



**Presentation
on
Module 6: Reporting**

**Reviewers' Training Manual
Issued by the Peer Review Board of the Institute**

MODULES COVERED SO FAR


Module 1: Overview of the Peer Review Process: Covered the term Peer Review, all definitions, Scope of Peer Review, Peer Review Process, Time Schedule and Steps in the Peer Review.

Module 2: All about the Peer Reviewers: Covered Empanelment of Reviewers, Disqualifications, all Declarations, Restrictions on Reviewers, Limit of maximum assignments and Required Skills for undertaking successful Peer Review.

Module 3: Overview of the Technical and Professional Standards: Covered the overview of Cost Accounting Standards, Cost Auditing Standards and Code of Ethics issued by the Institute and the check points to ensure that these Standards are compiled with or not by the Practice Unit.

Module 4: Understanding the Practice Units: Covered the analysis of the Practice Unit Questionnaire to have a general understanding of the profile of the PU, services provided and general controls applied by the PU.

Module 5: Review Plan and Documentation: Covered the planning of review by the reviewer, sampling, onsite review, documentation by the reviewer & practice unit and retention & ownership of documentation.



MODULE 6

REPORTING

REPORTING

1. The Peer Review report shall cover technicalities like adherence to Standards / Acts and Rules etc. and also qualitative aspects like quality of assistants, outsourcing standards etc.
2. The Reviewer shall send his report to the Board with a copy marked to the PU advising to respond to the report within the stipulated time frame directly to the Board with a copy marked to the Reviewer.
3. The Board after studying the report of the Reviewer and the rejoinder by the PU will decide whether to call the PU and Reviewer for a discussion or not.
4. In case there is any difference of opinion between the PU and the Reviewer the Board may issue necessary recommendations accordingly, if found necessary, to order a further peer review to be carried out.

PRELIMINARY REPORT OF REVIEWER

1. At the completion of the review process, once the Reviewer has satisfied himself of the on-site review and off-site reviews, the Reviewer has to submit a preliminary report of his findings and observations to the PU.
2. In his preliminary report, the Reviewer has to elaborately spell out all his observations on/in areas where either the SOPs followed or the controls laid are insufficient or inefficient; or there is a case of non-compliance.
3. The objectives of sending a preliminary report are to:
 - i. Keep the PU informed about the observations made;
 - ii. Give a fair chance to the PU to justify and provide clarifications on the observations made by the Reviewer, and
 - iii. Keep the record of the observations made by the Reviewer and also the clarification given by the PU. The Reviewer, however, has to ensure that no individual is named in the report.
4. PU has to submit the responses/ clarifications to the observations made by the Reviewer in his preliminary report within 15 days, beginning the day after the receipt of the preliminary report.

FORMAT OF PRELIMINARY REPORT

(On Reviewer's letterhead)

To

The Proprietor / Partner of the PU

Dear Sir/Madam,

This is in reference to the peer review of your PU conducted by the undersigned on (date). The observations regarding the deficiencies prevailing in the system of quality control for the assurance / audit services of your PU are enclosed herewith for your information and sending your representation/ comments thereon. After receiving your response to the preliminary report the final report will be prepared and sent to the PRB.

You are aware that the Peer Review process is undertaken to offer improvement in the systems of the PU and to ascertain the application of the standards by the PU while implementing the policies and procedures. I assure you that I have carried out the peer review of your PU with sincerity and maintained complete confidentiality of the proceedings during the process.

I convey my sincere gratitude to you, your partners and all of your staff for extending all-out cooperation during the process and making all necessary logistic arrangements. Please feel free to contact me for any further clarification on the attached observations.

Thanking you,

Yours faithfully,

Signature of Reviewer

Name of Reviewer

Reviewer's Registration No:

Place:

Date:

Encl.: Observations regarding prevailing deficiencies

QUALIFIED FINAL REPORT

4. In case the Reviewer is not satisfied with the reply of the PU, the Reviewer shall submit his **Qualified Final Report** to the Board. The Board shall go through the report submitted by the Reviewer along with the justifications/ presentations/ representations given by the Reviewer and issue instructions to the PU and to the Reviewer accordingly.
 - a) If the Reviewer reports on lack of adherence to technical standards by the PU, the Board may instruct the PU to maintain or apply the technical standards;
 - b) If the Reviewer reports on ineffectiveness or insufficiency of internal controls in the PU, the Board may instruct the PU to revisit the points of control and ensure its robustness;
 - c) If the Reviewer reports on lack of appropriate documentation and record-keeping by the PU, the Board may prescribe to the PU the necessary records and formats for record keeping.

QUALIFIED FINAL REPORT

5. After the recommendations are issued by the Board, the PU is then subjected to a subsequent review, but not before six months of the issue of such instructions by the Board.
6. The Board can instruct the Reviewer to carry out the subsequent review. The subsequent review shall not be carried earlier than six months of issue of instructions to the PU. The Board also specifically mentions the records and / or the procedures to be reviewed by the Reviewer at the time of the subsequent review. The subsequent review has to be completed within 45 days of such instruction given to the Reviewer by the Board.
7. In the qualified report of the Reviewer, there may also be instances where it is reported that although the PU has all its technical and quality controls in place, there is a room for improvement in the same. Or, that although the key controls are in place, a deficiency in the same may materially affect the quality of services rendered by the PU. In such instances, the Board instructs the PU to streamline its processes and controls in line with the expectations of the Board and the Reviewer.
8. The PU is then given a time period of not greater than six months to streamline its processes and controls after which it is again subject to a follow up review.
9. If during the follow up review also, the Reviewer is not satisfied with the PU, he shall report the same giving details of the reasons and factors leading to his dissatisfaction to the Board.

FORMAT OF QUALIFIED FINAL REPORT

To,
The Chairman,
Peer Review Board, ICMAI

Dear Sir,

This is with reference to the communication of Peer Review Board vide letter number ____ dated ____ with respect to conducting the peer review of (Name and address of PU) by the undersigned as a Reviewer in terms of the Peer Review System of the Peer Review Board of the Institute of Cost Accountants of India.

As prescribed by the PRB the undersigned has duly examined the select services of the (Name of PU) and verified its compliance with Technical & Professional Standards and Code of Ethics, Quality of Reporting, Office systems & Procedures and Training Policies of the (Name of PU). It is pertinent to mention here that the scope of this review was limited to examining the systems, policies and procedures relating to selected sample services of the (Name of PU).

Qualified opinion

After duly examining the above, I have reached to the conclusion that the system of quality control for the auditing / assurance services of the (Name of PU) for the period under review has not been properly designed & implemented and it does not help the (Name of PU) to carry out auditing / assurance assignments ensuring compliance with Technical & Professional Standards and Code of Ethics of the Institute and maintain the quality of these services by the (Name of PU). The reasons for qualified opinion are appearing hereunder.

FORMAT OF QUALIFIED FINAL REPORT

Reasons for Qualified Opinion

1, 2, 3, 4.....

In terms of the Peer Review System of the PRB of the Institute, a preliminary report to the PU (attached herewith) was sent seeking its response to the observations contained therein. The response from the PU (attached herewith) to the preliminary report was not found to be satisfactory.

Thanking you,

Yours faithfully,

Signature of Reviewer Name of Reviewer Reviewer's Registration No: Place: Date:

CC: Name and address of the Practice Unit

Encl.:

1. Reviewer's Preliminary Report to the PU
2. PU's response to the Preliminary Report

ANNEXURE TO THE QUALIFIED FINAL REPORT

Sl.	Activity / Process / Procedure	Observation
1	Date on receipt of the questionnaire from the PRB	
2	Number of sample services selected	
3	Modification in the number of samples afterwards, if any	
4	Designated representative of the PU for review	
5	<p>Adequacy of General Controls of the PU:</p> <ul style="list-style-type: none"> a. Independence b. Maintenance of Professional skills/standards c. Outside Consultation d. Staff Supervision and Development e. Office Administration <p>If no, specify the areas</p>	Yes / No
6	Adequacy of the audit and assurance assignments administration of the PU	Yes / No
7	Adequacy of internal control systems in carrying out audit and assurance assignments	Yes / No
8	Adequate maintenance of engagement diary and working papers	Yes / No
9	<p>Adequacy of the compliance system within the PU to ensure compliance with technical standards.</p> <p>If no, specify the Standards not complied with</p> <ul style="list-style-type: none"> a. Cost Accounting Standards b. Standards on Cost Auditing c. GACAP d. Ethical Standards 	Yes / No

ANNEXURE TO THE QUALIFIED FINAL REPORT

Sl.	Activity / Process / Procedure	Observation
10	Was any preliminary report issued; If yes, specify the prevailing deficiencies	Yes / No / NA
11	Has PU responded to the preliminary report? If yes, was Reviewer satisfied with the response? If Reviewer was not satisfied with the response, any qualified report has been issued?	Yes / No / NA Yes / No / NA Yes / No / NA
12	Is the Final Report qualified? If 'Yes', specify the reasons	Yes / No / NA
13	Has the Reviewer received full co-operation from the PU during the review process	Yes / No
14	Any issue/s during the Peer Review Process or any suggestion which Reviewer wants to specifically mention:	

FINAL REPORT

1. The Reviewer drafts and submits his final report with the Board. The final report of the Reviewer is called the Reviewer's Report. The Reviewer's report is a detailed one which gives details about the review scope, review procedures, review findings, justifications of the PU and the final recommendations and observations of the Reviewer.
2. The Board will go through the Reviewer's report in its entirety. If the Board is satisfied with the Reviewer's report about the PU's performance, it shall order the Secretariat to issue the Peer Review Certificate to the PU.
3. If the Board is not satisfied with the PU's performance, it may instruct the PU to follow certain guidelines to improve its systems/procedures/controls and subject the same to a follow-up review. The Board may also instruct the Reviewer to carry on a follow-up review after a time that it deems fit.

FINAL REPORT

4. All Reports shall be prepared on the letterhead of the Reviewer, signed by him and should contain his Membership Number/COP. No. and the Reviewer's Code Number allotted by the Board.
5. Reviewer should comment on the following aspects of working of the PU in his final report:
 - a) **Compliance with Technical Standards assuring Quality Control:** The policies and procedures constituting the PU's system of quality control for its assurance / audit services have been designed to ensure quality control to provide the PU with reasonable assurance of complying with Technical & Professional Standards and Code of Ethics.
 - b) **Office Systems and Procedures:** Examination of the office systems and procedures with regard to compliance of professional services must be carried out. The Reviewer shall verify whether the PU has adequate office systems and procedures in place and has a document management system including filing system, record storage and retrieval system.
 - c) **Allocation of assignments:** The Reviewer should comment whether allocation of assignments among the staff or trainees is commensurate with their capability, whether the assignments are properly carried out and the services are verified by the Proprietor or Partner of the PU before authentication.

FINAL REPORT

- d) Training arrangements for staff:** The Reviewer should express:
1. Whether proper training and capacity building of the staff in the office of the PU is conducted or not by the PU in order to maintain the quality of professional services.
 2. In case it is difficult for the Proprietor or Partner of the PU to carry out all the services himself, whether PU relies on the trainees for execution of the professional services.
 3. Whether the trainees are maintaining a logbook to record the work done every day and whether the same is being examined by the Proprietor or Partner or any designated officer of the PU periodically.
 4. Whether any Staff Induction Process is in place.
 5. Whether training programs or capacity building programs are conducted or any in-house mechanism is there for the professional development of staff.
 6. Whether there is a library or a resource of reference material relating to professional services.
 7. Whether the overall appearance of the office of the Practice Unit is satisfactory.

COST OF REVIEW

1. Every activity has a cost aspect and as such the cost of Peer Review including supplementary review, if any, is to be borne by the Firm being reviewed. Such costs shall be as prescribed by the Board.
2. PU needs to pay the prescribed fees to the Reviewer within 10 days of submission of the Final Report by the Reviewer to the Board.

FEES OF PEER REVIEW

The following is the schedule of Lump Sum Fees payable by PU to Peer Reviewer.

Sr.	Category of Practice Unit	Recommended schedule of fee payable by PU to Reviewer (In Rupees)
1	C	20,000
2	B	30,000
3	A	40,000

CATEGORIES OF PRACTICE UNITS

The following is the table showing various categories of Practice Units for the purpose of conducting Peer Review of PU by the Reviewer and their periodicity of being Peer Reviewed:

Sr.	Turnover of Practice Unit (In Lakh Rupees)	Category of Practice Unit
1	Less than or equal to 25	C
2	Greater than 25 and less than or equal to 50	B
3	Greater than 50	A

PERIODICITY:

1. To be peer reviewed once in Five year from the date of implementation of the Peer Review.
2. Voluntary for the first three years from the date of implementation of Peer Review.

PROCEDURAL DEVIATIONS

Wherever, any Partner or Proprietor of a Firm or the Reviewer or any member of the Board have not followed the prescribed procedures, they shall have to justify significant deviation or departure and such justification shall have to be mandatorily made known to the board within reasonable time.

ISSUE OF PEER REVIEW CERTIFICATE

Based on the findings in the final report and considering the explanations etc. given by the Firm under review, the Board shall issue a Peer Review Certificate if found worthy. Otherwise the Board may issue recommendations or initiate supplementary review / follow up review based on the merits of the case.



Thanks