

PEER REVIEW

Question 1

Explain the objectives of Peer Review.

(4 Marks) (November 2008)

Answer

Objectives of Peer Review

- (1) To ensure that members while performing attestation services comply with technical standards, Ethical Standards and Professional Standards laid down issued by the Institute;
- (2) To ensure that such a member has in place proper system (including documentation system) for maintaining the quality of attestation services performed by him;
- (3) To ensure adherence to various statutory and other regulatory requirements and
- (4) To enhance the reliance placed by the users of financial statements from economic decision making.
- (5) To provide a framework of the Peer Review process and what is expected of a member during the conduct of a peer review.

Question 2

Write short note on "Reporting" stage in Peer Review.

(4 Marks) (June 2009)

Answer

Reporting stage in Peer Review: This includes the following steps:

1. **Preliminary Report of Reviewer** - At the end of the on-site review, the reviewer is required to send a preliminary report to the practice unit before making any report to the Board on the areas in case systems and procedures of the practice unit reviewed have been found to be deficient or where non-compliance with reference to any other matter has been noticed by the reviewer during the course of review. The reviewer has to take care that the report does not contain name of any individual of the practice unit. However, no preliminary report is required in case no deficiencies or non-compliance are noticed by the reviewer.

The reviewer while preparing the preliminary report should review and assess the conclusions drawn from the review that indicates the deficiencies to be reported upon. The preliminary report is addressed to the practice unit. The report, apart from mentioning the areas where systems and procedures of the practice unit have been found to be deficient, should also contain a paragraph that discusses the scope of the review performed by the reviewer. If the reviewer draws a conclusion that there existed a limitation on scope of review, the fact, along with such limitation on the scope of the review, should also be communicated to the practice unit through the preliminary report. The reviewer should prepare the report on his letterhead. The report should be dated and also contain the reviewer's signature and membership number and reviewer's code number allotted by the Board.

2. **Reply to Preliminary Report** - The practice unit has to send its submissions or representations, in writing, to the reviewer, on the areas mentioned in the preliminary report. The reply to the preliminary report should be sent by the practice unit within a period of 21 days from the receipt of the preliminary report from the reviewer.
3. **Qualified Report of the Reviewer** - If the reviewer is not satisfied with the reply of the practice unit, the reviewer has to submit a qualified report to the Board. The report so submitted should clearly indicate that it is a "qualified report". The Board may then order after twelve months for follow up review by appointing a new reviewer. The new reviewer is then required to submit the follow up report to the Board for consideration.
4. **Final Report of the Reviewer** - If the reviewer is satisfied with the reply of the practice unit, the reviewer shall submit his final report to the Board. The final report should incorporate the findings as discussed with the practice unit.

Question 3

Briefly explain the Collection of evidences by Peer reviewer. (4 Marks) (November 2009)

Answer

Collection of Evidence by Peer Reviewer

A Peer Reviewer collects evidence by applying the following methods:

- (a) Inspection mainly consists of examination of documentation (working papers) and other records maintained by the practice unit.
- (b) Observation consists of witnessing a procedure or process being performed by others. For example, while conducting on-site review, the reviewer may review the performance of internal control.
- (c) Inquiry consists of seeking appropriate information from the partner (designated by the practice unit for the purpose)/sole proprietor or other knowledgeable persons within the practice unit. The inquiries may originate from the responses to the questions given in

the questionnaire. The inquiries may also arise from the inspection of documentation maintained by the practice unit.

While observation and inquiry may be considered as external independent sources of review evidence, inspection remains the most significant method for confirming the effective observance of control procedures in the practice unit. Observation and inquiry may also corroborate the evidence provided by inspection. The reviewer, in order to carry out the review effectively, should have an understanding of the documentation maintained by the practice unit

Question 4

Write short note on the "Focus of a Peer review".

(3 Marks) (May 2010)

Answer**Focus of a Peer review**

As per the Statement of Peer Review issued by the Institute of Chartered Accountants of India, "Peer Review" means an examination and review of the systems and procedures to determine whether they have been put in place by the practice unit for ensuring the quality of attestation services as envisaged and implied/mandated by the Technical Standards, Ethical Standards and Professional Standards and whether these were effective or not during the period under review.

The Review shall focus on:

- (i) Compliance with Technical Standards.
- (ii) Compliance with Ethical Standards.
- (iii) Compliance with Professional Standards.
- (iv) Quality of Reporting.
- (v) Office systems and procedures for carrying out attestation services
- (vi) Training Programmes for staff (including Articled and Audit Assistants) concerned with attestation functions, including availability of appropriate infrastructure therefore.