

PRB/Cir/2/2026

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Circular

Learnings from the Peer Review Process

The Peer Review process has highlighted a few common areas requiring improvement across Practice Units (PUs), such as audit planning, documentation, quality control, analytical review, compliance with standards and professional practices. Practice Units are advised to review their internal systems and strengthen audit planning, documentation practices, quality control mechanisms, analytical review procedures and compliance monitoring systems. Internal training initiatives, periodic quality reviews and stronger documentation controls should also be implemented to improve overall audit quality and professional standards.

This circular has been prepared to share key learnings and to guide Practice Units towards strengthening audit quality and professional compliance.

Key Learnings from Peer Review

1. Audit Planning and Audit Program

A few audit programs were found to be generic and lacking in clarity regarding the specific procedures to be performed, timelines, responsibilities and product-wise coverage. Practice Units should therefore develop structured and risk-based audit programs with clearly defined procedures, review mechanisms and documentation requirements in accordance with the Cost Auditing Standard on Planning an Audit of Cost Statements.

2. Documentation and Record Maintenance

In few cases, audit procedures were performed but not adequately documented. Separate records for queries, discussions, meeting minutes, review notes and audit conclusions were either incomplete or unavailable. Practice Units should maintain comprehensive working papers and structured documentation supporting all audit procedures, observations, assumptions and conclusions as prescribed in the Cost Auditing Standard on Cost Audit Documentation.

3. Quality Control and SOP Framework

Peer Review observations indicated that quality control policies, partner responsibilities and Standard Operating Procedures (SOPs) were not always properly documented or communicated within the firm. Practice Units should establish comprehensive SOPs covering engagement execution, supervision, ethical compliance, documentation standards, and periodic quality monitoring in terms of the Guidance Manual for Audit Quality.

4. Ethical Compliance and Professional Responsibilities

Documentation relating to ethical compliance, independence and conflict resolution mechanisms was found to be inadequate in certain cases. Practice Units should strengthen ethical compliance frameworks and maintain proper records of declarations, confirmations and resolution of ethical concerns in accordance with the Code of Ethics for the Members of the Institute.

5. Reliance on Management Information

In a few cases, excessive reliance was placed on audited financial statements and management-certified information without sufficient independent verification. Practice Units should exercise professional scepticism and perform reasonable validation procedures for financial data, GST reconciliations and management representations in terms of the Cost Auditing Standard on Overall Objectives of the Independent Cost Auditor and the Conduct of an Audit in Accordance with Cost Auditing Standards. Management Representation Letters should also be obtained wherever required.

6. Related Party Transactions

Identification of related party transactions was primarily based on financial statement disclosures and management certification. Practice Units should implement structured verification procedures using Board records, MCA filings, ledger scrutiny and other supporting documents to ensure compliance with the relevant provisions of the Companies (Cost Records and Audit) Rules, 2014.

7. Cost Records and Cost Analysis

Detailed cost analysis such as variance analysis, input-output studies, efficiency analysis and capacity utilisation review was absent in a few cases. Practice Units should ensure preparation of detailed cost sheets for all products and strengthen analytical review of cost records, production processes, cost allocations and abnormal costs as prescribed in the Companies (Cost Records and Audit) Rules, 2014.

8. Analytical Review Procedures

Analytical review procedures were often general in nature and lacked sufficient depth. Practice Units should strengthen trend analysis, benchmarking, ratio analysis, comparative review and documentation of audit observations and conclusions.

9. Compliance with SCAs and CASS

Peer Review observations highlighted the need for better compliance with Cost Auditing Standards (SCAs) and Cost Accounting Standards (CASS). Practice Units should maintain updated compliance checklists and ensure that deviations from standards are properly identified and reported.

10. Professional Development and Training

Structured technical guidance, internal training programs, workshops and professional development initiatives were not adequately evidenced in some cases. Practice Units should encourage continuous learning and maintain records of technical meetings, training sessions and professional development activities.

11. IT Controls and Data Management

IT controls relating to document security, backup systems, access management and audit trail maintenance require strengthening. Practice Units should adopt secure digital documentation systems and strengthen data management controls.

The Peer Review process is intended to promote continuous professional improvement and enhancement of audit quality. The observations and learnings highlighted above should be viewed as opportunities to strengthen professional practices, improve documentation standards, enhance audit effectiveness and ensure greater compliance with applicable standards and regulatory expectations.

All Practice Units are advised to take appropriate corrective measures and align their professional practices with the expectations of quality, transparency and consistency expected from the profession.

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PRB Secretariat