

Introduction

- In Present day scenario, it is essential to perform high-quality audit to win the trust of the stakeholders and users of financial statements.
- AQMM is an initiative for audit firms and sole proprietors to assess their current audit maturity level.
- It is a self evaluation tool that is modelled to monitor and increase operating efficiency.

- The ICAI has taken upon itself to improve the overall capabilities of the members and firms and offer an across the board assurance of the quality of audit
- It helps in improvement of the quality of audit all round
- The reliability of auditors goes up by a couple of notches

AQMM v 1.0

- The AQMM version 1.0 was released by the Centre of Audit Quality (CAQ) of The Institute of Chartered Accountants of India (ICAI) on the 1st July 2021 and is applicable from 1st April 2023.
- It targets competency dimensions for firms to assess their current audit competency and to move to the next level.

Applicability

- Entities carrying out the audits as under shall be mandatorily required to undertake evaluation using AQMM v 1.0:
 - A listed entity or
 - Bank other than co-operative bank (except multi-state co-operative banks); or
 - Insurance Company
- However, firms doing only branch audit are not covered.

Why AQMM?

- To enhance audit quality and boost trust of external stakeholders
- For firms to assess their current audit maturity model and to provide a mechanism to improve their audit quality.
- To build a firm's ability to provide consistent high-quality audit on time and in budget.



EVALUATION CRITERIA

- With the questionnaire included in AQMM Version 1.0 firms can
- rate their current level of audit maturity,
- pinpoint areas where capabilities are strong or lacking,
- and create a road map for achieving a higher level of audit maturity.
- The firm must evaluate various factors to understand the level of maturity that they have achieved in their area of practice

Firm Maturity Rating

Section Reference	Total Possible Points
Section 1. Practice Management – Operation	280
Section 2. Human Resource Management	240
Section 3. Practice Management – Strategic / Functional	80
Total	600

Practice Management - Operation

- This module covers :
 - Practice areas of the firm,
 - Work flow,
 - Quality review materials & audit tools,
 - Service delivery,
 - Quality control,
 - Benchmarking service delivery,
 - Client sensitisation,
 - Technology adoption,
 - Revenue, budgeting & pricing.

Areas covered

- Revenue, vision and mission
- Audit manuals, use of standard formats
- Usage and update of standard checklists
- Planning, budgeting and performance evaluation
- Quality review and control, documentation
- Reworks, disputes and planned communication
- Client awareness and service delivery
- Automation, digitised/centralised, technological adoptions
- Budgets, pricing and fee scale

Steps to be taken

- Ensure the firm has a vision/mission statement.
- Maintain and use standard formats for Letter of Engagement, Representation letter, etc.
- Ensure Independence of partners, staff and trainees.
- Maintain documentation as per SQC-1.
- Use technology or automated processes wherever possible.

Human Resource Management

- This module covers :
Resource planning & monitoring,
Employee training & development,
Resources turnover & compensation
management,
Skill set of employees & experts and
Performance evaluation.

Areas covered

- Employee and resource planning and allocation.
- Employee training and reward culture.
- Recruitment, staffing policies and salaries.
- Qualification of Employees
- Key performance indicators (KPI), method and frequency of evaluation

Steps to be taken

- Employ staff with good technological knowledge or train them to acquire updated skills sets.
- Maintain a record of evaluation of the firm or partners.
- Maintain record of allocation of work and tracking staff activity to ensure productivity.
- Document the resource plan for the engagement.

Practice Management- Strategic/Functional

- This module covers :
Practice management,
Infrastructure-Physical & others,
Practice credentials,
- Some of the topics covered in this module for assessment are stated in the following slide.

Areas covered

- Mix of partners, compliance with Ethics code and other regulatory requirements.
- Number of branches, management and logistics
- Peer review, empanelment, misconduct, evaluation by Government authorities

Steps to be taken

- Ensure compliance with the Code of Ethics, Companies Act and other regulatory requirements.
- If the firm has branches, ensure adequate infrastructure to facilitate smooth flow of work.
- Maintain record of details of empanelment, peer review certification, and also cases of negative review or misconduct, if any.

Levels

Basis:

Up to 25% in each section	Level 1 Firm	Indicates that the firm is very nascent -will have to take immediate steps to upgrade its competency or will be left lagging behind
Above 25% to 50% in each section	Level 2 Firm	Indicates firm has made some progress - will have to fine-tune further to reach the next level of competency
Above 50% to 75% in each section	Level 3 Firm	Indicates firm has made substantial progress - will have to fine-tune further to reach the highest level of competency
Above 75% in each section	Level 4 firm	Indicates firms that have made significant adoption of standards and procedures - Should focus on optimising further

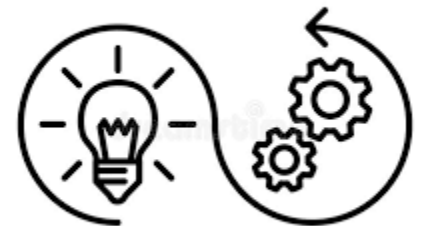
Evaluation

- Quality is a abstract concept and cannot be quantified which makes it difficult to measure.
- Audit quality depends on the quality of information relied upon, documentation, appropriateness, degree of uniformity, acceptable risk, etc.

- The model of evaluation of AQMM assesses the calibre of the firm's or auditor's work and attempts to ensure the quality is upheld for all further engagements.
- Firms and proprietors are advised to take steps accordingly and implement proper documentation, adherence with SA and other regulations to increase their level.



IMPLEMENTATION



- Implementation clues are stated in the guide published by ICAI to assist professional audit firms in achieving various competency dimensions.
- They are useful and beneficial to small and medium-sized firms.
- The guide is general and provides clues for the minimum requirements for each domain. However, the firm is free to implement other similar best practices.

- The firm has to collect data from each engagement and calculate the average to determine whether it meets the "yes" or "no" criteria for receiving a score, for which it would require a Management Information System (MIS).
- A high rating can be achieved through proper documentation, audit file maintenance, compliance with SA and other applicable laws and acts, and internal control implementation

Conclusion

- AQMM is a step towards ensuring high-quality audit can be conducted by all levels of firms and individuals, by assisting them to recognise the areas in which they lack and provide basis to increase their audit quality.
- Self evaluation provides an insight into the policies and procedures to be adopted to render high quality services.

ANY QUERIES?

