

PEER REVIEW

Question 1

Briefly explain the Preliminary Report under Peer Review.

Answer

Preliminary Report Under Peer Review: In the process of peer review, 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.

Question 2

Write a short note on - Peer review.

Answer

Peer Review: The term "peer" means a person of similar standing. The term "review" means conduct of re-examination or retrospective evaluation of the subject matter. In general, for a professional, the term "peer review" would mean review of work done by a professional, by another professional of similar standing. 'Peer Review' is defined as, a regulatory mechanism for monitoring the performances of professionals for maintaining quality of service expected of them for enhancing the reliance placed by the users of financial statements for economic decision-making.

As per the Statement of Peer Review (ICAI, 2002) "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 and whether these were effective or not during the period under review".

The examination and review of a practice unit would be carried out by a "reviewer", i.e., a member, selected from a panel of reviewers maintained by the Board. The term "practice unit" means members in practice, whether practising individually or as a firm of Chartered Accountants.

Question3

Explain the objectives of Peer Review.

Answer

Objectives of Peer Review

- (1) To ensure that members while performing attestation services comply with technical standards 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 regulatory requirements and
- (4) To enhance the reliance placed by the users of financial statements from economic decision making.

Question 4

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

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) **Interim Report of the Reviewer** - If the reviewer is not satisfied with the reply of the practice unit, the reviewer has to submit an interim report to the Board. The report so submitted should clearly indicate that it is an "interim report". It may be noted that the Board may then give recommendations to the practice unit and instruct the reviewer to carry out a further review after minimum six months in case of any weakness in the compliance of technical standards is reported by the reviewer or follow up review after twelve months in case of any weakness in the internal control system of the concern is reported by the reviewer and to verify whether the systems and procedures of the practice unit have been modified appropriately. The reviewer is then required to submit a report to the Board.
- (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 5

Briefly explain the Collection of evidences by Peer reviewer.

Answer

Collection of Evidence by Peer Reviewer

A Peer Reviewer collects evidence by applying the following methods:

- (1) *Inspection*: It includes scrutiny of documentation and other records of the practicing unit.
- (2) *Observation*: He observes the procedures/processes followed in the production unit.
- (3) *Enquiries*: He enquires and collects required information from the responsible person of practice unit, even by the use of questionnaire.