Frequently Asked Questions (FAQs) on Peer Review Mechanism

Introduction to Peer Review

1. What is Peer Review and what is its objective?

Peer Review is an examination and review of the systems, procedures, practices and records maintained by a Practice Unit (PU) to determine whether audit and assurance services are carried out in accordance with the Technical & Professional Standards and Code of Ethics prescribed by the Institute. The objective of the Peer Review Process is to improve the quality of audit and assurance services rendered by Practice Units and ensure compliance with professional standards, ethical requirements, statutory provisions and regulatory guidelines.

2. Is Peer Review a fault-finding exercise and who conducts it?

No. Peer Review is not intended to be punitive or fault-finding. It is a constructive and developmental mechanism aimed at improving systems, procedures, documentation and quality of professional services. Peer Review is conducted by an empanelled Reviewer appointed by the Peer Review Board (PRB) of the Institute.

3. What is the role of the Peer Review Board?

The PRB frames policies and procedures for Peer Review, empanels Reviewers, selects Practice Units for review, examines reports submitted by Reviewers, issues Peer Review Certificates and monitors compliance and follow-up actions.

4. What are Audit and Assurance Services under Peer Review?

Audit and Assurance Services include Cost Audit, Compliance Reports, Certification Services, Attestation Functions and Maintenance of Cost Records Functions. However, management consultancy assignments, representation before authorities, expert witness services, and advisory opinions on principles without engagement execution are excluded from the scope of Peer Review.

However, in the current phase of implementation only Cost Audit assignments are being covered for the review purpose, while other audit and assurance services would be included in the next phase.

Applicability and Scope of Peer Review

5. To whom does Peer Review apply and what is a Practice Unit?

Peer Review applies to all Practice Units (PUs) rendering audit, assurance, certification, or regulatory services requiring a Certificate of Practice. A Practice Unit may be a sole practitioner, partnership firm, LLP, or any professional entity constituted under the Cost Accountants Act.

However, in the current phase of implementation only firms conducting Cost Audit assignments are being covered, other firms would be covered in the next phase.

6. What is the review period and how frequently is Peer Review conducted?

Generally, the review period covers three years preceding the year in which the Practice Unit is selected for review. Every Practice Unit is subject to Peer Review once every five years in the current phase of implementation.

7. Is Peer Review mandatory and can a PU voluntarily apply for it?

No. In the current phase of implementation, the Peer Review is voluntary. A Practice Unit may voluntarily request the Board to conduct a Peer Review.

8. What areas are covered under Peer Review?

Peer Review covers compliance with Technical Standards, Code of Ethics, documentation standards, quality control systems, office administration, staff training, assignment execution and compliance with applicable laws and regulations.

Eligibility and Appointment of Reviewer

9. Who is eligible to become a Reviewer and who is not?

A Reviewer must be a member of the Institute, be in practice, possess at least ten years of experience, furnish confidentiality declaration and should not suffer from any disciplinary disqualification. The empanelment is open all around the year.

Persons found guilty of professional misconduct, convicted by a court, having conflict of interest with the PU or serving on the Council or Regional Councils are not eligible.

10. What is meant by conflict of interest in Peer Review?

Conflict of interest arises when the Reviewer's personal or professional interest interferes with the independence and objectivity required for conducting the review.

11. Can a Reviewer accept assignments from the Practice Unit under review?

A Reviewer cannot review a PU from whom he accepted assignments during the preceding three years, nor can he accept assignments from the PU for one year from the date of appointment as Reviewer of that PU.

12. Are confidentiality and ethical compliance mandatory for Reviewers?

Yes. Reviewers must sign confidentiality declarations and comply with ethical principles such as independence, integrity, objectivity, competence, confidentiality and professional behaviour.

13. Can a Reviewer engage assistants and how many assignments can he undertake?

A Reviewer may engage trained assistants from his firm after informing the Board and obtaining confidentiality declarations. However, a Reviewer cannot undertake more than two assignments simultaneously or more than twenty assignments during a financial year.

Selection and Initiation of Peer Review

14. How can a Practice Unit approach the Board for Peer Review and can it choose the Reviewer?

The Practice Unit can request for peer review by sending the duly filled in and signed PU Questionnaire to the Board. The PU may choose one Reviewer from the panel of three empanelled reviewers shared by the Board within the prescribed time.

15. What information must the Practice Unit provide in the Questionnaire?

The Practice Unit must provide details regarding its constitution, nature of assignments, industries served, turnover, disciplinary proceedings and internal policies and procedures followed for rendering professional services.

16. Is the list of clients to be made available to the Reviewer during the review?

No. Only a sector-wise reference list of clients with turnover (not the names of the clients) is required to be provided to the reviewer. Based on this list, the reviewer may select the required samples for review and the Practice Unit (PU) shall make available the files relating to such selected samples during the onsite review.

17. Can the Reviewer seek additional information from the Practice Unit?

Yes. The Reviewer may request additional records, documents, clarifications or information necessary for effective completion of the review assignment. Proprietary information shared during the review remains protected under confidentiality provisions.

Planning of Peer Review

18. What is a Review Plan and what factors influence it?

A Review Plan is a structured roadmap prepared by the Reviewer outlining the scope of review, timelines, sample selection, meetings and on-site and off-site procedures. The plan depends upon factors such as size of the Practice Unit, complexity of assignments, nature of services, number of offices and effectiveness of quality controls.

19. How are sample assignments selected for Peer Review?

Sample assignments are selected randomly from the engagements handled during the review period. The minimum sample size should be at least two assignments or 20% of cost audit assignments, whichever is higher. At present, only cost audit assignments are being considered unless otherwise directed by the Board.

20. How much preparation time is given to the Practice Unit?

The Practice Unit is ordinarily given at least thirty days to make the selected files, records, and documents available for review.

On-Site and Off-Site Review Procedures

21. What is the difference between Off-Site and On-Site Review?

An Off-Site Review involves examination of documents, questionnaires, records and policies before visiting the Practice Unit, whereas an On-Site Review involves physical verification of records, systems, controls and procedures at the PU's office.

22. How long does an On-Site Review usually take and what happens during the initial meeting?

An On-Site Review is generally completed within three working days depending on the size and complexity of the PU. During the initial meeting, the Reviewer and the PU discuss the scope of review, questionnaire responses, clarifications required, review procedures and additional information needs.

23. What are the key controls examined during Peer Review?

The Reviewer evaluates controls relating to independence, professional competence, outside consultation, staff supervision, office administration and overall quality control systems.

24. What are Walk-through Tests, Compliance Review and Substantive Review?

Walk-through Tests involve observing actual procedures followed by the PU. Compliance Review checks whether the PU follows established procedures and standards, while Substantive Review involves detailed examination of engagement files and evidence where controls appear weak or insufficient.

25. Can the Reviewer modify the sample size during review?

Yes. The Reviewer may increase or modify the sample size if necessary to ensure proper and representative coverage of assignments.

Documentation Requirements

26. Why is documentation important in Peer Review and what should it contain?

Documentation provides evidence that professional standards were followed, audit procedures were performed, appropriate conclusions were reached and quality controls operated effectively. Reviewer documentation should ordinarily include the scope of review, procedures applied, findings, recommendations, responses of the Practice Unit and final conclusions.

27. What characteristics should review documentation possess and can it be maintained electronically?

Review documentation should be complete, comprehensive, relevant, organized and understandable. Working papers and engagement records may also be maintained electronically, provided proper safeguards are implemented to ensure integrity, confidentiality, accessibility and retrievability.

28. Within what time should documentation be completed and what records should a Practice Unit maintain?

Documentation should ordinarily be completed within thirty days of submission of the report. A Practice Unit should maintain audit programs, checklists, query logs, management representations, working papers, evidence files, review notes and other records supporting the audit and review process.

29. What are the key elements of a quality control system?

A Practice Unit's quality control system should address leadership responsibilities, ethical requirements, client acceptance and continuance, human resources, engagement performance and monitoring mechanisms.

Reporting Process

30. What is a Preliminary Report and when is it issued?

A Preliminary Report contains deficiencies, observations, weaknesses or instances of non-compliance identified by the Reviewer during the review process. It is issued when the Reviewer notices areas where the systems, controls or procedures followed by the Practice Unit are inadequate or require improvement.

31. Is a Preliminary Report necessary in every case and how should the Practice Unit respond?

No. If no deficiencies are observed, the Reviewer may directly submit the Final Report to the Board without issuing a Preliminary Report. Where a Preliminary Report is issued, the Practice Unit must submit its response, clarification or justification within fifteen days from the date of receipt.

32. What happens if the Reviewer is satisfied or dissatisfied with the response of the Practice Unit?

If the Reviewer is satisfied with the explanations and corrective measures provided by the Practice Unit, he may submit a clean Final Report to the Board. If the Reviewer is not satisfied, he submits a Qualified Final Report highlighting unresolved deficiencies and non-compliance issues.

33. What actions can the Board take after receiving a Qualified Final Report?

After examining the Qualified Final Report and the representations of the Practice Unit, the Board may issue corrective instructions, direct improvements in systems and controls, prescribe better documentation practices, seek additional clarifications or order a subsequent review.

34. What should the Reviewer comment upon in the Final Report?

The Reviewer should comment on compliance with Technical and Professional Standards, office systems and procedures, documentation practices, allocation and supervision of assignments, staff training arrangements, maintenance of quality controls and adequacy of overall professional infrastructure.

35. Is UDIN mandatory in the Final Report and when is the Peer Review Certificate issued?

Yes. The Reviewer must generate and mention UDIN in the Final Report submitted to the Board. The Peer Review Certificate is issued after the Board is satisfied with the compliance status and performance of the Practice Unit.

Subsequent Review and Follow-Up

36. What is a Subsequent Review and when is it conducted?

A Subsequent Review is conducted to verify whether the Practice Unit has implemented the corrective instructions and recommendations issued by the Board. It is generally carried out after six months from the date of such directions.

37. Who conducts the Subsequent Review and within what time should it be completed?

The Board generally instructs the same Reviewer to conduct the Subsequent Review. The review should ordinarily be completed within forty-five days from the date of instructions issued by the Board.

38. What happens if deficiencies continue even after the Subsequent Review?

If deficiencies, weaknesses, or non-compliance continue even after the Subsequent Review, the Reviewer reports the matter to the Board along with reasons and observations for further action.

Peer Review Certificate

39. When is a Peer Review Certificate issued and what is its validity?

The Peer Review Certificate is issued after the Board is satisfied with the Final Report and the compliance status of the Practice Unit. The certificate is generally valid for a period of five years.

40. Can the Board refuse or withhold issuance of a Peer Review Certificate?

Yes. The Board may refuse or withhold the certificate until deficiencies and non-compliance issues identified during the review process are satisfactorily rectified.

41. What are the benefits of obtaining a Peer Review Certificate?

A Peer Review Certificate enhances professional credibility, strengthens quality systems, improves stakeholder confidence, creates competitive advantage and increases client trust in the Practice Unit.

Confidentiality and Ethical Requirements

42. Is confidentiality mandatory during the Peer Review process?

Yes. Strict confidentiality applies to Reviewers, assistants, Board members, Secretariat personnel and the Practice Unit. Information and records obtained during the review cannot be disclosed except where legally required or specifically permitted by the Board.

43. Can review documents and findings be disclosed publicly?

No. Review documents, working papers, observations, and findings are confidential and cannot be disclosed publicly except in circumstances permitted under law or by the Board.

44. Does the Practice Unit receive protection while sharing records for review?

Yes. The Practice Unit receives protection regarding disclosure of records and information made available exclusively for Peer Review purposes.

45. Can a Reviewer directly report misconduct to disciplinary authorities?

No. Any reportable matter identified during Peer Review must be reported only to the Peer Review Board in accordance with the prescribed procedure.

Disputes and Appeals

46. Can disputes arise during the Peer Review process and on what matters?

Yes. Disputes may arise regarding review procedures, findings and observations of the Reviewer, access to records, adequacy of information provided or conclusions drawn during the review.

47. How can a dispute be raised before the Board?

The Practice Unit or the Reviewer may submit a written request to the Board clearly explaining the reasons for the dispute and seeking appropriate resolution.

48. What process does the Board follow in resolving disputes?

The Board seeks responses from the concerned parties, conducts hearings where necessary, examines evidence and records and thereafter passes appropriate orders or directions. The Board may also appoint another Reviewer if required.

49. Is there a right of appeal against the Board’s order and within what time should it be filed?

Yes. The Practice Unit may appeal against the order of the Board before the Council through the Secretary within fifteen days from the date of receipt of the Board’s order.

50. What powers does the Council have while deciding the appeal?

The Council may dismiss the appeal with reasons, remand the matter back to the Board for reconsideration, or issue further directions as considered appropriate.

Cost and Administrative Matters

51. Who bears the cost of Peer Review and what are the prescribed fees?

The cost of Peer Review is borne by the Practice Unit. The recommended fees are ₹20,000 for Category C Practice Units (Annual turnover less than ₹25 lakhs), ₹30,000 for Category B Practice Units (Annual turnover between ₹25 lakhs and ₹50 lakhs) and ₹40,000 for Category A Practice Units (Annual turnover more than ₹50 lakhs).

52. What is the fee payable for a Subsequent Review?

The fee payable for a Subsequent Review cannot exceed fifty percent of the original Peer Review fee charged for the initial review.

53. When should the Practice Unit pay the Reviewer and are travelling expenses reimbursable?

The Practice Unit should ordinarily pay the Reviewer within 7 days from the date of approval of the Final Report by the Board. In specified cases such as outstation reviews, actual travelling expenses may also be reimbursable subject to following:

For undertaking a peer review of any firm in the location other than the location of the reviewer, the reviewer shall be entitled for reimbursement of actual travelling expenses incurred by the Reviewer subject to a ceiling of 50% of the Peer Review Fee the reviewer is entitled to receive from the PU.

Best Practices for Practice Units

54. How can a Practice Unit prepare effectively for Peer Review?

A Practice Unit can prepare effectively by maintaining updated documentation, establishing proper quality control systems, conducting internal reviews, regularly training staff and ensuring compliance with ethical and professional standards.

55. What are the common deficiencies observed during Peer Review?

Common deficiencies include inadequate documentation, weak quality control systems, lack of staff training, improper file maintenance, insufficient supervision and non-compliance with applicable standards.

56. What practices improve Peer Review outcomes?

Peer Review outcomes improve when Practice Units follow standardized audit procedures, ensure proper supervision, complete timely documentation, maintain robust review mechanisms and encourage continuous professional education and training.

57. Why are staff training and office administration important in Peer Review?

Staff training and office administration demonstrate the Practice Unit's commitment towards quality professional services, secure maintenance of records, organized systems, effective document retrieval and continuous professional development.

Practical and Process-Based FAQs

58. Can Peer Review be completed entirely off-site and what happens if records are not made available?

No. Although off-site review forms an important component of the process, on-site verification is generally necessary for effective assessment. If records or information are not made available, the Reviewer may report non-cooperation or limitation of scope to the Board.

59. Can the Reviewer revisit the Practice Unit and can the PU seek clarifications during review?

Yes. The Reviewer may schedule additional visits whenever necessary. The Practice Unit may also seek clarifications from the Reviewer during the review process and open communication between both parties is encouraged.

60. Does Peer Review evaluate commercial success of a Practice Unit?

No. Peer Review focuses on professional quality, compliance with standards, effectiveness of systems and controls and maintenance of documentation rather than profitability or commercial performance.

61. Is Peer Review applicable to branch offices and electronic records?

Yes. Branch offices and engagement locations may also be covered under the review. Electronic documentation and digital records are fully reviewable provided appropriate safeguards and controls are maintained.

62. What is the role of professional judgment and what is the ultimate purpose of Peer Review?

Professional judgment is essential for evaluating controls, assessing compliance, drawing conclusions, identifying deficiencies, and recommending improvements during the review process. The ultimate purpose of Peer Review is to strengthen the quality, reliability, integrity and credibility of professional services rendered by Practice Units.

General FAQs

63. Is there any submission of documents / forms / information / clarification required offline, by post or in person?

No. There is no requirement to submit any documents or other materials offline, by post, or in person. All the necessary formats, declarations and questionnaire are available on the PRB webpage (https://icmai.in/Home/PRB). These may be downloaded, duly filled in, signed and submitted via email at peerreviewboard@icmai.in

64. How the report is to be submitted by the reviewer to the Board?

Reviewer is required to submit the Peer Review Report on his letterhead and not on the firm's letterhead, since the reviewer is an individual practicing member.

65. Is there any provision for conducting an outstation peer review in cases where any reviewer is not empanelled at the location of the PU?

Yes. An empanelled reviewer may undertake outstation review with the approval of the Board. For undertaking a peer review of any firm in the location other than the location of the reviewer, the reviewer shall be entitled for reimbursement of actual travelling expenses incurred by the Reviewer subject to a ceiling of 50% of the Peer Review Fee the reviewer is entitled to receive from the PU.

66. Is there any mechanism providing immunity to the PU in case of breach of confidentiality by the Reviewer?

Yes. the Board has issued an advisory in this regard which prescribes that an empanelled reviewer while undergoing any peer review assignment comes across any reportable fact or information or record with regard to the Practice Unit (PU) being reviewed, he shall report such reportable fact or information or record directly to the Peer Review Board and not to the Discipline Director or the Council of the Institute, since the Reviewer is bound by the Declaration of Confidentiality. Any non-adherence to this advisory shall be dealt with the provisions the Council approved Peer Review System of the Institute.

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