



Presentation
on
Module 1: Overview of the Peer Review Process
Reviewers' Training Manual
Issued by the Peer Review Board of ICMAI

PEER REVIEW SYSTEM

- The PRS is a mechanism of **evaluating the audit and assurance services** carried out by a Firm or Members in practice, **by the peers recognized by the Institute for demonstrating proven competence**, by looking into the systems and procedures adopted and records maintained while carrying out audit and assurance services by the firm.
- The objective of PRS is to evaluate and suggest improvements in systems, procedures and quality of reporting.

SCOPE OF PEER REVIEW

- Shall apply to all audit and assurance services, other regulatory service and certification services, requiring the members to have Certificate of Practice.
- Firm's audit and assurance services engagement records pertaining to the review period shall be part of the Review.
- Shall include compliance with Technical & Professional Standards and Code of Ethics of the Institute.
- Quality of Reporting
- Training program for staff including cost trainees and audit assistants.
- Compliance with guidelines issued by the Council relating to the fees to be charged, document collected and records maintained during the assignment, regulatory and certification services, professional misconduct, register for assurance engagements conducted during the year and such related records.

SCOPE OF PEER REVIEW

- Compliance with guidelines issued by Council relating to cost trainees, audit assistants, stipend payments, and such related records.
- The Peer Review shall be carried out as per the timelines prescribed by the board.
- The Council of the Institute has recommended that the audit and assurance services should be considered by the reviewers **in a phased manner.**
- Cost Audit should be covered in the 1st phase and other audits and assurance services in 2nd phase. Hence, **the Peer Review will cover only the Cost Audit Assignments undertaken by the firm or PCMA for the 1st three years of implementation.**

DEFINITIONS

(i) Assistant – means a person assisting the reviewer who has undergone adequate training in the manner considered appropriate by the Board.

(ii) Audit and Assurance Services - Means services that are provided under legislation and other regulatory requirements including the for assignments or engagements relating to the cost audit and issuance of various certificates, but do not include:

- a) Management consulting Engagement;
- b) Representing a client before the Authorities;
- c) Testifying as expert witness; and
- d) Providing expert opinion on points of principles, such as cost accounting standards and standards on cost auditing or the applicability of certain laws, on the basis of facts provided by the client.

The phrase 'Audit and Assurance Services' is used in the statement interchangeably with Cost Audit or Compliance Report or Certificate, Attestation Functions and Cost Audit or Maintenance of Cost Records Functions. `

DEFINITIONS

(iii) A “Conflict of Interest” occurs when a reviewer’s private interest or consideration interferes, or appears to interfere or has a likelihood of interference, with the interest of the PU. Conflicts of interest are manifest in those instances where the actions or activities of a reviewer also involve the reviewer’s obtaining of an improper personal gain or advantage or an adverse effect upon the interest of the PU; or the obtaining by a third party of an improper or illegal gain or advantage to the detriment of the PU or a competitor of such third party.

(iv) Firm- Firm means a sole practitioner, partnership including LLP or any other entity of professional cost accountants as may be permitted by law and constituted under the Cost Accountants Act, 1959 and Regulations framed thereunder.

(v) Member - Means a member of the Institute of Cost Accountants of India who has no membership dues against his name as on date of empanelment.

(vi) Partner - Means the partner of the firm or LLP as per the records of the Institute as on date.

DEFINITIONS

(vii) Peer Review - means an examination and review of the systems, procedures and practices to determine whether they have been put in place by the practicing firm for ensuring the quality of audit and assurance services as envisaged and implied/mandated by the Technical & Professional Standards and Code of Ethics of the Institute and whether the same were effectively and constantly applied during the period under review.

(viii) Peer Review Board - means a Board established by the Council of the Institute of Cost Accountants of India in terms of these Guidelines to conduct peer review. The expression “Peer Review Board” is hereinafter referred to as “Board”.

(ix) Peer Review Period - means generally 3 years preceding the year in which the Firm is selected or such other period or any period as may be prescribed by the Peer Review Board for conducting a Peer Review.

(x) Practice Unit - Means a sole practitioner, partnership including LLP or any other entity of professional cost accountants, whether practicing individually or as a firm of Cost Accountants.

(xi) Regulator - means Government or any regulatory body constituted by the Parliament or State Legislature who is/are empowered to regulate the Acts which include various professional/audit services which the Council may, from time to time, prescribe to cover as professional/audit services for the purpose of peer review.

DEFINITIONS

(xii) Reviewer - means any individual from a panel of Reviewers engaged to carry out peer review of a Firm under review.

(xiii) Technical & Professional Standards and Code of Ethics of the Institute - mean and include:

- (a) Standards on Cost Auditing, Cost Accounting Standards & GACAP issued by the Institute, wherever mandatory;
- (b) Cost Reporting Framework for the Preparation and presentation of cost statements, and
- (c) Notifications/Directions issued by the Council of Institute; and
- (d) Compliance of the provisions of the various relevant Notifications, Statutes and/or Regulations, issued by Ministry of Corporate Affairs, Government, State Governments, which are applicable in the context of the specific engagements being reviewed.

(xiv) Year – year means the period of twelve months commencing on 1st day of April any year and ending on the 31st day of March of the succeeding year.

PROCESS OF PEER REVIEW

- Selection of PU for Review;
- Informing PU about Review along with PU Questionnaire and details of suggested Reviewers;
- Submission of filled in Questionnaire and Choice of Reviewer to be sent to the Board by the PU;
- Reviewer to be informed about his selection and seeking consent by the Board;
- Board to intimate the Reviewer along with the filled in PU Questionnaire;
- Reviewer to inform the PU about the selected sample of assignments (from audit and assurance Services rendered by the PU) prior to onsite visit;
- Deciding mutually agreed date for onsite visit by Reviewer and PU;
- Onsite visit by the Reviewer;
- Onsite review in maximum 3 working days;
- Meeting of Reviewer and PU (or its representative) to ensure correctness of the responses;

PROCESS OF PEER REVIEW

- Reviewer to conduct compliance review of the General Controls and Review of Records relating to the Peer Review;
- Reviewer's Preliminary Report to the PU for deficiencies, if any;
- PU to send response to the Preliminary Report to the Reviewer;
- If satisfied, Final Report to be sent by the Reviewer to the Board with a copy to the PU;
- Reviewer's Preliminary Report to the PU for deficiencies, if any;
- PU to send response to the Preliminary Report to the Reviewer;
- If satisfied, Final Report to be sent by the Reviewer to the Board with a copy to the PU;
- If not satisfied, Qualified Final Report to be sent by the Reviewer to the Board with a copy to the PU;
- Examination of the report by the Board;
- Board to issue instructions to the PU to carry out corrections in its working accordingly;
- Issue of PR Certificate to the PU by the Board, after receipt of clean report from the Reviewer.

PEER REVIEW DURATION (STANDARD)

15 days	<p>Selection of PU for Review and Intimation to PU for Review along with PU Questionnaire and Details of 3 suggested Reviewers;</p> <ul style="list-style-type: none">• Submission of filled in Questionnaire by PU;• Choice of Reviewer to be intimated by PU;
5 days	<ul style="list-style-type: none">• Reviewer to be informed about his selection as Reviewer by the PU;• Consent of Reviewer to be received;• Appointment Letter to be issued to Reviewer;
10 days	<ul style="list-style-type: none">• Selection of Sample by the Reviewer;• Informing the PU about the sample by Reviewer prior to his visit;
30 days	<ul style="list-style-type: none">• PU to intimate its preparedness for Peer Review to the Reviewer
3 days	<ul style="list-style-type: none">• Onsite visit and review by the Reviewer;• Meeting between Reviewer and representative of PU;• Reviewer to do compliance review of the General Controls;• Review of Records by the Reviewer;

PEER REVIEW DURATION (STANDARD)

7 days	Preliminary Report of Reviewer to the PU for deficiencies, if any;
15 days	PU to submit response in writing to the Reviewer on the Preliminary Report;
7 days	Final Report by the Reviewer to the Board with a copy to the PU;
6 days	<ul style="list-style-type: none">• Examination of the report by the Board;• Board to issue instructions to the PU for making corrections;
10 days	Issue of PR Certificate to the PU by the Board, after receipt of clean report.
108 days	Total Duration of Peer Review Process

Thanks