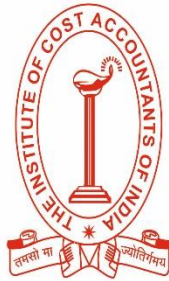


Peer Review Manual

Developed and issued by

The Peer Review Board



ICMAI
**THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA**
भारतीय लागत लेखाकार संस्थान
Statutory Body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

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Chapter 1

Introduction

- 1.1 The term peer comes from the Latin word 'par' which means equal. So, a peer in the professional context means a person who is on the equal professional standing as of a particular person.
- 1.2 In Peer Review System (PRS) of the Institute of Cost Accountants of India (hereinafter referred as "the Institute"), peer shall mean the members of the Institute who are in practice and having requisite experience to be eligible for empanelment as "Peer Reviewer" by the Peer Review Board.
- 1.3 Review is the evaluation and assessment of the work already done. Hence understanding the term 'peer review' in its most literal form would mean evaluation of a person's work or performance by a person or group of persons in the same occupation, profession, or industry.
- 1.4 The Peer Review Process (PRP), in the current context, is an evaluation of the standard of performance of professionals engaged in audit and assurance services. The sole purpose of PRP is to improve quality of deliverables and to ensure compliance with Technical & Professional Standards and Code of Ethics of the Institute as well as regulatory bodies.
- 1.5 The Institute has developed a system for the peer review of the work carried out by its members in practice and registered firms. The PRS has been documented in this manual for adoption as guidelines by the Reviewers.
- 1.6 The purpose of this manual is to develop a framework for planning, performing, reporting and administration of the PRP.

About the Institute

- 1.7 The Institute was constituted under the Cost Accountants Act, 1959 (hereinafter referred to as "the Act") for discharging the functions assigned to the Institute under the Act. Section 15 of the Act provides that "the duties of carrying out the provisions of this Act shall be vested in the Council" and enumerates various duties of the Council.
- 1.8 With a view to regulate the profession of Cost Accountants and in terms of the powers vested, the Council issued the PRS. The Peer Review System as approved by the Council of the Institute is annexed in Appendix 1 to this Manual.

Peer Review System (PRS)

- 1.9 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.
- 1.10 Another related purpose of PRS is to ensure that in carrying out the audit and assurance services, the members of the Institute comply with Technical & Professional Standards and Code of Ethics of the Institute as applicable including compliance of other regulatory provisions and requirements thereto and have in place proper systems including documentation thereof, to adequately exhibit the quality of the audit and assurance services.
- 1.11 The PRS is directed towards maintenance and enhancement of quality of audit and assurance services and to provide best practice guidance to the members in practice to improve their performance while adhering to various statutory and other regulatory requirements.
- 1.12 PRS enables to ensure that audit and assurance services carried out by a Firm:
- (a) are in alignment with various statutory requirements issued from time to time by Ministry of Corporate Affairs and the standards as well as guidelines issued by the Institute including the following:
 - 1. Companies Act 2013;
 - 2. Companies (Cost Record & Audit) Rules, 2014, as amended;
 - 3. The Cost Accountants Act, Rules & Regulations;
 - 4. Standards on Cost Auditing (SCAs);
 - 5. Cost Accounting Standards (CASs);
 - 6. Generally Accepted Cost Accounting Principles (GACAP); and
 - 7. Notifications & Circulars.
 - (b) To ensure that adequate documentation is in place and systems are followed.
 - (c) The Peer Review Mechanism is not a fault finding exercise but parental in approach for improving quality of reporting.
- 1.13 To conduct the process of peer review, the Council of the Institute in terms of the PRS, has constituted a Peer Review Board. The expression “Peer Review Board” is hereinafter referred to as “Board”. The objectives of the Board are:

- (a) to promulgate an appropriate mechanism for ensuring the quality of audit and assurance services in order to guide the members to conduct themselves in a manner the regulatory bodies as well as the Council consider appropriate;
- (b) to provide guidance in relation to the statutory powers, roles and responsibility and obligations of the Peer Reviewer and the Practice Units;
- (c) to prescribe the scope of peer review and the procedures to be adopted by the Reviewer during the conduct of a peer review; and
- (d) to provide best practice guidance with regard to the audit and assurance services in order to provide framework of the output as intended by the regulatory bodies and stakeholders.

Terms and Definitions

1.14 The PRS as approved by the Council of the Institute has following terms and 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.

- (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.
- (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.
- (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.

Words and expressions used and not defined in this manual shall have the meanings assigned to them under the Cost Accountants Act, 1959 and the Cost and Works Accountants Regulations, 1959 as amended from time to time and other rules framed thereunder.

- 1.15 This manual has been developed with the purpose of guiding, supporting and assisting the Reviewer and the Practice Unit being reviewed in carrying out and undergoing the PRP. This Manual has to be read in conjunction with the PRS as approved by the Council of the Institute and annexed in the Appendix 1 to this manual.
- 1.16 This manual intends to explain the PRP in a simplified manner in order to guide the Reviewer and Practice Unit on the steps to be taken by both of them while carrying out the PRP. The manual also prescribes various formats of documentation and reporting for the ease of reference.

1.17 The Cost Accounting Standards, Standards on Cost Auditing and other such standards / procedures referred to in this manual are dynamic in nature and are subject to modifications by the respective standards setting bodies hence the readers or users of this manual are advised to refer to the updated standards as available on the website of the Institute and also as published by the Institute.

1.18 **Abbreviations used**

- (i) CAS – Cost Accounting Standards
- (ii) CAT – Certificate in Accounting Technicians
- (iii) CCRAR – Companies (Cost Records and Audit) Rules 2014
- (iv) CMA – Cost and Management Accountant
- (v) COE – Code of Ethics
- (vi) COP – Certificate of Practice
- (vii) CWA Act 1959 – Cost Accountants Act 1959
- (viii) GACAP – Generally Accepted Cost Accounting Principles
- (ix) ICAI – The Institute of Cost Accountants of India
- (x) MCA – Ministry of Corporate Affairs
- (xi) PCMA – Practicing Cost and Management Accountant
- (xii) PRB – Peer Review Board
- (xiii) PRM – Peer Review Manual
- (xiv) PRP – Peer Review Process
- (xv) PRS – Peer Review System
- (xvi) PU – Practice Unit
- (xvii) SCA – Standard on Cost Auditing
- (xviii) SOP – Standard Operating Procedure
- (xix) UDIN – Unique Document Identification Number

Chapter 2

Peer Review Process

- 2.1. The Peer Review Process of the institute follows a definitive, time-bound procedure from its initiation to the submission of the final report.
- 2.2. In this Chapter, an overview of the process is given in a comprehensive form so that it may guide the Reviewers in justifying their engagement objectives efficiently.
- 2.3. Snapshot of the Peer Review Process is as follows. A flow chart of the same is appearing at **Appendix 14**.
 - a) Selection of Practicing Unit (PU) for Review;
 - b) Informing PU about Review along with PU Questionnaire and details of 3 suggested Reviewers;
 - c) Submission of filled in Questionnaire and Choice of Reviewer to be sent to the Board; Board to inform the PU about the selected Peer Reviewer.
 - d) Reviewer to be informed about his selection and seeking consent within 7 days;
 - e) Appointment Letter to Reviewer along with the filled in Questionnaire;
 - f) Informing the PU about the selected sample of assignments (from audit and assurance Services rendered by the PU) prior to onsite visit;
 - g) Deciding mutually agreed date for onsite visit by Reviewer and PU;
 - h) Onsite visit by the Reviewer;
 - i) Onsite review in maximum three working days;
 - j) Meeting between Reviewer and PU to ensure correctness of the responses;
 - k) Reviewer to do compliance review of the General Controls;
 - l) Review of Records by the Reviewer;
 - m) Reviewer's Preliminary Report to the PU for deficiencies, if any;

- n) PU to respond to the Preliminary Report to the Reviewer;
- o) If satisfied, Final Report by the Reviewer to the Board with a copy to the PU;
- p) If not satisfied, Qualified Final Report by the Reviewer to the Board with a copy to the PU;
- q) Examination of the report by the Board;
- r) Board to issue instructions to the PU for making corrections;
- s) Issue of PR Certificate to the PU by the Board, after receipt of clean report.

Scope of Peer Review

2.4. Scope of PRS covers the following:

- (i) The Peer Review mechanism shall apply to all audit and assurance services, other regulatory service and certification services, requiring the members to have Certificate of Practice.
- (ii) Once a Firm is assigned for Review, its audit and assurance services engagement records pertaining to the review period shall also be part of the subject matter for Review.
- (iii) The Peer Review shall cover:
 - a) Compliance with Technical & Professional Standards and Code of Ethics of the Institute;
 - b) Audit & Assurance services, Certification and other professional services, requiring the members to have Certificate of Practice.
 - c) Quality of Reporting
 - d) Training programs for staff (including cost trainees and audit assistants) concerned with audit and assurance function and other defined services, including availability of appropriate infrastructure.
 - e) Compliance with guidelines and/or direction issued/given by the Council to the members, including fees to be charged, document collected and record maintained during his cost audit and assurance services, other regulatory and certification services, professional misconduct, register for assurance

engagements conducted during the year and such related records.

- f) Compliance with directions and / or guidelines issued by Council relating to cost trainees and / or audit assistants, including attendance register, work diaries, stipend payments, engagement /transfer of cost trainee / audit assistant and such related records.
- g) The Peer Review may be carried out as per the duration prescribed by the board based on the category of the firms in **Appendix 4** or at any time when the Board feel appropriate and the areas of practice that may be covered under Peer Review System.

Empanelment of Reviewers

2.5. The Board shall maintain a panel of Reviewers having the following qualifications (refer definitions):

- a. Be a member of the Institute; and
- b. Be currently in the practice and possess at least ten years' experience in practice; and
- c. Furnish a declaration as may be prescribed by the Board, at the time of acceptance of Peer Review appointment; and
- d. Sign the declaration of confidentiality as prescribed by Board.

2.6. Reviewer should not have been suffering from any of the following disqualifications:

- a) Been found guilty by the Council or the Disciplinary Board or Committee in the matter of professional misconduct at any time;
- b) Been convicted by a Court;
- c) Any conflict of interest with the Firm or its Partners/ Personnel.

2.7. Existing members on the Council, Regional Council and Managing Committee of the Chapter(s) of the Institute shall not act as Reviewers.

2.8. Reviewer shall furnish a declaration of confidentiality as prescribed by the Board, at the time of acceptance of Peer Review appointment (format is annexed at **Appendix 3**). Copy of the declaration shall also be shared with the PU.

- 2.9. In case the Reviewer is not able to take up or carry on an assignment due to some unavoidable circumstances or professional compulsions like conflict of interest etc., he may decline the assignment.
- 2.10. Reviewer shall not be eligible for taking up peer review of any firm if he had taken up any assignment in any form or in any capacity, directly or indirectly, from the PU for a period of three years prior to the date of appointment as a Reviewer. Similarly he should not take up any assignment from a PU for a period of One year from the date of appointment as Reviewer of that PU.
- 2.11. Reviewer should not be having more than two peer review assignments at any point of time and not more than 20 assignments in a financial year.
- 2.12. The Reviewer is expected to be aware of and comply with the relevant ethical requirements as per the Code of Ethics issued by The Institute. This code establishes the following fundamental principles of professional ethics:
- a. **Independence:** *A Reviewer's independence from the PU safeguards his ability to form an opinion without being affected by influences that might compromise that opinion.*
 - b. **Integrity:** *A Reviewer should be straight forward and honest in performing his services. Nothing adverse should be known against his integrity.*
 - c. **Objectivity:** *A Reviewer should be fair and should not allow prejudice or bias or the influence of others to override objectivity.*
 - d. **Competence:** *Reviewer must refrain from performing a review that requires competence of a higher order than at his possession, unless proper advice and assistance is obtained to ensure that the review is can be performed satisfactorily.*
 - e. **Confidentiality:** *Reviewer must not disclose information acquired during the course of his assignment and should not use for any other purpose, or disclose any such information without proper and specific authority except when compelled by legal or professional right or duty.*
 - f. **Professional Behaviour:** *A Reviewer should act in a manner consistent with the objective to uphold the reputation of the profession.*

In short, a Reviewer should be free from any interest which might be regarded as being incompatible with integrity, objectivity and independence.

- 2.13. The Reviewer should have an attitude of professional diligence wherein he makes a practical assessment of the evidence with an inquisitive approach during the assignment. An attitude of professional diligence requires the Reviewer critically assess, with a questioning mind, the validity of evidence obtained with an eye for any evidence that contradicts or brings into question the reliability of documents and responses to queries and other information obtained from the PU.
- 2.14. In order to proceed further to carry out the assignment successfully and fruitfully, the Reviewer should:
- Project himself as a consultant and a mentor engaged to make helpful and positive suggestions in the areas of quality improvement of the PU;
 - Follow the approach to add value to the systems and procedures of the PU;
 - Be well acquainted with the Technical & Professional Standards and Code of Ethics of the Institute;
 - Have knowledge about the industry best practices in the field of cost and management accountancy and should be capable of recommending and implementing the same in PUs to the extent possible;
 - Understand and respect the scope of the engagement in hand;
 - Have good writing and drafting skills for effective reporting; and
 - Be courteous while dealing with PU during the engagement tenure;
- 2.15. In case a Reviewer decides to engage an assistant to help him carrying out the review assignment, such an assistant must be a partner or employed as a paid assistant in the reviewer's firm *who has undergone practical training as prescribed by the ICAI*.¹ He shall also be signing the declaration of confidentiality as prescribed by the Board. The Reviewer should inform the Board about such an engagement.
- 2.16. The Board shall maintain a panel of Reviewers region wise. Each year, applications will be invited from the members to register themselves to empanel as Reviewers. The Board prescribes a pre-determined form under

¹ Decided by the Board in its 13th meeting held on 20th July 2024

which the potential Reviewers can apply. (Relevant empanelment form is annexed at **Appendix 2**)

- 2.17. The Board while selecting the panel of Reviewers for the PUs will ensure that the Reviewer profile in terms of qualifications and experience is commensurate to the requirements and scope of the review for the corresponding PU.
- 2.18. In case the PU desires to have Reviewers from another State/ Region (and agrees to bear the additional TA/DA costs), the same should be intimated to the Board within a period of 15 days. The Board, accordingly, shall consider the request, and if agreed shall suggest a fresh panel of Reviewers to the PU.

Selection of Practice Unit for Review

- 2.19. Every PU shall be subject to peer review once in every five years. For the first three years from the implementation of peer review process in the Institute, it shall be voluntary for the PUs. Subsequently it would be made mandatory once in every FIVE years.
- 2.20. The Peer Review shall be applicable to a PU in any of the following basis:
- a) When the PU itself requests for a peer review to the Board; or
 - b) When the PU is selected randomly in a manner prescribed by the Board; or
 - c) When PU is selected on recommendation of the Council of the Institute, disciplinary committee or board or QRB of the Institute; or
 - d) When PU is selected on the recommendation of the Government or any regulatory body.
- 2.21. Board may consider request from any Practice Unit for conducting review at shorter intervals.
- 2.22. Peer Review period will be of Three years preceding the year in which the PU is selected or such other period or any period as may be prescribed by the Board for conducting a Peer Review.
- 2.23. The Board on the basis of category of the PU or otherwise shall select a panel of three Reviewers of commensurate competence. The Board shall seek consent of the PU for its choice of one Reviewer from the Panel of three Reviewers for undertaking the Review of the PU. The consent should be furnished within 15 days of receipt of such communication.
- 2.24. The Board will seek consent of the selected Reviewer to undertake the peer review of the PU in terms of the PRS of the Institute. (Format of seeking consent from Reviewer is annexed at **Appendix 8**)

2.25. If the PU fails to make a choice within a reasonable time, the Board itself will appoint a Reviewer and inform the PU about such appointment. (Format of appointment letter as reviewer is annexed at **Appendix 9**)

2.25(a) 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.²

Questionnaire to the PU

2.26. The Board, while confirming to the PU about the selection of Reviewer, shall also send a pre-determined questionnaire to be filled in by the PU within 15 days of the communication. The same shall be shared with the reviewer by the Board.

2.27. The PU shall provide the list of clients specifying the following:

1. Client / file reference number
2. Industry/Sector of the client
3. Nature of assignment
4. Turnover of Client (for the immediate preceding year)

along with the details of any disciplinary / legal proceedings against the PU, any of its partners or assistants. The PU shall also share the procedures and practices followed by the PU for executing such services to its clients. Other pertinent information sought by the Reviewer to do justice to the assignment shall be shared by PU.

2.28. The purpose of sharing relevant information and data with the Reviewer by the PU is to let the Reviewer have the knowledge about the PU and its control procedures. However a PU may or may not part with any information or data of proprietary nature in the questionnaire. This information or data, may be made available to the Reviewer during physical visit, as long as the Reviewer conveys in writing that such information is necessary for proper completion of the review assignment.

Review Plan

2.29. Once the Reviewer has an access to the relevant documents, the Reviewer can develop a review plan, in consultation of the PU. The review plan shall include the schedule of the meetings with the PU partners/ personnel at different levels, on-site and off-site review.

² Decided by the Board in its 14th meeting held on 23rd January 2025

- 2.30. The Reviewer may initiate planning his task. While preparing the review plan, the Reviewer shall finalize the scope, extent, time-plan and schedule of his engagement.
- 2.31. The factors such as size and complexity of the PU's activities, the number of units it has the number of products and services it covers and the processes and operations it carries shall be instrumental in designing the Review Plan.
- 2.32. Planning the Review, however, is not a one-time process. It is rather continuous and discrete and hence changes/alterations to the Review Plan are possible at the different stages of the review.
- 2.33. In the Review Plan, the Reviewer finalizes the sample size of the PU's engagements to be reviewed. He finalizes the additional information, documents and records that the Reviewer would like to review during the engagement. The same is then communicated to the PU, so that the PU accordingly submits all the information, documents and records to the Reviewer in a timely manner and also arrange for the review of the sample engagements mentioned.
- 2.34. Reviewer should select the initial sample size for Review on random basis from the complete list of service engagements of the PU. He can select the sample on the basis of information given in the questionnaire of PU. Number of services to be reviewed depends upon the size of the PU, total number of service engagements of PU during the period under review etc., Reviewer should select balanced sample from the variety of samples in a way that overall performance of the PU can be represented by the samples. *The size of sample has been fixed to atleast 2 assignments or 20% of the number of the cost audit assignments carried out by the Practice Unit during the period under review, whichever is more.*³
- The sample of only cost audit assignments carried out by the Practice Unit during the period under review shall be taken up for the peer review purposes, till the further instructions by the Board.*⁴
- 2.35. Once the Review Plan is in hand, the blue print for carrying out the engagement is ready the Reviewer has to fix the date for the initial meeting with the designated officer / representative at the PU. The schedule of this initial meeting has to be decided by the Reviewer with mutual consent of the designated officer / representative.

³ Decided by the Board in its 14th meeting held on 23rd January 2025

⁴ Decided by the Board in its 14th meeting held on 23rd January 2025

- 2.36. While deciding upon this meeting schedule, the Reviewer must have gone through the filled in questionnaire submitted by the PU and should be clear of the purpose of the meeting. The purpose of the meeting may include any kind of doubts that the Reviewer may have on the questionnaire responses; the topics on which he would like to sought further clarity; any query over the submitted documents/information/records by the PU; the existence and working of the quality and other controls in the PU etc.
- 2.37. The main focus of the Reviewer has to be on ascertaining whether the PU complies with the Technical & Professional Standards and Code of Ethics of the Institute during its engagements with its various clients and also whether there are adequate and efficient controls in the operations and procedures followed by the PU.
- 2.38. The Reviewer has to ascertain the areas where he shall use on-site review procedures and the areas where he shall use off-site review procedures. The Reviewer also has to ascertain his choice for using substantive/ compliance tests on the various operational aspects of the PU depending upon the reliability of controls. For instance, if the Reviewer is of the opinion that the PU has adequate and efficient quality controls, the Reviewer may prefer to perform only compliance test on the quality aspects rather than substantive tests.
- 2.39. The Reviewer has to inform the PU and Board about the selection of samples of audit or assurance files before his visit to the PU office so that the PU gets ample time to collect or make available the sample files to be used by the Reviewer. The PU must be given atleast 30 days' time to get ready with the sample files as selected by the Reviewer.
- 2.40. In case of application of any type of test, the Reviewer must ensure that the sample selected for the review should be representative. This means that the sample size should be in accordance with the quantum of services offered by the PU. It should also ensure that the sample is drawn from the services offered across different industries and across different product lines for the different customers.

On-Site Review Procedures

- 2.41. The need for on-site review may initiate at or after the initial meeting of the Reviewer with the designated official from the PU, or at any subsequent stage. If the Reviewer feels that he needs more visits to the PU the Reviewer has to do the same with prior intimation to the PU and in accordance with a mutually convenient schedule.

- 2.42. The number of on-site reviews a Reviewer may wish to have should depend on the size of the PU; the nature and array of services it offer to its clients and the level of complexity of the operations it provides to its clients; for example, the different kind of products that the client manufactures, the number of industries to which the PU services cater and the clientele across these industries etc.

Tests for Review

- 2.43. Whether on-site or off-site, the objective of a Peer Review Engagement is to ensure that the PU is operating in accordance with the Technical & Professional Standards and Code of Ethics of the Institute. For this the Reviewer shall assess whether the PU operates strictly in accordance with the Technical & Professional Standards and Code of Ethics of the Institute (Refer definitions).
- 2.44. Whether the PU has laid down adequate and efficient quality controls in its systems and units to red alert any deviation from these standards and guidelines.
- 2.45. For the above purpose, during the Review Process, a Reviewer may make use of the three fundamental test approaches:
- Walk Through during On-Site visits:** The Reviewer may simply go through and witness the SOPs of the PU that its officials comply with during an on-site review to gather evidence on the adequacy of controls and efficiency of the services the PU offers. While doing so, the Reviewer can have a fair judgement on the compliance/ deviation (if any) of SOPs in the PU operations.
 - Compliance Tests:** Compliance tests are used by the Reviewers to test whether the PU officials are complying with the embedded internal controls.
 - Substantive Tests:** Substantive Tests are employed when the compliance tests indicate weak controls or when the chances of deviation are high.
- 2.46. These tests are employed to test and validate whether a sample of reports generated by the PU have covered all the expected aspects and areas; and, do they actually report in the form and the spirit as prescribed by our standards.

Documentation by Reviewer

- 2.47. Documentation includes all essential engagement work papers compiled from the stage of review planning to the finalization of report.

- 2.48. The documentation policies and formats may vary from one Reviewer to another; but the objective of documentation shall always remain the same: to complete the documentation process in a timely manner & to ensure that the review working papers are:
- Complete:** The review working papers should be complete; i.e. they should enlist the scope, the approach, the review findings, the recommendations (if any), the PU feedback and response to the same. It should be ensured that there should not remain any question or any issue raised by the Reviewer that shall remain unanswered by the PU.
 - Comprehensive:** The working papers of the Reviewer should be comprehensive i.e. they shall be so compiled that they are easily understandable by any other person apart from the Reviewer himself. For ensuring comprehensiveness, the Reviewer should correctly index and arrange the working papers in a logical sequence. The abbreviations or symbols or jargons used are either self-explanatory or are indicated with their actual meaning at some place.
 - Relevant and Simple:** The documentation should be kept as relevant as possible. Only contextual information and documents should be compiled in the documentation process. This information should be compiled in such a simple manner that if any person goes through the same, he shall be able to understand the review process at different stages easily and shall be able to infer all information correctly.
- 2.49. It shall be appreciable if the review procedure is explained using appropriate narratives / flowcharts.
- 2.50. The results/ recommendations/ findings should also be recorded in the working papers. At the end of the review period, the Reviewer should also mention the PU's response to the recommendations made (if any).
- 2.51. **Electronic Working papers:** As a matter of good practice, the Reviewer should prefer to maintain the review working papers electronically.
- 2.52. The documentation process should be completed within a reasonable time after the submission of the report by the Reviewer, not beyond 30 days.

Reporting

- 2.53. **Preliminary Report of Reviewer:** 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. 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.

- 2.54. The objective of reporting is:
- a) To keep the PU informed about the observations made;
 - b) To give a fair chance to the PU to justify and provide clarifications on the observations made by the Reviewer, and
 - c) To 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.
- 2.55. The 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.
- 2.56. In case the Reviewer is satisfied with the reply of the PU, the Reviewer shall submit his Final Report to the Board.
- 2.57. In case the Reviewer is not satisfied with the reply of the PU, the Reviewer shall submit his Qualified Report to the Board, highlighting specific reasons for dissatisfaction.
- 2.58. In case there are no deficiencies observed in the system of the PU by the Reviewer, there is no need to draft a preliminary report.
- 2.59. The Board shall then go through the qualified 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. For example:
- a. If the Reviewer reports on lack of adherence to technical standards by the PU, the Board may instruct the PU to mitigate, if not eliminate the gap by maintaining or adopting 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.

- 2.60. It is the responsibility of all the partners of the PU to abide by the instructions issued by the Board, in case the PU is a firm. In case the PU is a practicing member, he should be responsible for following the instructions.
- 2.61. 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.
- 2.62. 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 subsequent review.

Subsequent Review

- 2.63. After the recommendations are issued by the Board, the PU is then subjected to a subsequent review, but not before six months of the issuance of such recommendations by the Board.
- 2.64. The Board also instructs the Reviewer to carry out the subsequent review. 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. **The fee for a Subsequent Review will not be more than the 50% of the fees charged by the Peer Reviewer for undertaking the Peer Review of the firm⁵.**
- 2.65. If during the subsequent 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.
- 2.66. In case there are no deficiencies observed in the system of the PU by the Reviewer, there is no need to draft a preliminary report. In this case, the Reviewer shall directly submit the final report to the Board with a copy marked to the PU.
- 2.67. 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 Decided by the Board in its 15th meeting held on 25th April 2025

- 2.68. 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.
- 2.69. The Board goes through the Reviewer's report in its entirety. The Board shall have its own checklist and parameters on which it shall consider the Reviewer's report about the PU.
- 2.70. 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.
- 2.71. 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.
- 2.72. The Board may also instruct the Reviewer to carry on a follow-up review after a time that it deems fit.

Disputes and Appeals

- 2.73. Where a dispute arises over the power of Reviewer or the process of Review or the Conclusion drawn therein or any particular matter related to Review, the Firm or the Reviewer or both may refer the dispute to the Board.

Immunity and Confidentiality

- 2.74. The Firm under review shall be covered under immunity from any liability under Code of Conduct/ Ethics of the Institute arising out of making available documents for Peer Review.
- 2.75. Strict confidentiality shall be maintained by all those involved in the Peer Review process namely, Reviewers (including assistants), members of the Board, PRB secretariat, any partner or proprietor of the Firm.
- 2.76. All the persons to be governed by the secrecy provision, shall at all times preserve and aid in preserving secrecy with regards to any matter arising in the process followed for Review or performance or in assisting in the performance of any function, directly or indirectly related to the process, conduct, report and point of dispute (if any) of Peer Reviews.
- 2.77. Reviewers shall not make use of or disclose the contents of Review working papers, report, or any confidential information about the process of Review unless as required by the Board, dispute redressal forum or the Council.
- 2.78. **If a reviewer empanelled with the Peer Review Board of the ICAI 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. Non-adherence to this advisory shall be dealt with under the provisions of the 'Clause 14 on Immunity and confidentiality' of the Council approved Peer Review System of the Institute.⁶

- 2.79. A declaration of Confidentiality shall be signed by the Reviewers who are responsible for the conduct as well as report of Peer Review.
- 2.80. Utmost mutual trust among all parties involved must be made to prevail at all times.

Procedural Deviations

- 2.81. 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:

- 2.82. 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 as mentioned above the Board may issue recommendations or initiate supplementary review / follow up review based on the merits of the case. **The validity of the peer review certificate shall be amended to FIVE Years, till the further decision of the Board in this regard.**⁷

Cost of Review

- 2.83. 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. (Refer **Appendix 5**)
- 2.84. **PU needs to pay the prescribed fees to the Reviewer within 7 days from the receipt of invoice from the reviewer.**⁸

Advantage of the Peer Review to the PU

- 2.85. The Peer Review Process is expected to enhance the quality of Audit and Assurance Services rendered by the PU, if the PU applies the experience gained by going through the review process and follows the advices given by

⁶ Decided by the Board in its 14th meeting held on 23rd January 2025

⁷ Decided by the Board in its 14th meeting held on 23rd January 2025

⁸ Decided by the Board in its 17th meeting held on 2nd June 2026

the Reviewer. The Reviewer may suggest potential areas of PU's activity for further improvement.

- 2.86. A successful Peer Review helps the PU enhancing its credibility amongst the stakeholders and current & prospective clients. The peer review certificate holds value for a PU as it signifies that in the view of an independent Reviewer the PU has followed the norms, standards, processes, rules, regulations of the profession and complied with the requirement of the prevailing law.
- 2.87. The peer review process further provides competitive edge to the PU as compared to its competing firms who have not been reviewed. It is value addition that prospective clients shall look for in due course.
- 2.88. Since the Peer Review Board intends to publish the success stories and best practices of the peer review process, it provides an opportunity to the PUs to get benefitted by the experience sharing and can get opportunity to share their experience as well. Apart from this the Board may organise training programs for dissemination of the knowledge and relevant information by the experts and peer reviewed PUs.

*Annexure to Chapter 2***Time Schedule of Peer Review Process**

Sl	Steps in Peer Review Process	Days to cover	Total Days
1.	Selection of PU for Review and Intimation to PU for Review along with PU Questionnaire and Details of 3 suggested Reviewers; • Submission of filled in Questionnaire by PU; • Choice of Reviewer to be intimated by PU;	15	15
2.	• 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;	5	20
3.	• Selection of Sample by the Reviewer; • Informing the PU about the sample by Reviewer prior to his visit;	10	30
4.	• PU to intimate its preparedness for Peer Review to the Reviewer	30	60
5.	• 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;	3	63
6.	Preliminary Report of Reviewer to the PU for deficiencies, if any;	7	70
7.	PU to submit response in writing to the Reviewer on the Preliminary Report;	15	85
8.	Final Report by the Reviewer to the Board with a copy to the PU;	7	92
9.	• Examination of the report by the Board; • Board to issue instructions to the PU for making corrections;	6	98
10.	Issue of PR Certificate to the PU by the Board, after receipt of clean report.	10	108

Chapter 3

Questionnaire for Practice Unit (PU)

- 3.1. The PRS as approved by the Council of the Institute prescribes that a PU selected for Peer Review, shall be submitting certain information about its constitution, profile and assignments carried out in form of responses to the Questionnaire developed by the Board, within 15 days of receipt to the Board, which in turn will be shared with the reviewer by the Board. The questionnaire is appearing in the annexure to this chapter.
- 3.2. The responses to the questionnaire provide the Reviewer necessary information to assess the viability of key controls as applied by the PU and enable the Reviewer to judge the degree of reliance that can be placed on the internal control mechanism and records maintained by the PU.
- 3.3. The questions appearing in the questionnaire are a mix of objective type and explanatory questions. It is expected that the PU has placed the internal control mechanisms contained in the questionnaire as a measure of good practice. The Reviewer should rely on the responses provided by the PU in the questionnaire while designing review plan. That is why the PU Care should respond to the questions very carefully.
- 3.4. Apart from the information given in the Questionnaire, the Reviewer is entitled to seek such other information as he/she considers necessary to facilitate the selection of sample of audit and assurance services engagements, which appropriately represents the practice unit's client portfolio.
- 3.5. The responses to the questionnaire would be kept strictly confidential by the Reviewer and his team and no information contained therein would be shared with any third party.

Annexure to Chapter 3

Questionnaire for Practice Unit
PART A - PROFILE OF PRACTICE UNIT (PU)

1.	Name of the Practice Unit (PU)						
2.	Status (Please tick)		Proprietorship	Partnership	LLP		
3.	PU Registration No.		Date of establishment				
4.	Address of the PU						
	City:		State:		Pin:		
5.	Telephone:		Mobile:				
6.	Website Address & Email ID						
7.	Permanent Account Number (PAN) of PU						
8.	GSTN of the PU						
7.	Contact Person for Peer Review (along with membership No., mobile number and e-mail)						
8.	Number of partners including self						
9.	Details of Branches:						
	Address of Branch		Member In-Charge		Membership No.		
	a)						
	b)						
	c)						
10.	Particulars about the Constitution of the PU during the period under review (as on the last day of the financial year under review)						
	Name and Membership No. of the	Association with PU (in years)	Professional Experience in Practice	Predominant function (Specialisation,	Number of Cost Audit Reports	Empanelled with the PRB	Details of Changes

Partner			if any)	Signed During the Period Under Review ⁹	(Yes/N0) If yes, mention Reviewer Regn No. ¹⁰	Joined (Year)	Left (Year)
11.	Particulars of CMAs Employed						
	Name	Membership No.	Association with the PU (in years)			Experience (in years)	
12.	Details of Other Employees/ Trainees					Number	
	a)	Semi-Qualified Assistants (pursuing CMA course)					
	b)	CMA trainees					
	c)	Administrative Staff					
	d)	Others					
13.	Stipend being paid to CMA trainees (Stipend/ trainee) (Atleast whether as per the Institute's standards)		Yes			No	
14.	(a) Indicate the annual turnover of the PU.						
	Amount (Rs.)		Previous Year 1	Previous Year 2	Previous Year 3		
	Less than 25 Lakh						
	Between 25 to 50 Lakh						
	More than 50 Lakh						
	(b) Indicate percentage of fees earned from different services rendered by the PU. (Indicate in aggregate for the period under review)						
	Type of Service				% of Fees	Remark, if any	
	i) Audit and Assurance Services						

⁹ Decided to insert by the Board in its 17th meeting held on 2nd June 2026

¹⁰ Decided to insert by the Board in its 17th meeting held on 2nd June 2026

ii)	Other Certification Services		
iii)	Consultancy Services		
iv)	Others, please specify		
	Total		
15.	If the PU renders cost audit services, does it provide any service specified under Section 144 of the Companies Act, 2013 to the same company?	YES	NO
16.	Industry/ Sector in which the PU is rendering services		
	<u>Industry/ Sector</u>		
DISCIPLINARY PROCEEDINGS			
17.	Whether any proceedings relating to matters of professional or other misconduct referred to in any of the Schedules of the Cost Accountants Act, 1959 (as amended) are pending against any of the partners/proprietor of the PU	YES	NO
18.	If disciplinary proceedings of the Institute have been initiated against any partner/employee of the PU, and remains unresolved, furnish details with case reference.		
	a)		
	b)		
	c)		
	d)		

PART B - GENERAL CONTROLS

Leadership Responsibilities

19.	A) Has the PU assigned the responsibility for developing, implementing and operating its Quality Control system for each of its assignments?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	B) Describe how the authorised person has sufficient appropriate experience, ability and authority within the PU to assume the above responsibility?		

20.	A) Are the quality control policies and procedures well communicated to all team members/ relevant personnel in the PU?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	B) What are the methods used for this communication?		
	C) What is the frequency of sending this communication?		
	D) What is the scope of this communication?		
21.	A) Are the quality control policies and procedures of the PU documented?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	B) Are the same circulated amongst all relevant personnel?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
22.	Is there an established process in the system that encourages the personnel to communicate their views or concerns on quality control matters?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
23.	A) Does there exist clear responsibilities of the proprietor/ partners of the firm and other senior personnel for quality control?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	B) Are these responsibilities adequately documented?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	C) Is this responsibility document circulated amongst concerned personnel?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
24.	Does your PU provide practical guidance in quality control and also covering professional development programs? If yes, enlist the initiatives	Yes <input type="checkbox"/>	No <input type="checkbox"/>
25.	Does your PU promote an internal culture of quality? If yes, enlist the initiatives	Yes <input type="checkbox"/>	No <input type="checkbox"/>

ETHICAL REQUIREMENTS			
26.	Does the PU, its partners or the team leaders responsible for the assignment ensure that the team members comply with relevant ethical practices?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
27.	Are there methods and processes for establishing, promoting and monitoring ethical conduct among all personnel? If yes, kindly elaborate.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
28.	A) Are there policies and procedures to identify non-compliance with ethical requirements and also to resolve any issues of conflict?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	B) If yes, are these policies and procedures adequately documented?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
29.	Are there policies and procedures to ensure that the PU partners and professionals comply with the following professional ethics:	Yes <input type="checkbox"/>	No <input type="checkbox"/>
(a) Independence (b) Integrity (c) Objectivity (d) Professional competence and due care (e) Confidentiality (f) Professional conduct (g) Technical standards Explain if the response is NO			
30.	Are there policies, processes and safeguards PU established by the PU to mitigate the familiarity threat to its independence? Explain if the response is NO	Yes <input type="checkbox"/>	No <input type="checkbox"/>
HUMAN RESOURCES			
31.	What steps has the PU taken to ensure that the personnel it hires have the desired capability, competence and commitment to ethical principles to perform as per the professional standards, regulatory and legal requirements?		

32.	What process does the PU follow for determining the appropriateness of an engagement team?		
33.	What are the considerations for assigning responsibility for an engagement to a particular partner?		
34.	What steps has the PU taken to ensure that its partners participate in CPD & Professional Development programmes that enable them to accomplish assigned responsibilities?		
35.	What steps has the PU taken to ensure that its employees participate in CPD& Professional Development programmes that enable them to accomplish assigned responsibilities?		
36.	How does the PU ensure that personnel selected for advancement have the qualifications to fulfil the responsibilities they will be called upon to assume?		
PERFORMANCE EVALUATION			
37.	Has your PU taken steps for:		
	a) Making personnel aware of the PU's expectations regarding their performance?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	b) Providing performance evaluation reports with the personnel?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	c) Helping personnel understand that advancement to positions of greater responsibility depends, amongst other things, upon performance quality?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	d) Explaining personnel in clear terms that the failure to comply with the PU's policies and procedures may result in disciplinary action?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	Kindly elaborate:		
38.	In order to evaluate the performance are the following documented in your PU:		
	a) Overall quality standards set for an assignment	Yes <input type="checkbox"/>	No <input type="checkbox"/>

	b) Responsibility of engagement partner to ensure quality standards	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	c) Mapping of engagement quality and consistency through use of manuals and/or software tools or other forms of standardized documentation and industry/ subject-matter specific guidance	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	d) Supervision, quality control & documentation of work during the engagement	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	e) SOPs for the assembly of final engagement files	Yes <input type="checkbox"/>	No <input type="checkbox"/>
39.	Is the work done by the less experienced team members in the engagement team reviewed by more experienced personnel prior to the issue of auditor's report?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
MONITORING			
40.	A) Do you have well documented SOPs for monitoring the PU's quality controls in terms of:		
	a) Its personnel and human resources	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	b) Assignment performance	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	c) Professional development of personnel	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	B) Please elaborate:		
REPORTING UNDER COST AUDIT MECHANISM			
41.	Do the engagement team members discuss their findings with the appropriate management personnel?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
42.	While reporting, do the engagement team members discuss the corrective actions taken or planned discussed with the appropriate management personnel?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
43.	Does the PU follow a system of discussion with the management in connection with the following issues before finalizing the report in case of cost audit:		
	a) Abnormal expenditure pertaining to idle capacity, idle machine hours, strike, lock out etc.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	b) Variation in raw material consumption as compared to norms.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	c) Valuation of inventory and its impact on overall profitability.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	d) Way forward for optimum Capacity Utilization	Yes <input type="checkbox"/>	No <input type="checkbox"/>

44.	In your PU, what is the scope for the modification of quality control policies and procedures in view of the monitoring reports? Please elaborate:		
45.	Does the PU submit signed Cost Audit Report in form CRA-3 with annexures, duly authenticated by the persons authorised to sign on behalf of the company and addressed to the Board of Directors?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
46.	Has the PU visited the company and its different locations for conducting the Cost Audit?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
QUALITY WITH RESPECT TO CUSTOMER & CUSTOMER RELATIONSHIP Acceptance & continuation of client relationship & specific assignments			
47.	While establishing and continuing relationships with its clients, do there exist clear SOPs in the PU that ensure:		
	a) The PU has competence, capability, time and resources to carry out the assignment.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	b) The PU complies with the relevant ethical requirements?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
48.	Is there a complaint against the client or any pending proceedings for violation of statute or other irregularities? If yes, please specify.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
49.	Does the PU have clear SOPs for evaluation of prospective clients and for their approval as clients?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
50.	Who evaluates the information obtained regarding the prospective clients and to make the acceptance decision in your PU? Kindly mention with the designation of the official.		

I hereby declare that the information furnished above is true to the best of my knowledge.

I also undertake to pay the necessary fees to the Peer Reviewer within seven days of the receipt of the invoice from the Reviewer.¹¹

Signature of the authorised representative of the PU with seal

Name of the authorised representative of the PU:

Membership No:

Date:

Place:

¹¹ Decided by the Board in its 17th meeting held on 2nd June 2026

Chapter 4

Review Procedure

Introduction

4.1 The procedure to be followed during the various stages of peer review exercise has been outlined in this chapter. It starts from selection of sample based on the information submitted by the PU in response to the questionnaire and concludes with presentation of report by the Reviewer to the PU and the Board.

Off-Site Procedure and Selection of Sample

4.2 The PU shall return the completed Questionnaire within 10 days to the Reviewer to enable him plan the review. The PU shall enclose a complete list of services rendered. The Reviewer may ask the PU to provide other information considered necessary to facilitate the selection of a sample of services engagements, representative of the PU's client portfolio, etc.

4.3 The Reviewer shall inform the PU about the selection of sample from the complete service client list shared by the PU within 10 days.

4.4 The PU shall be advised to make available for review the relevant records related to the selected sample services within the 30 days of the receipt of the said communication.

4.5 The Reviewer while executing the review may modify the size of the sample, if in his opinion formed later, such modification is necessary for the sample to represent the services rendered by the PU, more appropriately. A checklist of important check points for the assistance of the reviewer is appearing at ***Annexure to this chapter***)

4.6 The Off-site procedure cannot replace the quality of evidences obtained through written inquiry and inspection of internal records or documents maintained electronically. Hence, it is advisable to apply compliance and substantive procedures to obtain decisive evidences while planning for an onsite visit for review.

On-site Review

4.7 The Reviewer will conduct visits at the PU's registered office or branch office or any other office as mutually agreed. The on-site review may not take more than three working days to complete depending upon the size of the PU and scope of the review provided PU has provided all desired information, data and relevant documents to the Reviewer for review.

- 4.8 An initial meeting will be held between the Reviewer and Proprietor/ Partner /authorised representative of the PU to discuss the modalities of the visit and to assess the correctness of the responses as submitted by the PU in the Questionnaire.
- 4.9 On the basis of the discussions, the Reviewer may ask the PU to provide further information / details with regard to the relevant procedures and policies adopted by the PU.
- 4.10 After fully understanding the system and evaluating its adequacy the Reviewer will decide the methodology to be adopted for review. He may also select a representative of the PU to assist him in carrying out the review process during the visit.

Compliance Review-General Controls

- 4.11 The Reviewer should carry out compliance review of the General Controls to understand the functioning of the office of the PU and also to evaluate the degree of reliance to be placed upon them. The degree of reliance affects the services engagements to be reviewed. There should be supplementary questions and matters to consider in each of the control areas to ensure that the necessary controls are maintained by the PU.
- 4.12 The following five key controls will be considered as General Controls:
- a) **Independence:** To assess that the PU has a policy to ensure independence, objectivity and integrity on the part of its partners & staff and the same has been communicated to all the partners & staff.
 - b) **Maintenance of Professional Skills and standards:** To assess that the PU has a recruitment policy and the same is informed to all the existing and new personnel. It also establishes the fact that the PU has a training scheme for partners & staff to keep them abreast of current and relevant professional and technical developments.
 - c) **Outside Consultation:** This aspect covers the policy for consulting experts such as accountants, advocates and other technical consultants in the industry relating to its client.
 - d) **Staff Supervision and Development:** The aspect covers setting up of guidelines by the PU on the responsibility of the personnel, evaluation of their performance, their counselling, maintenance of necessary working papers and standardized formats etc.
 - e) **Office Administration:** It captures the policy of the PU on secure preservation of records, staff register and self-sufficient library.

Review of Records

- 4.13 In order to assess the propriety of records Reviewer may apply a compliance approach or substantive approach or a combination of both.
- 4.14 **The Compliance Approach** is to assess whether proper control procedures have been established by the PU to ensure that professional services are being performed in accordance with the Standards issued by the Institute.
- 4.15 PU should have procedures and documentation sufficient to cover each of the key aspect of the assignment. If a PU finds the documentation too elaborate for any of its clients and it reduces the documentation accordingly, a justification for reducing the same should be furnished before the Reviewer.
- 4.16 If the Compliance Approach is not appropriate in case of small firms, the Reviewer may opt for Substantive Approach for conduct of Review.
- 4.17 **The Substantive approach** will be employed if the Reviewer does not deem it fit to place reliance on the PU's general controls or if he finds out that the standard of compliance is not satisfactory or inappropriate in the PU.

Annexure to Chapter 4

**Checklists of the Practice Unit for Reviewer
Compliance with Technical & Professional Standards and Code of Ethics**

Sl.	Particulars	Yes / No / NA	Remarks
	General		
1	Compliance with the Framework for the preparation and presentation of Cost Statements issued by Institute as well as well as prescribed under the relevant statutory provisions followed by the PU		
2	Consideration of relevant notifications and advisories issued by the Institute		
3	Whether samples collected by the PU are sufficient and appropriate to draw conclusions or form an opinion		
4	Appropriate disclosure of material facts by PU in case of any Audit client		
5	Maintenance of proper working papers by the PU		
	Code of Ethics		
1	Adherence by the PU to the code of ethics of the Institute		
2	Compliance with professional ethics by the PU such as independence, integrity, confidentiality, objectivity etc.		
3	Any professional misconduct by the PU till date		
4	Status of independence of PU due to having interest in the clients business or with any of its officers		
5	Any association of PU with its client posing a threat to its independence		
6	Has the PU withdrawn from any engagement		

Sl.	Particulars	Yes / No / NA	Remarks
	to protect its independence		
7	Crossing of prescribed limit of maximum clients by the PU		
8	To check whether the website of the PU follows the guidelines/ directions as prescribed by the Institute		
9	To confirm whether PU is complying with the requirements of QRB of the Institute		
10	To confirm whether PU has exercised care and diligence before performing audit and assurance services		
11	To check whether PU maintains the norms of confidentiality engagement documents		
12	To check whether PU has properly responded to the cases of conflict of Interest		
	Cost Accounting Standards (CASs)		
1	To check whether the PU has ensured the mandatory compliance of Cost Accounting Standards / GACAP by the entity / client while preparing and maintaining Cost Records under the Companies (Cost Records and Audit) Rules, 2014.		
	Standards on Cost Auditing (SCA)		
2	Has the audit / assignment been planned by the PU and discussed with the management?		
3	Does the PU have the engagement letter for the assignment clearly mentioning the scope and fees quoted and in case of Cost Audit Form CRA-2 with Board resolution?		
4	Has the PU gathered adequate knowledge and understanding of the client's business,		

Sl.	Particulars	Yes / No / NA	Remarks
	its processes and environment?		
5	Has the PU followed the Standards on Cost Auditing issued by the Institute while conducting audit of cost records?		
6	<p>In case of Cost Audit assignment, reviewer has to check the following points and record in his report:</p> <ul style="list-style-type: none"> • Check the date of Board meeting approving the Annexures to Cost Audit Report • Check date of Signing of Cost Audit Report • Check UDIN and date on generation 		

Chapter 5

Documentation

Documentation and its significance

- 5.1. This Chapter provides guidance on significance of documentation representing the adequacy of quality control policies and procedures followed by the PU. It provides for the requirements of documentation applicable to the PU. It highlights the aspects of documentation the Reviewer should consider while forming his opinion on the policies and procedures followed by the PU.
- 5.2. As per the Standard on Cost Auditing (SCA 102) *Audit Documentation means the records, in physical or electronic form, including working papers prepared by and for, or obtained and retained by the Cost auditor, in connection with the performance of the audit.*
- 5.3. Documentation provides evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor; and evidence that the audit was planned and performed in accordance with the Standards, applicable legal and regulatory requirements.
- 5.4. Audit documentation serves a number of additional purposes like assisting the audit team to plan and perform the cost audit, assisting members of the audit team responsible for supervision to direct and supervise the audit work, and to discharge their review responsibilities, enabling the audit team to be accountable for its work, retaining a record of matters of continuing significance to future audits, enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements.

Quality Control Review and relevant Documentation

- 5.5. The objective of any firm is to establish and maintain a system of quality control to provide it with reasonable assurance that the firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and Reports issued by the firm or engagement partners are appropriate in the circumstances.
- 5.6. The PU should maintain a system of quality control that includes policies and procedures that address each of the following elements:
 - a. Leadership responsibilities for quality within the firm.
 - b. Relevant ethical requirements.
 - c. Acceptance and continuance of client relationships and specific engagements.

- d. Human resources.
- e. Engagement performance.
- f. Monitoring.

The firm should establish policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control.

Engagement Documentation

- 5.7. Whether engagement documentation is in paper, electronic or other media, the integrity, accessibility or retrievability of the underlying data may be compromised if the documentation could be altered, added to or deleted without the firm's knowledge, or if it could be permanently lost or damaged. Accordingly, controls that the firm designs and implements to avoid unauthorized alteration or loss of engagement documentation may include the following:
- a) Determine when and by whom engagement documentation was created, changed or reviewed;
 - b) Protect the integrity of the information at all stages of the engagement, when the information is shared within the engagement team or transmitted to other parties via the Internet;
 - c) Prevent unauthorized changes to the engagement documentation; and
 - d) Allow access to the engagement documentation by the engagement team and other authorized parties as necessary to properly discharge their responsibilities.
- 5.8. Controls that the firm designs and implements to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation may include the following:
- a) The use of a password among engagement team members to restrict access to electronic engagement documentation to authorized users.
 - b) Appropriate back-up routines for electronic engagement documentation at appropriate stages during the engagement.
 - c) Procedures for properly distributing engagement documentation to the team members at the start of the engagement, processing it during engagement, and collating it at the end of engagement.
 - d) Procedures for restricting access to, and enabling proper distribution and confidential storage of, hardcopy engagement documentation.

- 5.9. For practical reasons, original paper documentation may be electronically scanned for inclusion in engagement files. In such cases, the firm's procedures designed to maintain the integrity, accessibility, and retrievability of the documentation may include requiring the engagement teams to:
- a) Generate scanned copies that reflect the entire content of the original paper documentation, including manual signatures, cross-references and annotations;
 - b) Integrate the scanned copies into the engagement files, including indexing and signing off on the scanned copies as necessary; and
 - c) Enable the scanned copies to be retrieved and printed as necessary.
 - d) There may be legal, regulatory or other reasons for a firm to retain original paper documentation that has been scanned.

Retention of Engagement Documentation

- 5.10. The needs of the firm for retention of engagement documentation, and the period of such retention, will vary with the nature of the engagement and the firm's circumstances, for example, whether the engagement documentation is needed to provide a record of matters of continuing significance to future engagements. The retention period may also depend on other factors, such as provisions for retention of records contained in Companies Act 2013.
- 5.11. Procedures that the firm adopts for retention of engagement documentation include those that enable the requirements of paragraph to be met during the retention period

Ownership of engagement documentation

- 5.12. Unless otherwise specified by law or regulation, engagement documentation is the property of the firm. The firm may, at its discretion, make portions of, or extracts from, engagement documentation available to clients, provided such disclosure does not undermine the validity of the work performed, or, in the case of assurance engagements, the independence of the firm or its personnel.

Form and Content of Documentation

- 5.13. Factors to consider when determining the form and content of documentation evidencing the operation of each of the elements of the system of quality control include the following:
- a) Size of the firm and the number of offices.
 - b) Degree of authority both personnel and offices have.

- c) Nature and complexity of the firm's practice and organization
 - d) Records maintained by the client
 - e) Internal controls in operation
- 5.14. The auditor as part of the audit documentation shall record audit procedures performed, relevant audit evidence obtained, and conclusions reached.
- 5.15. The PU shall prepare audit documentation that is sufficient to enable another competent person, having no previous connection with the said audit, including person undertaking peer review to understand:
- a. Conformance of audit procedures performed with legal and regulatory requirements;
 - b. Conformance to Cost Auditing Standards.
 - c. The results of audit procedures performed
 - d. The audit evidence obtained
 - e. Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.
- 5.16. The Cost Audit documentation usually contains:
- a) **Checklists:** Checklist of compliance with the Rules, regarding maintenance of Cost Records, as prescribed under the Companies Act, Cost Accounting Standards (CAS) and the Generally Accepted Cost Accounting Principles (GACAP) as prescribed by the Institute
 - b) **Audit programs:** Audit Program for Material Cost, Employee Cost and others
 - c) **Audit Query List:** Contains a log of audit queries raised and their resolution
 - d) **Letter of Representation from Management concerning significant matters.** Correspondence regarding terms of supply of goods and services.
- 5.17. The PU shall record the discussions of significant matters with client personnel and outsiders. It shall record any departure from the standard requirement in a Cost Auditing Standard.
- 5.18. In documenting the nature, timing and extent of audit procedures performed, the PU shall record the characteristics of the specific items or matters tested

the persons responsible for performing and reviewing such procedures with relevant dates and extent of review.

- 5.19. The PU shall prepare audit documentation on a timely basis. If, in exceptional circumstances, it performs any new or additional audit procedures or draws new conclusions, after the date of Cost Audit Report, then he shall document such circumstances and details of such procedures performed.
- 5.20. The PU shall assemble the audit documentation in an audit file.
- 5.21. The documentation in respect of smaller entities may be less detailed than what is indicated but must include at the minimum the following:
- a) A description of the entity, the products produced, services provided and other activities
 - b) An organization Chart showing the responsibility centres and the person responsible
 - c) A description, preferably a flow chart of the manufacturing process
 - d) Internal controls over material cost, labour cost and expenses
 - e) The risks of material misstatement assessed, for example, in respect of scrap recovery and disposal
 - f) Tests of materiality used
 - g) The overall audit strategy and audit plan
 - h) Significant matters noted during the audit, and conclusions reached

Annexure to Chapter 5

The checklist with regard to the requirement of documentation as per the Standards on Cost Auditing issued by the Institute is compiled hereunder:

Sl.	Requirement as per Standards on Cost Auditing (SCA)	Yes / No / NA	Remarks
1	<p>SCA 101- Planning an Audit of Cost Statements</p> <ul style="list-style-type: none"> • Overall audit strategy • Audit plan 		
2	<p>SCA-102 - Cost Audit Documentation</p> <ul style="list-style-type: none"> • Checklists • Audit programs • Analysis • Audit Query List • Abstracts of significant contracts relating to costs and revenues • Letters of confirmation • Letter of Representation from Management • Abstract or copies of the entity's records 		
3	<p>SCA-104 - Knowledge of Business, its Processes and Business Environment</p> <p>Ways to get the information about the entity:</p> <ul style="list-style-type: none"> • Annual Report of the entity • Process Study • Company's website • Discussion with management • Annual Report of Competitor/s • Newspapers • Journals • Relevant Ministerial reports • Research Papers Published etc. 		

Chapter 6

Reporting

Introduction

- 6.1 This chapter explains the nuances of the peer review reporting by the Reviewer. The PRS of the Institute provides the following with regard to the submission of the review report by the Reviewer.
- 6.2 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. 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. 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. 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

- 6.3 In case there are no deficiencies observed in the system of the PU by the Reviewer, there is no need to draft a preliminary report. In this case, the Reviewer shall directly submit the final report to the Board. All Reports shall be prepared on the letterhead of the Reviewer, signed by him and should contain his Membership Number/COP. No., ~~UDIN~~¹² and the Reviewer's Number allotted by the Board.
- 6.4 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. 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.
- 6.5 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

¹² Removed

(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.

6.6 The 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.

Qualified Final Report

6.7 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;

6.8 It is the responsibility of all the partners of the firm to abide by the issued instructions by the Board, in case the PU is a firm. In case the PU is a practicing member, he should be responsible for following the instructions.

6.9 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.

6.10 The Board also instructs 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.

6.11 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.

- 6.12 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.
- 6.13 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.

Final Report

- 6.14 The Reviewer drafts and submits his final report with the Board *on his letterhead and not on his firm's letterhead. The Reviewer is required to generate the UDIN in respect of the final Peer Review Report and mention the same therein while submitting to the Board.*¹³ 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.
- 6.15 The Board goes 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.
- 6.16 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.
- 6.17 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

¹³ Decided by the Board in its 14th meeting held on 23rd January 2025

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.
- 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 programmes 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.

Chapter 7

Dispute and its Resolution

Introduction

7.1 The chapter highlights the aspects of any dispute between the PU and Reviewer and its resolution by the Board / Council.

Dispute between PU and the Reviewer

7.2 The PRS of the Institute prescribes that *'Where a dispute arises over the power of Reviewer or the process of the Review or the conclusion drawn therein or any particular matter related to Review, the Firm or the Reviewer or both may refer the dispute to the Board'*.

7.3 There may be situations during the course of the peer review when a dispute may occur between the PU and the Reviewer, some of them are appearing hereunder:

- a) PU may argue that the Reviewer has submitted a qualified report without properly reviewing the records;
- b) PU may argue that model review process was not followed during the review by the Reviewer;
- c) Reviewer may complain about non availability of additional desired information at the PU end;
- d) PU may argue that the observations of Reviewer do not match with the actual data / records.

Process of dispute resolution

7.4 PU shall make a written request to the Board, clearly mentioning the reasons for occurrence of the dispute and requesting a resolution of the same.

7.5 The Board shall forward the written request to the Reviewer seeking his response within 15 days of the receipt of the request.

7.6 After examining the response of the Reviewer the Board shall provide an opportunity to the Reviewer and PU for appearing before the Board physically or virtually.

7.7 The Board may ask the PU to furnish additional information as may be required or seek clarification from the Reviewer to further examine the matter.

7.8 After hearing both the parties, the Review Board shall decide to reject the request with reasons or admit the request and appoint any other Reviewer to

examine the matter or simply issue a befitting order which shall be communicated to the PU and Reviewer within a reasonable time.

7.9 The Board may also inform the Council about the matter.

Appeal against the order of the Board

7.10 PU may appeal in writing against the Order of the Board to the Council of the Institute through the Secretary to the Council within 15 days of the receipt of the Order of the Board.

7.11 The Council may dismiss the appeal with valid reasons or may admit the appeal and send the matter back to the Board for reconsideration on valid grounds.

7.12 After getting response from the Board the Council shall issue its order within a reasonable time.

Appendix 1

Peer Review System of the Institute

(As approved by the Council of the Institute)

1. Introduction

1.1 The Institute of Cost Accountants of India (hereinafter referred to as “the Institute”) constituted under the Cost Accountants Act, 1959 (hereinafter referred to as “the Act”) is responsible for discharging the functions assigned to the Institute under the said Act. Section 15 of the Act provides that “the duties of carrying out the provisions of this Act shall be vested in the Council” and bestows various duties on the Council. With a view to regulate the profession of Cost Accountants and in terms of the powers vested, the Council is issuing this Peer Review System.

1.2 Peer Review System (PRS) is a mechanism of evaluating the audit and assurance services carried out by an individual or Firm constituted under the said Act by peers, who shall be members of the profession in practice, by looking into the systems and procedures adopted and records maintained while carrying out audit and assurance services with the objective to evaluate and suggest improvements of systems, procedures and quality of reporting. The purpose of PRS is to improve the quality of service rendered by Firms by way of enhancing credibility, transparency and adopting best practices and imparting knowledge and skills.

1.3 The main objective of Peer Review System is to ensure that in carrying out the audit and assurance services, the members of the Institute:

- (a) comply with Technical & Professional Standards and Code of Ethics of the Institute as applicable including compliance of other regulatory provisions and requirements thereto and
- (b) have in place proper systems including documentation thereof, to adequately exhibit the quality of the audit and assurance services.

In this statement the framework under which Peer Review System is to be followed has been specified.

2. Objectives

2.1 The purpose of the Peer Review System statement is to impart a framework for, planning, performing, reporting and administration of the peer review process.

2.2 Peer Review System is directed towards maintenance as well as enhancement of quality of audit and assurance services and to provide guidance to members to improve their performance and adhere to various statutory and other regulatory

requirements. Essentially, through a review of audit and assurance services engagement records, peer review identifies the areas where a Firm may require guidance in improving the quality of his performance and adherence to various requirements as per applicable technical Standards as well as proper and regular application of such frame across engagement test sample for Review.

2.3 Peer Review System enables to ensure that audit and assurance services carried out by a Firm:

(a) are in alignment with various statutory requirements issued from time to time by Ministry of Corporate Affairs and The Institute of Cost Accountants of India including the following:

- Companies Act 2013
- Companies (Cost Record & Audit) Rules, 2014, as amended from time to time
- The Cost Accountants Act, Rules & Regulations
- Standards on Cost Auditing (SCAs)
- Cost Accounting Standards (CAS)
- Generally Accepted Cost Accounting Principles (GACAP)
- Notifications & Circulars

(b) To ensure that adequate documentation in place and proper systems followed

(c) The Peer Review Mechanism is not a fault finding exercise but parental in approach for improving quality of reporting

3. Definitions

3.1 Assistant - means a person assisting the reviewer who has undergone adequate training in the manner considered appropriate by the Board.

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

1. Management consulting Engagement;
2. Representing a client before the Authorities;
3. Testifying as expert witness; and
4. 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.

3.3 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.

3.4 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.

3.5 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.

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

3.7 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.

3.8 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".

3.9 Peer Review Period - means 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.

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

3.11 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.

3.12 Reviewer - Means any individual from a panel of Reviewers engaged to carry out peer review of a Firm under review.

3.13 Technical & Professional Standards and Code of Ethics - 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;
- (c) Notifications/Directions issued by the Council of the 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.

3.14 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.

Words and expressions used and not defined in these guidelines shall have the meanings assigned to them under the Cost Accountants Act, 1959 and the Cost and Works Accountants Regulations, 1959 as amended from time to time and other rules framed there under.

4. Authority of the Peer Review System

4.1 The Peer Review System shall apply to all audit and assurance services rendered by a Firm under review. Firms may voluntarily apply for Peer Review or the Board is empowered to select randomly for review in addition to voluntary review. The Board will empower Reviewers by interacting with them with the procedures that need to be followed for Peer Review. The Firm under review may be given a choice of 3 Reviewers for selecting a Reviewer to undertake Peer Review. The Board may appoint a Reviewer if the Firm fails to make a choice within a time frame for selecting a Reviewer or vests the selection to the Board.

4.2 The Peer Review System is designed in relation to conduct of members in audit and assurance services:

- (a) to promulgate an appropriate mechanism for ensuring the quality of audit and assurance services in order to guide the members to conduct themselves

in a manner the regulatory bodies as well as the Council considers appropriate;

- (b) to provide guidance in relation to the statutory powers, roles and responsibility and obligations of the Peer Reviewer and the Practice Unit;
- (c) to prescribe the scope of peer review and the procedures to be adopted by the Reviewer during the conduct of a peer review; and
- (d) to provide best practice guidance with regard to the audit and assurance services in order to provide framework of the output as intended by the regulatory bodies and stakeholders.

5. Powers of the Council

5.1 To constitute and empower the Board and to fill in the vacancies arising in the Board from time to time.

5.2 Consideration, review and approval of the overall Peer Review System, including its budget.

5.3 To authorize the Board to formulate and suggest the amendment in the Peer Review System and mechanisms of Peer Review System and the procedures framed there under including the power of the board and/ or Reviewer, for approval of the President and submitted to the Council for ratification.

5.4 To seek information from the Board regarding the peer review status and the details relating to Firm as well as Reviewer.

5.5 To refer such matters to the Board relating to a Firm as the Council may deem fit.

6. Peer Review Board

6.1 A Peer Review Board shall be formed and empowered by the Council which will formulate, implement and oversee the Peer Review System under the overall supervision of the Council.

6.2 The objectives, powers, scope and the duties of the Board will be formulated and distinctly laid down by the Council which may be reviewed and modified as and when required.

6.3 The Board shall be composed of 4 members with equal representation from the Council and other nominees from different sectors so has to have a wide knowledge and exposure base.

6.4 The Council shall authorize the Board to elect amongst its members for the day to day functionality of the Board a Chairperson and Vice Chairperson and an Institute official may be deputed as Secretary to the Board or any other person (not below the rank of Joint Director) to extend technical and secretarial assistance to the Board.

6.5 The tenure of Chairperson / Vice Chairperson and members of the Board shall be for 2 years, though the Council can reconstitute partly or fully the Board members as and when required.

6.6 Any vacancy on the Board shall be filled in by the Council.

6.7 Members of the Board of Discipline, Disciplinary Committee, Appellate Authority and Quality Review Board of the Institute shall not concurrently serve on the Board.

6.8 No business shall be transacted at a meeting of the Board unless there are 3 members present including the Chairperson or, in his absence, the Vice Chairperson.

If the Chairperson is not present in a meeting, the Vice Chairperson shall Chair the meeting.

Provided that if the Chairperson and Vice Chairperson are not present in a meeting the members may elect anyone member as Chairperson of the meeting to transact the business of the Board;

If there is no quorum within half an hour of the time fixed for the meeting, the meeting shall be adjourned to a date, time and place fixed by the Chairperson.

Provided that in the adjourned meeting, the quorum will be the members present in the meeting or two members present in the meeting, whichever is more.

6.9 The Board shall meet at least 4 times in a year, provided that not more than 120 days shall elapse between two consecutive meetings of the Board.

6.10 The Board shall submit a report to the council within 21 days of its meeting or such extended time by Council.

7. Duties and power of the Board

7.1 The duty of laying down the Peer Review System and its functionality shall be vested in the Board.

7.2 The duties of the Board shall include:

- (1) To maintain a panel of Reviewers.

- (2) To define the terms of appointment of the Reviewers.
- (3) To arrange for interactive sessions to further fine tune the Peer Review process.
- (4) The process of peer review will cover the following:
 - a) The Reviewer shall send his report to the Board with a copy marked to the firm advising the firm to respond to the report within the stipulated time frame directly to the Board with a copy marked to the Reviewer.
 - b) The Board after studying the report of the Reviewer and the rejoinder by the firm will decide whether to call the firm and Reviewer for a discussion or not.
 - c) In case there exists any difference of opinion between the firm and the Reviewer the Board may issue necessary recommendations accordingly.
 - d) If found necessary, to order a further peer review to be carried out
 - e) To issue Peer Review Certificate after the peer review process is successfully completed;
- (5) To guide the prospective Reviewers on best practices on peer review.

7.3 Where deemed appropriate, after the conclusion of a cycle of reviews or at the end of each such period as may be determined, the Board shall have the powers to make a Special Report to the Council on:

- (i) General issues regarding the level of implementation and adherence to Technical & Professional Standards and Code of Ethics amongst Firms.
- (ii) Its own suggestions for further improvement in quality of audit and assurance services.
- (iii) Such other related matters and or information it may deem fit.

7.4 The Board may perform any other thing or act as may be incidental to, or which it considers necessary or expedient for the performance of its functions, or exercise of its powers as delegated to it by the Council, including the formation of subcommittees for specific tasks.

8. Qualifications and disqualifications of Reviewer

8.1 A Reviewer should -

- (a) Be a member of the Institute; and

- (b) Be currently in the practice and possess at least ten years' experience in practice; and
- (c) Furnish a declaration as may be prescribed by the Board, at the time of acceptance of Peer Review appointment; and
- (d) Sign the declaration of confidentiality as prescribed by Board.

8.2 A Reviewer should not have -

- (a) Been found guilty by the Council or the Disciplinary Board or Committee in the matter of professional misconduct at any time; or
- (b) Been convicted by a Court; or
- (c) Any conflict of interest in the Firm or its Partners/ Personnel.

8.3 A Reviewer shall not accept any professional assignment from the PU for a period of three year from the date of appointment as Reviewer.

8.4 A Reviewer should not be having more than two peer review assignments at any point of time and not more than 20 assignments in a financial year..

8.5 The Board may examine the quality of the report and shall have powers to remove the Reviewer from the panel of Reviewers in case the quality of the review/reporting standards falls below the desired levels.

9. Scope of Peer Review System

9.1 A threshold limit based on turnover etc. (decided by the Council) shall be used as one of the criteria for selecting firms to be reviewed.

9.2 The Peer Review mechanism shall apply to all audit and assurance services, other regulatory service and certification services carried out by the practicing members or firms.

9.3 Once a Firm is assigned for Review, its audit and assurance, other services engagement records pertaining to the Peer Review period shall be within the scope of Review.

9.4 The Peer Review shall cover:

- (a) Compliance with Technical & Professional Standards and Code of Ethics;
- (b) Audit & Assurance services like Cost Audit, stock audit, internal audit, excise, custom and service tax audit, Vat Audit and other audits in which

Firms are authorized to conduct, Consultancies, certification and other professional services, requiring the member to have Certificate of Practice.

- (c) Quality of Reporting
- (d) Training programs for staff (including cost trainees and audit assistants) concerned with audit and assurance function and other defined services, including availability of appropriate infrastructure.
- (e) Compliance with guidelines and/or direction issued/given by the Council to the members, including fees to be charged, document collected and record maintained during his audit and assurance services, other regulatory and certification services, number of audits undertaken, professional misconduct, register for assurance engagements conducted during the year and such related records.
- (f) Compliance with direction and / or guidelines issued by Council in relating to cost trainees and / or audit assistants, including attendance register, work diaries, stipend payments, transfer / retrenchment of cost trainee / audit assistant nomination and such related records
- (g) The Peer Review System may be carried out at every 3 – 5 year intervals or any time when the Board feel appropriate and the areas of practice that may be covered under Peer Review System.

10. Compliance with Peer Review Statement

Practice units are required to comply with the provisions of this statement. Practice units failing in this regard will be required to undergo appropriate review of their quality controls by the Board in terms of such specific directions as may be given to it by the Council in these regards from time to time, and as notified to the members.

11. The mechanism of Peer Review System

11.1 The Peer Review System mechanism shall have the following steps:

- (a) Selection of Firm to be Peer Reviewed
- (b) Selection and appointment of Reviewer
- (c) Planning the Review
- (d) Executing the Review
- (e) Reporting
- (f) Issue of Peer Review Certificate

11.2 Selection of Practicing Unit to be Peer Reviewed: The Board has to notify the Firm that will be subjected to Peer Review voluntarily by the Firm or by random selection.

11.3 Selection and appointment of Reviewer: The Peer Review Board will recommend the names of 3 Reviewers to the notified Firm for selecting a Reviewer to undertake Peer Review. After taking the consent of the Reviewer the Board shall appoint a Reviewer selected by the Firm or on its own if the Firm fails to make a selection within a reasonable time. The Board shall inform the Firm about appointment of the Reviewer.

11.4 Planning the Review: The Board shall send list of documents that the Firm needs to produce to the Reviewer. The documents may be sought by way of a predetermined questionnaire. The firm shall provide all such information as may be required by the Reviewer to carry out his job diligently. The Reviewer will also have access to the methodology and practices followed by the Firm for executing such services to its clients.

11.5 Executing the Review: The Reviewer shall have to review based on sampling techniques and ideally the review process should be completed within a predetermined time frame. The process shall cover not only technicalities like adherence to Standards / Acts and Rules etc. but also to qualitative aspects like quality of assistants, outsourcing standards etc.

11.6 Reporting: 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. The Reviewer shall send his report to the Board with a copy marked to the firm advising the firm to respond to the report within the stipulated time frame directly to the Board with a copy marked to the Reviewer. The Board after studying the report of the Reviewer and the rejoinder by the firm will decide whether to call the firm and Reviewer for a discussion or not. In case there is any difference of opinion between the firm and the Reviewer the Board may issue necessary recommendations accordingly. If found necessary, to order a further peer review to be carried out.

11.7 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 be required to issue a Peer Review Certificate if found worthy. Otherwise as mentioned above the Board may issue recommendations or initiate supplementary review based on the merits of the case.

11.8 Other areas arising out of Peer Review System:

- (i) The Firm shall be covered under immunity from any liability under Code of Conduct/ Ethics of institute arising out of making available documents for Peer Review.
- (ii) Highest degree of confidentiality to be maintained by Reviewers, Board and others involved directly or indirectly in the Peer Review System.
- (iii) Suitable dispute redressal and grievance mechanism system arising out of conflicting views of Reviewer and Firm under review will be put in place by the board.

Peer Review System must have a mechanism to deal with aberration and irregularities reported during any Peer Review and a mechanism for disciplinary action in such cases needs to be defined so that it may act as a deterrent to potential erring Firms.

11.9 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 are to be broadly fixed by the Board.

12. Obligations of the Practice Unit

12.1 Provisions of access to any record or document to a Reviewer:

- (1) Any person to whom this clause applies and who is reasonably believed by a Reviewer to have in his possession or under his control any record or other document, which contains or is likely to contain information relevant to the peer review shall:
 - (i) Produce to the Reviewer or afford him access to, any record or document specified by the Reviewer or any other record or document which is of a class or description so specified, and which is in his possession or under his control/ being in either case a record or other document which the Reviewer reasonably believes is or may be relevant to the peer review, within such time as the Reviewer may reasonably require;
 - (ii) If so required by the Reviewer, afford and provide to him such explanation or further particulars in respect of anything produced in compliance with a requirement under sub clause (i) above, as the Reviewer shall specify; and
 - (iii) Provide to the Reviewer all assistance in connection with peer review which he is expected to provide

- (2) Where any information or matter relevant to a practice unit is recorded otherwise than in a legible form, the practice unit shall provide and present to the Reviewer a reproduction of any such information or matter, or of the relevant part or it in a legible form, with a suitable translation in English if the matter is in any other language, and such translation is requested for by the Reviewer.
- (3) The practice unit shall ensure that the Reviewer is given access to all documents relevant to his review no matter which office of the practice unit these documents may be available in, in case the practice unit has more than one office.
- (4) A practice unit shall allow the Reviewer to inspect, examine or take any abstract of or extract from a record or document or copy therefrom which may be required by the Reviewer.

12.2 For the purpose of this clause a person means a Partner/ Sole Proprietor of the practice unit to which the particular review relates or any person employed by or whose services are engaged by such unit

13. Dispute and Appeal

Where a dispute arises over the power of Reviewer or the process of the Review or the conclusion drawn therein or any particular matter related to Review, the Firm or the Reviewer or both may refer the dispute to the Board.

14. Immunity and confidentiality

14.1 The Firm under review shall be covered under immunity from any liability under Code of Conduct/ Ethics of the Institute arising out of making available documents for Peer Review.

14.2 Strict confidentiality shall be maintained by all those involved in the Peer Review process namely, Reviewers (including assistants), member of the Board, member of dispute redressal forum, any partner or proprietor of the Firm.

14.3 All the persons shall be governed by the secrecy provision:

- (a) shall at all times preserve and aid in preserving secrecy with regards to any matter arising in the process followed for Review or performance or in assisting in the performance of any function, directly or indirectly related to the process, conduct, report and point of dispute (if any) of Peer Reviews.

(b) Reviewers shall not make use of or disclose the contents of Review working papers, report, or any confidential information about the process of Review unless as required by the Board, dispute redressal forum or the Council.

(c) Non-compliance with the secrecy provision shall amount to professional misconduct as defined under the Cost Accountants Act, 1959

14.4 A declaration of Confidentiality shall be signed by the Reviewers who are responsible for the conduct as well as report of Peer Review.

15. 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.

16. Budget and Finance

The council shall approve the Annual Budget of the Board each year.

17. Technical and secretarial support

The Council shall set up an independent Secretariat to assist the Board in the discharge of its functions. All people working or assisting in the Secretariat shall be subject to the same norms of confidentiality as the Board Members and Reviewers.

=====

Appendix 2

Empanelment Form for Peer Reviewer (In Practice)

Photograph

Membership no:

1. Name (in Capital Letters)

2. Father's/ Guardian's Name (in Capital Letters)

3. Date of Birth:

4. Gender: 5. Associate / Fellow

6. Details of Academic, Professional and Post membership qualifications
(Graduation onwards): *(Attach extra sheets, if required)*

Course Name/ Name of Exam	University	Year	Percentage	Major/ Specialization

7. COP No. 8. Firm No.

9. Firm Name:

10. Total No. of years in practice

11. Residential Address:

12. Professional Address:

13. Mobile No. 14. Alternate Contact No.

15. E-Mail ID: 16. Website Address:

17. If in employment in the past, mention the following details:

Name of the Organization	Designation	Working from	Major Responsibilities

18. No. of years in employment

19. Details of Post Qualification Experience in Practice

(Attach additional sheets, if required)

Status of your firm: (Tick, if applicable)	
Proprietorship <input type="checkbox"/>	Partnership <input type="checkbox"/> LLP <input type="checkbox"/>
No. of Firm with which you are associated as Partner or Associate	Give number
Name(s) of Firm with which you are associated as Partner or Associate	
Numbers of years in Practice:	
(a) Proprietors' Firm <i>(furnish details with COP date)</i>	
(b) Partnership Firm/ LLP <i>(furnish details when you joined the firm, and COP date)</i>	
(c) Whether you are in continued practice. If yes, mention the date from when and if not mention the time duration (interval) of practice	
(d) <i>Number of Cost Audit Reports signed in the capacity of Cost Auditor during the past three years¹⁴</i>	
Number of partners in your firm	
Names of the partners with relevant qualifications and membership number	
Particulars of CMAs Employed in your firm (with membership numbers, if applicable)	
Particulars of CMA trainees in your firm	
Particulars of semi-Qualified assistants (pursuing CMA course) in your firm	
Particulars of other Qualified members associated with your firm as Associates and/ or employees	

¹⁴ Decided by the Board in its 15th meeting held on 25th April 2025, Prior to this it was read as
(d) Number of Cost Audit Assignments handled in the past three years

Number of administrative staff in your firm	
Number of other staff in your firm	

20. Whether any proceedings relating to matters of professional or other misconduct referred to in any of the Schedules of the Cost Accountants Act, 1959 (as amended) are pending against any of the partners/proprietor of the Firm? If yes provide details:

21. If disciplinary proceedings of the Institute have been initiated against any partner/employee of the Firm, and remains unresolved, furnish details with case reference:

22. Have you or any of partners of your firm ever been convicted by a court of any offence, whether involving moral turpitude or otherwise. If yes provide details:

23. Number of companies in which you are a Director and name(s) of company (ies)

(i) _____

(ii) _____

(iii) _____

(iv) _____

24. PAN of the Member¹⁵

25. GSTIN of the Member, if any¹⁶

I hereby declare that:

- (i) I am a member of the Institute of Cost Accountants of India AND
- (ii) I am currently in practice AND
- (iii) I possess minimum 10 years' of experience in practice as a cost accountant

¹⁵ Decided by the Board in its 14th meeting held on 23rd January 2025

¹⁶ Decided by the Board in its 15th meeting held on 25th April 2025 (Replacing: GSTN, if any)

- (iv) The particulars furnished above are true to the best of my knowledge and belief. In case any of the information submitted above is found to be false or incorrect, I shall be disqualified for the empanelment.

I hereby further declare that:

- (i) I am not an existing member on the Council, Regional Council and Managing Committee of any Chapter of the Institute of Cost Accountants of India.
- (ii) I shall duly inform the Board in case my status in terms of this declaration undergoes any change during my empanelment as a Reviewer with the Peer Review Board of the Institute.

I understand that any breach of the above declarations shall immediately revoke my empanelment as a Reviewer with the Peer Review Board of the Institute.¹⁷

Place: _____

Date: _____

(Signature of Member)

Name of the Member:

Membership Number:

For Office Use ONLY	
Acknowledgement no.	Acknowledgement Date

1. Status of any disciplinary proceedings :
2. Empaneled or Not as Reviewer :
3. Categories of PU to be assigned :
4. Assigned Reviewer Registration No. :

¹⁷ Decided to include by the Board in its 17th meeting held on 2nd June 2026

Appendix 3

Declaration of Confidentiality

[In accordance with the Peer Review System of the Institute, this declaration of confidentiality is to be filled in by the persons involved with the conduct of Peer Review namely Reviewer, Members of the PRB, Secretariat and others who assist them, individually. The Reviewer shall be responsible for taking this undertaking from all those persons who assist him or are likely to assist him in conducting Peer Review, and shall send the same to the Board. This statement of Confidentiality shall be renewed every year.]

To

The Chairman,
Peer Review Board,
The Institute of Cost Accountants of India
“CMA Bhawan”, 3 Institutional Area
Lodhi Road,
New Delhi- 110003

Dear Sir,

I hereby declare that I shall at all times abide by the confidentiality policy during the conduct of peer review. Under the confidentiality policy, I further declare that, I:

- Shall at all times preserve and aid in preserving secrecy with regards to any matter arising in the process followed for Review or performance or in assisting in the performance of any function, directly or indirectly related to the process, conduct, report and point of dispute (if any) of peer reviews;
- Shall not make use of or disclose the contents of Review working papers, report or any confidential information about the process of peer review unless as required by the Board, Disciplinary Committee of the Institute or the Council;
- Shall by all means ensure that the privacy of the functionality or/ and transactions or/and clients of the Practicing Unit remain intact;
- Shall by all means restrict any kind of unauthorized access to any record(s) and/or document(s) that I am a custodian of, by virtue of being the Reviewer of a Practicing Unit.

I understand that any breach or non-compliance with the confidentiality policy of the Peer Review Board of the Institute shall amount to professional misconduct as defined under the Cost Accountants Act, 1959 and shall make me liable for appropriate disciplinary action.

(Signature of Reviewer)

Reviewer Name:

Membership No.:

Date:

Contact No:

Name of PU to be reviewed:

Reviewer Registration No:

Place:

Email ID:

For Office Use Only

Acknowledgement no.	Acknowledgement Date

Appendix 4

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. No.	Turnover of Practice Unit (In Lakh Rupees)	Category of Practice Unit ¹⁸
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.

¹⁸ Decided by the Board in its 13th meeting held on 20th July 2024

Appendix 5

Fees of Peer Review

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

Sr. No.	Category of Practice Unit ¹⁹	Recommended schedule of fee payable by PU to Reviewer (In Rupees)
1	C	20,000
2	B	30,000
3	A	40,000

The fee for a Subsequent Review will not be more than the 50% of the fees charged by the Peer Reviewer for undertaking the Peer Review of the firm.²⁰

¹⁹ Decided by the Board in its 13th meeting held on 20th July 2024

²⁰ Decided by the Board in its 15th meeting held on 25th April 2025

Appendix 6

Draft Intimation of Selection to the PU

Letter No.:

Date:

Name and address of the
Practice Unit selected for review

Subject: Intimation of Selection for Peer Review

Dear Sir,

On behalf of the Peer Review Board (PRB) of the Institute we are pleased to inform you that with reference to your application dated ----- for conducting the peer review in terms of the provisions of the Peer Review System of the Institute of Cost Accountants of India, the PRB has accepted the same. You are hereby advised to select one of the following Registered Reviewers to carry out the review:

1. Name / Address of the empaneled Reviewer 1
2. Name / Address of the empaneled Reviewer 2
3. Name / Address of the empaneled Reviewer 3

We wish to inform you that in case you are failed to send your choice for Reviewer within 15 days of this communication, the Board will exercise its right to select a Reviewer from the above mentioned names and initiate the peer review process as per the norms of the PRB.

You are further advised to fill in the **Questionnaire for Practice Unit** available at [---](#) **---link to the PU questionnaire -----** within 15 days of this communication. We assure you of complete confidentiality of the information submitted. The details of this questionnaire will be shared with the Reviewer selected to take up the review of your PU.

To guide you through the Peer Review process a Peer Review Manual, developed and issued by the PRB of the Institute is available at: **(Web Link)**.

We wish you best of luck and look forward to receiving your choice of Reviewer within the stipulated time.

Thanking you,

Yours faithfully,

Chairman, Peer Review Board of the Institute

Appendix 7

Draft Format of intimation from the PU

Letter No.:

Date:

To
The Chairman,
Peer Review Board,
The Institute of Cost Accountants of India
“CMA Bhawan”, 3 Institutional Area
Lodhi Road, New Delhi- 110003

Subject: Intimation of selection of reviewer

Dear Sir,

This is with reference to the communication of Peer Review Board vide letter number ____ dated ____ with respect to Intimation of Selection for Peer Review of our firm. In this regard we wish to inform you about the selection of the following Reviewer amongst the given names of Registered Reviewers.

Name of the Reviewer:

Address of the Reviewer:

We request you to advise the next course of action from our end to carry out the Peer Review in terms of the provisions of the Peer Review System of the Institute of Cost Accountants of India.

Thanking you,

Yours faithfully,

On behalf of the Practice Unit selected for review
Name and address

Appendix 8

Format of Seeking Consent from Reviewer

Letter No.:

Date:

Name and address of the Reviewer
Selected to conduct the peer review

Subject: Seeking consent to carry out Peer Review

Dear Sir,

On behalf of the Peer Review Board (PRB) of the Institute we are pleased to inform you that with reference to the written consent received from M/s **(Name of PU)** for conducting its Peer Review in terms of the provisions of the Peer Review System of the Institute of Cost Accountants of India, the PRB of the Institute seeks your consent to be the Reviewer to carry out Peer Review of the M/s **(Name of PU)** for the period **(Years)**.

We also wish to inform you that you are eligible to receive remuneration of INR _____ for carrying out this review as per the prescribed norms of the PRB of the Institute.

If you are willing to accept this offer, please send your consent in this regard to the PRB of the Institute within 5 days of this communication. In case you are unable to accept this offer, please so inform us about the same immediately.

Thanking you,

Yours faithfully,

Chairman, Peer Review Board
The Institute of Cost Accountants of India

Appendix 9

Format of Appointment Letter as Reviewer

Letter No.:

Date:

Name and address of the Reviewer
Selected to conduct the peer review

Subject: Appointment as Reviewer to carry out Peer Review

Dear Sir,

On behalf of the Peer Review Board (PRB) of the Institute we are pleased to inform you that with reference to the written consent received from M/s **(Name of PU)** for conducting its Peer Review in terms of the provisions of the Peer Review System of the Institute of Cost Accountants of India and also your consent to accept this offer, the PRB of the Institute has appointed you as Reviewer to carry out Peer Review of the M/s **(Name of PU)** for the period **(Years)** and to submit your review report to the PRB with a copy marked to the PU under review. The duly filled in Questionnaire by the PU is attached herewith for your information.

We wish to inform you that you are eligible to receive remuneration of INR _____ for carrying out this review as per the prescribed norms of the PRB of the Institute. To guide you through the Peer Review process a Peer Review Manual, developed and issued by the PRB of the Institute, is available at: **(Web Link)**.

We wish you best of luck and look forward to your following the deadlines of the Peer Review as prescribed by the PRB.

Thanking you,

Yours faithfully,

Chairman, Peer Review Board
The Institute of Cost Accountants of India

Encl: Duly filled in Questionnaire by the PU

Appendix 10

Format of Communication to the PU about Selection of Sample

Letter No.:

Date:

Name and address of the
Practice Unit selected for review

Subject: Selection of Sample for review assignment

Dear Sir/Madam,

This is with reference to the communication of Peer Review Board vide letter number ____ dated ____ with respect to conducting the peer review of your firm and further to your response that you have selected me as a Reviewer to carry out the peer review of your firm.

This is to acknowledge the receipt of the duly filled in questionnaire sent by you. I have gone through the information appearing in the questionnaire and finalised the sample services and clients for review as per the list attached herewith. You are requested to make available the records related to the sample services enlisted in the attachment to start the process of peer review.

This is also to inform you about the onsite visit to your office at **(Office address)** by the undersigned on **(Date and time)** in connection to the review. Please indicate your convenience and confirm your availability on the above mentioned date in your office for this meeting.

Thanking you,

Yours faithfully,

Signature of Reviewer

Name of Reviewer

Reviewer Registration No:

Encl.: List of Sample Service and Clients

Appendix 11

Format of Final Report

To
The Chairman,
Peer Review Board,
The Institute of Cost Accountants of India
“CMA Bhawan”, 3 Institutional Area, Lodhi Road,
New Delhi- 110003

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, 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)**.

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 been properly designed & implemented and it helps 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 service by the **(Name of PU)**. The summary of the proceeding is appearing in the attached annexure.

Thanking you,

Yours faithfully,

Signature of Reviewer Name of Reviewer Reviewer’s Registration No:

Place: Date: UDIN:²¹

Encl.:

- a. Annexure 1 to the Final Report
- b. Annexure 2 to the Final Report
- c. Reviewer’s Preliminary Report to the PU (if any)
- d. PU’s response to the Preliminary Report²²

CC: Name and address of the Practice Unit

²¹ Decided by the Board in its 14th meeting held on 23rd January 2025

²² Inserted by the Board in its 17th meeting held on 2nd June 2026

Appendix 12

Format of Qualified Final Report

To

The Chairman,
Peer Review Board,
The Institute of Cost Accountants of India
“CMA Bhawan”, 3 Institutional Area
Lodhi Road,
New Delhi- 110003

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 helps 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 service by the **(Name of PU)**. The reasons for qualified opinion are appearing hereunder.

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

Date:

Reviewer Registration No:

Place:

CC: Name and address of the Practice Unit

Encl.:

- a. Annexure 1 to the Final Report
- b. Annexure 2 to the Final Report
- c. Reviewer's Preliminary Report to the PU
- d. PU's response to the Preliminary Report

Annexure 1 to the Final Report

Annexure to the Final Report of (Name of PU)

Sl.	Activity / Process / Procedure	Observation
1	Date on receipt of the questionnaire from the PRB	
2	Period under review ²³	
3	Total number of sample services available ²⁴	
4	Number of sample services selected	
5	Modification in the number of samples afterwards, if any	
6	Designated representative of the PU for review	
7	Adequacy of General Controls of the PU: a. Independence b. Maintenance of Professional skills/standards c. Outside Consultation d. Staff Supervision and Development e. Office Administration If no, specify the areas	Yes / No
8	Adequacy of the audit and assurance assignments administration of the PU	Yes / No
9	Adequacy of internal control systems in carrying out audit and assurance assignments	Yes / No
10	Adequate maintenance of engagement diary and working papers	Yes / No
11	Adequacy of the compliance system within the PU to ensure compliance with technical standards. If no, specify the Standards not complied with a. Cost Accounting Standards b. Standards on Cost Auditing	Yes / No

²³ Inserted by the Board in its 17th meeting held on 2nd June 2026

²⁴ Inserted by the Board in its 17th meeting held on 2nd June 2026

Sl.	Activity / Process / Procedure	Observation
	c. GACAP d. Ethical Standards	
12	Was any preliminary report issued; If yes, specify the prevailing deficiencies	Yes / No / NA
13	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
14	Is the Final Report qualified? If 'Yes', specify the reasons	Yes / No / NA
14	Has the Reviewer received full co-operation from the PU during the review process	Yes / No
	Any issue/s during the Peer Review Process or any suggestion which Reviewer wants to specifically mention:	

Signature of Reviewer

Name of Reviewer:
Place:

Reviewer Registration No:
Date:

Annexure 2 to the Final Report

**Checklists of Compliance with
The Technical & Professional Standards and Code of Ethics²⁵**

Sl.	Particulars	Yes / No / NA	Remarks
	General		
1	Compliance with the Framework for the preparation and presentation of Cost Statements issued by Institute as well as well as prescribed under the relevant statutory provisions followed by the PU		
2	Consideration of relevant notifications and advisories issued by the Institute		
3	Whether samples collected by the PU are sufficient and appropriate to draw conclusions or form an opinion		
4	Appropriate disclosure of material facts by PU in case of any Audit client		
5	Maintenance of proper working papers by the PU		
	Code of Ethics		
1	Adherence by the PU to the code of ethics of the Institute		
2	Compliance with professional ethics by the PU such as independence, integrity, confidentiality, objectivity etc.		
3	Any professional misconduct by the PU till date		
4	Status of independence of PU due to having interest in the clients business or with any of its officers		
5	Any association of PU with its client posing a		

²⁵ Decided to include by the Board in its 17th meeting held on 2nd June 2026

Sl.	Particulars	Yes / No / NA	Remarks
	threat to its independence		
6	Has the PU withdrawn from any engagement to protect its independence		
7	Crossing of prescribed limit of maximum clients by the PU		
8	To check whether the website of the PU follows the guidelines/ directions as prescribed by the Institute		
9	To confirm whether PU is complying with the requirements of the Code of Ethics of the Institute		
10	To confirm whether PU has exercised care and diligence before performing audit and assurance services		
11	To check whether PU maintains the norms of confidentiality engagement documents		
12	To check whether PU has properly responded to the cases of conflict of Interest		
	Cost Accounting Standards (CASs)		
1	To check whether the PU has ensured the mandatory compliance of Cost Accounting Standards / GACAP by the entity / client while preparing and maintaining Cost Records under the Companies (Cost Records and Audit) Rules, 2014.		
	Standards on Cost Auditing (SCA)		
2	Has the audit / assignment been planned by the PU and discussed with the management?		
3	Does the PU have the engagement letter for the assignment clearly mentioning the scope and fees quoted and in case of Cost Audit		

Sl.	Particulars	Yes / No / NA	Remarks
	Form CRA-2 with Board resolution?		
4	Has the PU gathered adequate knowledge and understanding of the client's business, its processes and environment?		
5	Has the PU followed the Standards on Cost Auditing issued by the Institute while conducting audit of cost records?		
6	In case of Cost Audit assignment, reviewer has to check the following points and record in his report: <ul style="list-style-type: none"> • Check the date of Board meeting approving the Annexures to Cost Audit Report • Check date of Signing of Cost Audit Report • Check UDIN and date on generation 		

Appendix 13
Format of Preliminary Report
(On Reviewer 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 Registration No:

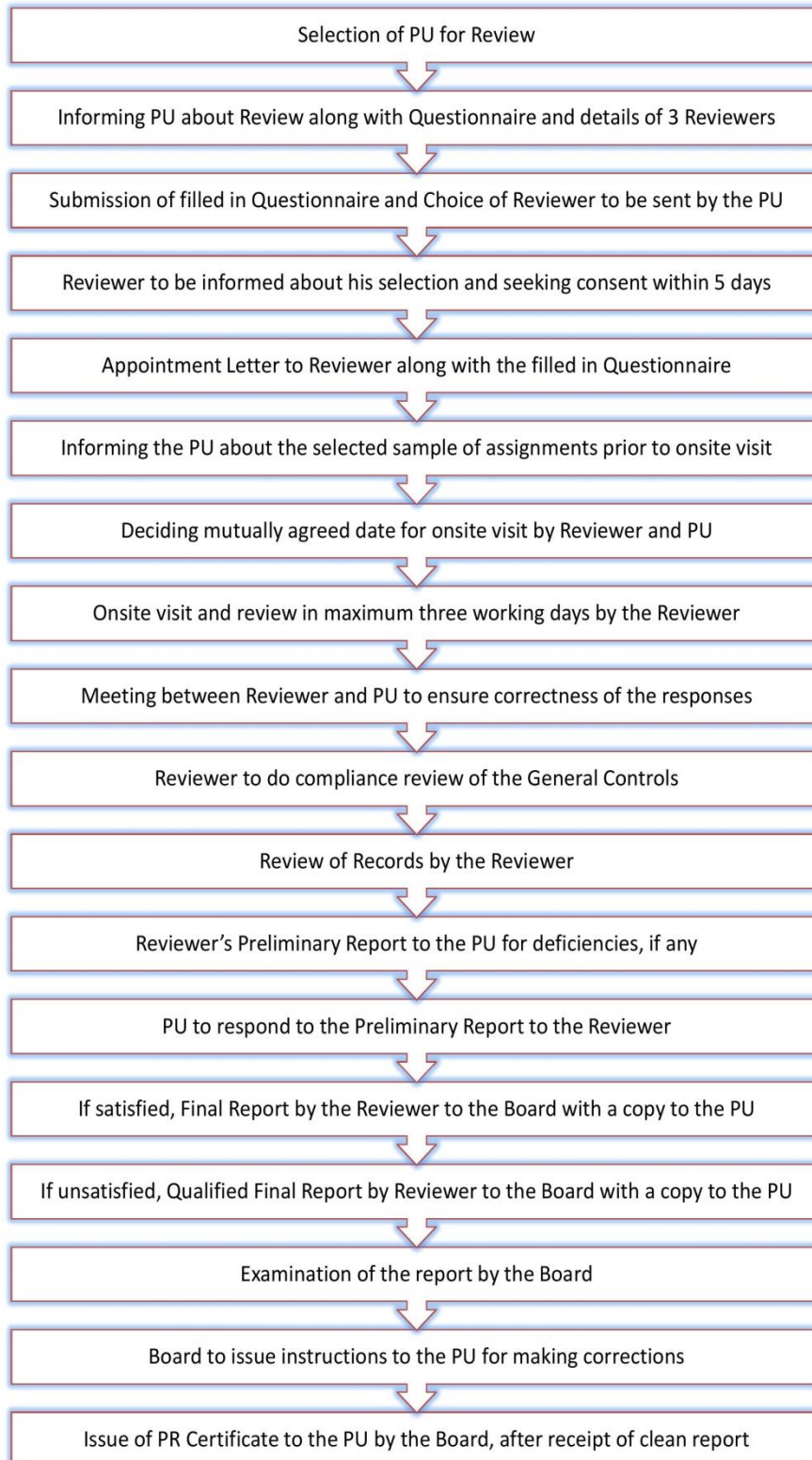
Place:

Date:

Encl.: Observations regarding prevailing deficiencies

Appendix 14

Flow of Peer Review Process



Appendix 15
**Declaration of No Conflict of Interests
(By Reviewer)**

Date:

To
The Chairman,
Peer Review Board,
The Institute of Cost Accountants of India
“CMA Bhawan”, 3 Institutional Area
Lodhi Road, New Delhi- 110003

Dear Sir,

I, _____ hereby declare that I have no pecuniary or other personal interest, in any form or in any capacity, directly or indirectly, in any matter related with M/s _____ (PU) that raises or may raise a conflict with my nomination as a Reviewer to carry out the Peer Review of the PU in terms of the definition of the Conflict of Interest as prescribed in the Peer Review System of the Institute of Cost Accountants of India.

I hereby declare and confirm that I have not accepted any professional assignment from the PU during the preceding three years from the date of my appointment as Reviewer.

I further undertake that I shall not accept any professional assignment from the PU for a period of one year from the date of my appointment as Reviewer of the said Practice Unit, in compliance with the Peer Review mechanism.²⁶

I also acknowledge that I shall duly inform about the change in any matter contained in this declaration till the close of the above mentioned Peer Review and shall provide further information on the particulars contained in this declaration if so required by the Peer Review Board of the Institute of Cost Accountants of India.

(Signature)

Reviewer Name:
Date:
Contact No:

Reviewer No.:
Place:
Email ID:

²⁶ Decided by the Board in its 17th meeting held on 2nd June 2026

Appendix 16
**Declaration of No Conflict of Interests
(By the PU)**

Date:

To
The Chairman,
Peer Review Board,
The Institute of Cost Accountants of India
“CMA Bhawan”, 3 Institutional Area
Lodhi Road, New Delhi- 110003

Dear Sir,

I, _____ on behalf of M/s _____ (PU) hereby declare that abovementioned PU has no pecuniary or other personal interest, in any form or in any capacity, directly or indirectly, in any matter related with CMA _____ (Reviewer) that raises or may raise a conflict with his nomination as a Reviewer to carry out the Peer Review of the PU in terms of the definition of the Conflict of Interest as prescribed in the Peer Review System of the Institute of Cost Accountants of India.

I further hereby declare and confirm that CMA _____ (Reviewer) has not accepted any professional assignment from the PU during the preceding three years from the date of appointment as Reviewer.

I further undertake that the PU shall not offer or assign any professional assignment to CMA _____ (Reviewer) for a period of one year from the date of appointment of the Reviewer for the Practice Unit, in accordance with the Peer Review mechanism.²⁷

I also acknowledge that I shall duly inform about the change in any matter contained in this declaration till the close of the above mentioned Peer Review and shall provide further information on the particulars contained in this declaration if so required by the Peer Review Board of the Institute of Cost Accountants of India.

(Signature)

Name:
Name of PU to be reviewed:
Date:
Contact No:

Designation:
Firm Number:
Place:
Email ID:

²⁷ Decided by the Board in its 17th meeting held on 2nd June 2026

Appendix 17
Format of Peer Review Certificate

Certificate No. xxx/xxxx

PEER REVIEW CERTIFICATE

Certified that pursuant to the Peer Review System issued by the Council of the Institute, the audit and assurance services provided by M/s, Cost Accountants in Practice bearing Firm Number having its office at has been successfully reviewed for the Period ---- to ----²⁸

This Certificate is valid for ~~one/two/three~~ **FIVE**²⁹ years from the date of approval of the Peer Review Report i.e. --/--/----³⁰

Date:	XXXX	XXXX
Place:	Secretary Peer Review Board	Chairman Peer Review Board

Disclaimer: The Peer Review process is independent of disciplinary or legal proceedings hence this certificate does not provide any immunity to the practice unit or any of its members and employees from any disciplinary or legal action.

²⁸ Decided by the Board in its 17th meeting held on 2nd June 2026

²⁹ Decided by the Board in its 14th meeting held on 23rd January 2025

³⁰ Decided by the Board in its 17th meeting held on 2nd June 2026