEER REVIEW QUERIES:

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