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# DELIBERATION ON AUDIT QUALITY MATURITY MODEL (AQMM)

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# WHY AQMM?

- The present environment

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# AUDIT

CFO News / Latest CFO News

**Audit is a serious business, stay away from it if you can't meet expectation gap: ICAI Pres Debashis Mitra**

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# SQC 1

- “In accordance with the applicable framework laid down under Standard on Quality Control (SQC) 1 “Quality control for Firms that Perform Audit and Reviews of Historical Financial Information, and Other Assurance and Related Service Engagements”, our Firm has laid down policies and procedures to evaluate “client/ engagement continuation” on regular basis. The Firm has accordingly re-evaluated the criterion for our continuance as statutory auditors of the Company for the quarter ending June 30, 2022, and regrettably, the necessary conditions could not be met,” MSKA said in its
- resignation letter.
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# WHY AQMM?

- Capacity building measure
- Self-evaluate current levels of maturity
- Competencies are good or lacking
- Globally, the work being done by auditors is being looked at very closely.

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# USA

AUDIT PROFESSIONALS	Availability	1. Staffing Leverage 2. Partner Workload 3. Manager and Staff Workload 4. Technical Accounting and Auditing Resources 5. Persons with Specialized Skill and Knowledge
	Competence	6. Experience of Audit Personnel 7. Industry Expertise of Audit Personnel 8. Turnover of Audit Personnel 9. Amount of Audit Work Centralized at Service Centers 10. Training Hours per Audit Professional
	Focus	11. Audit Hours and Risk Areas 12. Allocation of Audit Hours to Phases of the Audit
AUDIT PROCESS	Tone at the Top and Leadership	13. Results of Independent Survey of Firm Personnel
	Incentives	14. Quality Ratings and Compensation 15. Audit Fees, Effort, and Client Risk
	Independence	16. Compliance with Independence Requirements
	Infrastructure	17. Investment in Infrastructure Supporting Quality Auditing
	Monitoring and Remediation	18. Audit Firms' Internal Quality Review Results 19. PCAOB Inspection Results 20. Technical Competency Testing

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# USA

AUDIT RESULTS	Financial Statements	21. Frequency and Impact of Financial Statement Restatements for Errors 22. Fraud and other Financial Reporting Misconduct 23. Inferring Audit Quality from Measures of Financial Reporting Quality
	Internal Control	24. Timely Reporting of Internal Control Weaknesses
	Going Concern	25. Timely Reporting of Going Concern Issues
	Communications between Auditors and Audit Committee	26. Results of Independent Surveys of Audit Committee Members
	Enforcement and Litigation	27. Trends in PCAOB and SEC Enforcement Proceedings 28. Trends in Private Litigation

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# PRESENT SCENARIO

- Peer Review Board
  - FRRB
  - NFRA
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# PRESENT SCENARIO

- All Firms have audit files
- Quality is there but can be improved?

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# THE QUESTION IS?

- Can we defend the audit?

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# IS IT MANDATORY?

- Not yet mandatory
- A start can be made.....

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# AQMM?

- Has it been officially issued?

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# AQMM

- Its not a standard, its not a law, its not a Guidance Note

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# WHY?

- The Audit Quality Maturity Model -Version 1.0 (AQMM v1.0) is a capacity building measure initiated by ICAI and the objective of this Evaluation Matrix is for sole proprietors and Audit firms to be able to self-evaluate their current level of Audit Maturity, identify areas where competencies are good or lacking and then develop a road map for upgrading to a higher level of maturity.

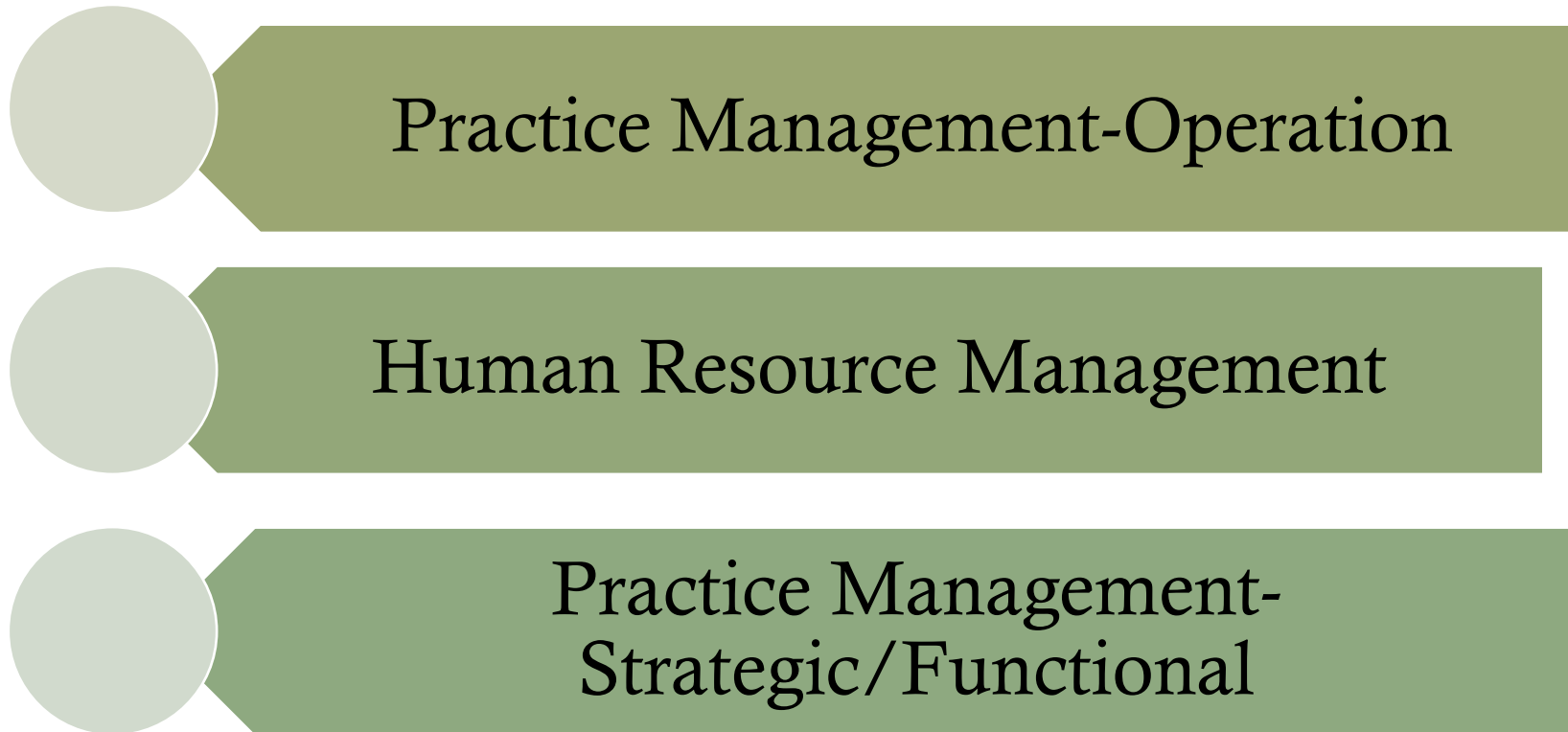
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# SCOPE

- Firms auditing following entities are covered in AQMM v1.0:
  - A listed entity; or
  - Banks other than co-operative banks (except multi-state co-operative banks)
  - Insurance Companies
  - However, firms doing only branch audits are not covered.
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# THE AREAS





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# 1. PRACTICE MANAGEMENT-OPERATION

- Practice Areas of the firm
  - Work flow- practice manuals
  - Quality review manuals or audit tools
  - Service delivery – effort monitoring
  - Quality control for engagements
  - Benchmarking of service delivery
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# 1. PRACTICE MANAGEMENT-OPERATION

- Client sensitization
  - Technology adoption
  - Revenue, Budgeting and Pricing
  - Performance evaluation measures
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## 2. HUMAN RESOURCE MANAGEMENT

- Resource Planning and Monitoring
  - Employee training and development
  - Resources turnover and compensation management
  - Qualification skill set of employees
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# 3. PRACTICE MANAGEMENT- STRATEGIC

- Practice Management
- Infrastructure-Physical and others
- Practice credentials

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# PRACTICE MANAGEMENT - OPERATION

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# PRACTICE AREAS

Area	Metric	Points
Revenue from audit and assurance services	Minimum revenue of 50% of the total revenue from audit and assurance services such as statutory audit, tax audit, internal audit, GST audit, Forensic audit, Sustainability audit, Social audit, etc., is considered specialisation, when consistently witnessed for a period of 3 years.	50-75%- 1  > 75%- 2
Does the firm have a vision and mission statement? Does it address Forward looking practice statements/Plans?	The presence of a vision/ mission is essential though it does not make it a criterion for scoring.	

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# WORK FLOW- PRACTICE MANUALS

Area	Metric	Points
Presence of Audit manuals containing the firm's methodology that ensures compliance with auditing standards.	Scoring based on Presence or Not. Answers: Yes/N	For Yes – 2 Points For No – 0 Point
Availability of standard formats relevant for audit quality like - <ul style="list-style-type: none"><li>- LOE</li><li>- Representation letter</li><li>- Significant working papers</li><li>- Reports</li></ul>	Scoring based on Presence or Not. Answers: Yes/No	For Yes – 2 Points For No – 0 Point

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# QUALITY REVIEW MANUALS

Area	Metric	Points
Usage of Client Acceptance/engagement acceptance checklists	Scoring based on Presence or Not. Yes/No Answers	For Yes – 1 Point For No – 0 Point
Evaluation of Independence for all engagements (partners, managers, staff, trainees) based on the extent required. The firm must identify self-interest threat, familiarity threat, intimidation threat, self-review threat, advocacy threat and conflict of interest.	Scoring based on Presence or Not. Yes/No Answers	For Yes – 1 Point For No – 0 Point



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# QUALITY REVIEW MANUALS

Area	Metric	Points
Does the Firm maintain the engagement withdrawal/rejection policy, templates, etc	Scoring based on Presence or Not. Yes/No Answers	For Yes – 1 Point For No – 0 Point
Availability of standard formats for audit documentation of Business Understanding, Sampling basis, Materiality determination, data analysis, and Control Evaluation	Scoring based on Presence or Not. Yes/No Answers	For Yes – 1 Point For No – 0 Point
Availability of standard checklists in performance of an Audit for Compliance with Accounting and Auditing Standards	Scoring based on Presence or Not. Yes/No Answers	For Yes – 1 Point For No – 0 Point

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# SERVICE DELIVERY- EFFORT MONITORING

Does the firm carry out a Capacity planning for each engagement?	Scoring based on Presence or Not. Yes/No Answers	Yes-1 No-0
Is a process of Budgeting & Planning of efforts required maintained (hours/days/weeks) ?	Scoring based on Presence or Not. Yes/No Answers	Yes-1 No-0

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# SERVICE DELIVERY- EFFORT MONITORING

Are Budget vs Actual analysis of time and effort spent carried out to identify the costing and pricing?

Scoring based on % of engagements in which the compliance with budget vs actual is carried out

Upto 10%- 0 points  
More than 10% and up to 30%  
– 1 Point  
More than 30% and up to 50%  
– 2 Points  
More than 50% and up to 70%  
– 3 Points  
More than 70% and up to 90%  
– 4 Points  
More than 90% – 5 Points

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# SERVICE DELIVERY- EFFORT MONITORING

Does the firm deploy technology for monitoring efforts spent - Utilisation of tools to track each activity (similar to Project management - Say timesheets, task management, etc.) Note: DCMM Version 2 may be referred to arrive at the technical maturity of the firm/ CA.

Scoring based on Presence or Not.  
Yes/No  
Answers

For Yes – 2 Points  
For No – 0 Point

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# QUALITY CONTROL

- Does the firm have a Partner review/ Quality review for all audit assignments and is there a document of time spent for review of all engagements?
  - Total engagements having concluded to be satisfactory as per quality review vs No of engagements quality reviewed
  - No. of engagements without findings by ICAI, Committees of ICAI and regulators that require significant improvements
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# QUALITY CONTROL

- Documentation of the firm in accordance with SQC 1
- Does the firm have Accounting and Auditing Resources in the form of soft copies of archives Q&As, firm thought leadership, a dedicated/ Shared Technical desk
- Is appropriate time spent on understanding the business, risk assessment and planning an engagement?

Total 19 points

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# SERVICE DELIVERY BENCHMARKING

- Does the firm follow/ implement Standard delivery methodology – the adoption of audit manuals, adherence to practice standards and tools?
  - Does the firm evaluate the efficiency and benchmark delivery by monitoring the number of statutorily backed engagements closed on time/before due date/belated filing, completion etc. (Ex. Tax audits, Statutory audits, IT filings, GST returns, ROC compliances, FEMA compliances, TDS returns, etc)
  - The number of statutory audit engagements re- worked (filing errors, information insufficiency, wrong interpretation of provisions, etc.)
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# SERVICE DELIVERY

- Number of client disputes
- Review frequency of back-log, engagement agreed upon and not commenced, WIP, etc. (Excl. of client-side delays).



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# NEGATIVE SCORING??

Criteria	Benchmark	Scoring
The number of statutory audit engagements re- worked (filing errors, information insufficiency, wrong interpretation of provisions, etc.)	Negative Scoring based on %	Less than 5%- 0 point  5-15%- Minus 1 point  15-30%- Minus 2 points  ➤ 30%- Minus 3 points ➤ 40%- Minus 4 points
Number of client disputes	Negative scoring	

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# CLIENT DISPUTES

Less than 5% – 0 Point
More than 5% to 15%: (-1)
More than 15% to 30%: (-2)
More than 30% to 50%: (-3)
More than 50%: (-4) Points

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# TECHNOLOGY ADOPTION

Internal communication - chats

Has the firm automated its office with automated Attendance System and Leave management?

Project or activity management

Timesheet management,

Digital storage of records (scan, etc.)

Centralised server/ Cloud

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Digital Library (Own or ICAI)

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# TECHNOLOGY ADOPTION

Client interaction (Alerts, updates, availability of information in website, etc),

Video conferencing facilities adopted,

Does the firm use only licensed operating system, software etc.?

E-mail ids, E-mail usage policies, etc.

Use of anti-virus and malware protection tools,

Data security, etc

Cybersecurity measures

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# AI/ML?

- Employees are equipped with technological skill sets – AI, Blockchain, Audit & Data analytical tools, etc. and sponsored by the firm to develop the same:
  - 1. Knowledge of technological skill sets will be more relevant for large audits (Audit Engagements of Listed entity, Banks other than co-operative banks (except multi-state co-operative banks) and Insurance Companies). Hence, the question should be relevant only for such audit engagements.
  - 2. The audit Teams should be aware of Data Analytics Tools and comprehend the results of the tools to adjust the audit strategy.
  - 3. Technologies like AI and blockchain may be considered as an incremental factor for differentiation purposes, if the firms are scored at the same level.
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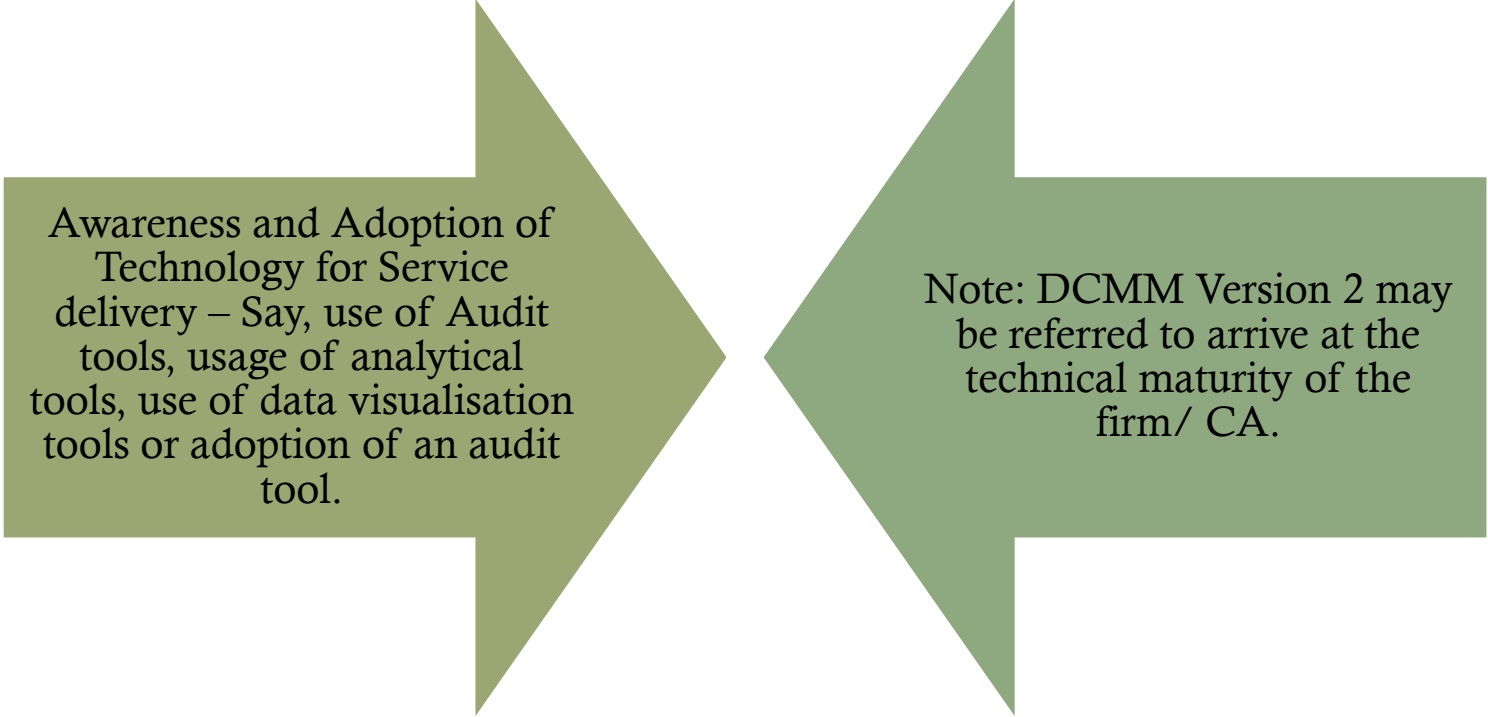
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# SCORING

- Use of Analytical Tools for the listed entity, Banks other than co-operative banks (except multi-state co-operative banks) and Insurance Companies audit engagements:
  - For Yes – 2 Points
  - For No – 0 Point / NA
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# TECHNOLOGY ADOPTION



Awareness and Adoption of Technology for Service delivery – Say, use of Audit tools, usage of analytical tools, use of data visualisation tools or adoption of an audit tool.

Note: DCMM Version 2 may be referred to arrive at the technical maturity of the firm/ CA.

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# THE TOP 3

- Quality Control – 19 points
  - Technology Adoption- 15 points
  - Benchmarking of Service Delivery- 10 points
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# HUMAN RESOURCES

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# HUMAN RESOURCES

- Resource Planning and Monitoring
- Employee Training and development
  - Employee training policy
  - No of days spent per employee

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# HR IN AUDIT FIRMS?

- Does the firm evaluate the Employee relation with the firm (No. of Professionals vs. No. of years employed with firm) to identify reasons for turnover if any?
  - Statutory contributions wherever applicable, Health Insurance and other benefits, available in the firm for staff members and partners
  - Does the firm evaluate for which kind of audits does it have a **revolving door** (between different engagements) for people below partner level?
  - Progress of people through an established framework and time commitment of Managers and Partners – Engagement level review and overall performance evaluation and rewards mechanism for differentiated performance levels
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# HR IN AUDIT FIRMS?

- Access to technology, infrastructure, methodology for better enablement of day to day work / including favorable remote working policies
  - Coaching and mentoring program investment, especially for women colleagues to enhance the diversity of audit leaders in the profession
  - Special policies to provide people time to rejuvenate especially after busy audit seasons
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# HR IN AUDIT FIRMS

- Focused policies and support for staff well - being, engagement and communication
  - An established mechanism to listen to people and their views and suggestions. Credible Employee survey and its outcome demonstrate how well people are taken care of and heard.
  - Standards of recruiting people – Assessment methodology, evaluation of quality and fitment to the job and culture
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# HR IN AUDIT FIRMS

- Are the employees of the firm compensated as per a defined approach where salary is mapped to the knowledge and experience level of the employee?

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# HR IN AUDIT FIRMS

- The contentious issue of stipends

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# PRACTICE MANAGEMENT

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# PRACTICE MANAGEMENT

- Does the firm have a balanced mix of experienced and new partners?
  - Is the firm compliant with the ICAI Code of Ethics, Companies Act 2013 and other regulatory requirements in relation to Professional Independence and Conflict of Interest?
  - Is there is a 'whistle blower' policy?
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# PRACTICE CREDENTIALS

- Is the firm ICAI Peer Review certified?
  - Empanelment with RBI and C&AG
  - Does the firm hold any ISO certifications as result of Standard practices being followed
  - Is there an advisory as well as a decision, to not allot due to unsatisfactory performance by the CAG office?
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# PRACTICE CREDENTIALS

- Have any Government Bodies/ Authorities evaluated the performance of the firm to the extent of debarment/ blacklisting
  - Any negative assessment in the report of the Quality Review Board
  - Has there been a case of professional misconduct on the part of a member of the firm where he has been proved guilty?
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# ISSUES

- Minimum scale of fees of ICAI??

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# QUALITY??

iii.	Adherence to a minimum scale of fees standards recommended by ICAI	Scoring based on Presence or Not. Yes/No Answers	For up to 50% of the engagements- 1 Point For More than 50% of the engagements – 2 Points For None – 0 Point	1
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# THE SCORECARD

Section reference	Total Possible points
1	80
2	50
3	20

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# RATING

Marks	Rating	Rating indicator
Up to 30% in each section	1	Indicates that the firm is very nascent -will have to take immediate steps to upgrade its competency or will be left lagging behind
Above 30% to 60% in each section	2	Indicates firm has made some progress -will have to fine-tune further to reach the highest level of competency
Above 60% in each section	3	Indicates firms that have made significant adoption of standards and procedures - Should focus on optimising further

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# WHERE ARE WE?

- Level 1?
- Should move towards Level 2.
- Level 3 should be achieved in 3-4 years time



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# CLARIFICATIONS NEEDED

- How frequently should the AQMM be done?
  - Would there be a counter-check?
  - Where will the ratings be used?
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# TEMPLATE

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# SME PRACTITIONERS?

- Limited applicability but it is preferable to make a start now.
  - Focus on checklists/manuals/ audit documentation/conclusions
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# THANK YOU!

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Sl No	Competency Basis	Score Criteria	Score Basis	Score	Points	
	Practice Management- Operation					
1	Revenue from audit and assurance services	Minimum revenue of 50% of the total revenue from audit and assurance services such as statutory audit, tax audit, internal audit, GST audit, Forensic audit, Sustainability audit, Social audit, etc., is considered specialisation, when consistently witnessed for a period of 3 years. (Exception applies only in case of acquisition of another firm or a group of professionals).	50% to 75% – 1 Point			
				1	2	
			Above 75% – 2 Points			
2	Does the firm have a vision and mission statement? Does it address Forward looking practice statements/Plans?	The presence of a vision/ mission is essential though it does not make it a criterion for scoring.	No Points			
	Total			1	2	0
3	Presence of Audit manuals containing the firm's methodology that ensures compliance	Scoring based on Presence or Not. Answer: Yes/No	For Yes – 2 Points For No – 0 Point	No	2	
4	Availability of standard formats relevant for audit quality like -	Scoring based on Presence or Not. Answer: Yes/No	For Yes – 2 Points For No – 0 Point	Yes	2	
	- LOE					
	- Representation letter					
	- Significant working papers					
	- Reports					

	Total				4	0
5	Usage of Client Acceptance/engagement acceptance checklists	Scoring based on Presence or Not. Yes/No Answers	For Yes – 1 Point For No – 0 Point		1	
6	Evaluation of Independence for all engagements (partners, managers, staff, trainees) based on the extent required. The firm must identify self-interest threat, familiarity threat, intimidation threat, selfreview threat, advocacy threat and conflict of interest.				1	
			For Yes – 1 Points For No – 0 Point / NA			
7	Does the Firm maintain the engagement withdrawal/rejection policy, templates, etc?		For Yes – 1 Points For No – 0 Point / NA		1	
8	Availability of standard checklists in performance of an Audit for Compliance with Accounting and Auditing Standards		For Yes – 1 Points For No – 0 Point / NA		1	
9	Availability of standard formats for audit documentation of Business Understanding, Sampling basis, Materiality determination, Data analysis, and Control Evaluation		For Yes – 1 Points For No – 0 Point / NA		1	
10	Are the documents related to Quality control mentioned from (i) to (v) above		For Yes – 1 Points For No – 0 Point / NA		1	

	reviewed and updated on a frequent basis (say annually) or with each change in the respective regulation or statute?					
	<b>TOTAL</b>				<b>6</b>	<b>0</b>
11	Does the firm carry out a Capacity planning for each engagement?		For Yes – 1 points For No – 0 Point / NA		1	
12	Is a process of Budgeting & Planning of efforts required maintained (hours/days/ weeks) ?		For Yes – 1 Points For No – 0 Point / NA		1	
13	Are Budget vs Actual analysis of time and effort spent carried out to identify the costing and pricing?	Scoring based on % of engagements in which compliance with budget vs actual is carried	10-30%-1 30-50%-2 50-70%-3 70-90%-4 >90%-5		5	
14	Does the firm deploy technology for monitoring efforts spent - Utilisation of tools to track each activity (similar to Project management - Say timesheets, task management, etc.) Note: DCMM Version 2 may be referred to arrive at the technical maturity of the firm/ CA.		For Yes – 2 Points For No – 0 Point / NA		2	
	<b>Total</b>				<b>9</b>	<b>0</b>
15	Does the firm have a partner Quality review for all audit assignments and		For Yes – 2 Points		2	

	is there a document of time spent for review of all engagements?		For No – o Point / NA			
16	Total engagements having concluded to be satisfactory as per quality review vs No of engagements quality reviewed	Scoring based on % of quality review with o engagements of the same nature	upto 10% - 10%-30%-1 30-50-2 50-70-3 70-90-4 >90-5		5	
17	No. of engagements without findings by ICAI, Committees of ICAI and regulators that require significant improvements	Scoring based on % of engagement meeting quality review standards with overall engagements of the same nature. The per of engagements meeting quality review standards would be based on findings vis-à the selection and not findings vis-à-vis the t number of engagements. The point based system would be based on significant findings alone and recommendatory findings would serve as a roadmap for improvement.	10-30-1 30-50-2 50-70-3 70-90-4 >90-5		5	
		Scoring based on Presence or Not (Yes/No Answers) in the below mentioned areas:	For the presence of			
18	Documentation of the firm in accordance with SQC 1	(a) Leadership responsibilities for quality w the firm. (b) Ethical requirements (c) Acceptance and continuance of client relationships and specific	documentation in the critica areas of Ethical requirement Acceptance and continuance client relationships and specific engagements, and Engagement performance –		2	



		engagements.	Point			
		(d) Human resources.	For the presence of			
		(e) Engagement performance.	documentation in the areas			
		(f) Monitoring	Leadership responsibilities for			
			quality within the firm,			
			Human resources, and			
			Monitoring – 1 Point			
19	Does the firm have Accounting and Auditing Resources in the form of soft copies of archives Q&As, firm thought leadership, a dedicated/ Shared Technical desk?					
			For Yes- 2 points			
			For No – 0 Point / NA		2	
20	Is appropriate time spent on understanding the business, risk assessment and planning an engagement?					
			For Yes – 3 Points		3	
			For No – 0 Point / NA			
	Total				19	0
21	Does the firm follow/ implement Standard delivery methodology – the adoption of audit manuals, adherence to practice standards and tools?					
			For Yes – 1 Points			
			For No – 0 Point / NA		1	
22	Does the firm evaluate the efficiency and benchmark delivery by monitoring the number of statutorily backed engagements closed on time/before due date/belated filing,	Scoring can be based on buckets - % within	10-30-1		6	
		dates to overall due date based engagements	30-50-2			
			50-70-3			
			70-99-4			

	completion etc. (Ex. Tax audits, Statutory audits, IT filings, GST returns, ROC compliances, FEMA compliances, TDS returns, etc)		>99-6			
23	The number of statutory audit engagements re- worked (filing errors, information insufficiency, wrong interpretation of provisions, etc.)		Negative Scoring based on % Less than 5% – 0 Point	0		
			More than 5% to 15%: (-1)			
			More than 15% to 30%: (-2)			
			More than 30% to 50%: (-3)			
			More than 50%: (-4) Points			
			More than 15% to 30%: (-2)			
			More than 30% to 50%: (-3)			
			More than 50%: (-4) Points			
24	Number of client disputes		Less than 5% – 0 Point			
				0		
			More than 5% to 15%: (-1)			
			More than 15% to 30%: (-2)			
			More than 30% to 50%: (-3)			
			More than 50%: (-4) Points			
25	Review frequency of back-log, engagement agreed upon and not commenced, WIP, etc. (Excl. of client-side delays).					
			For Yes – 3 Points			

			For No – 0 Point / NA	Yes	3	
	Total				10	0
26	Awareness meetings and Knowledge dissemination meetings/ articles/document sharing with clients including:			Yes	1	
	1) Updating client on audit issues, formally effectiveness of the process of communication with management and those charged with Governance;		For Yes – 1 points			
	2) Updating client on changes in accounting, legal, audit aspects, etc with client specific impact; and		For No – 0 Point / NA			
	3) Follow through on previous audit observations and updates to management and those charged with Governance.					
27	Alerts and reminders mechanism for due dates, payment and filings for clients					
			For Yes – 1 Points	Yes	1	
			For No – 0 Point / NA			
28	Monitoring planned hours vs actual hours across engagement; the focus is on the existence of a monitoring mechanism					
			For Yes – 1 Points	Yes	1	
			For No – 0 Point / NA			
29	Instances where actual hours exceed budget by more than say 20%					
			For Yes – 1 Points		1	
			For No – 0 Point / NA			
	Total				4	0
30	Technology adoption at					

	Office –					
	• Internal communication - chats			Yes	1	
	• Has the firm automated its office			Yes	1	
	with automated Attendance System and		For Yes – 1Points			
	Leave management?		For No – 0 Point / NA			
	• Project or activity management/ Timesheet management,			Yes	1	
	• Digital storage of records (scan, etc.)			Yes	1	
	• Centralised server/ Cloud			Yes	1	
	• Digital Library (Own or ICAI)			Yes	1	
	• Client interaction (Alerts, updates, availability of information in website, etc),			Yes	1	
	• Video conferencing facilities adopted,					
	• Does the firm use only licensed operating system, software etc.?			Yes	1	
	• Own E-mail domains, E-mail usage policies, etc.			Yes	1	
	• Use of anti-virus and malware protection tools,			Yes	1	
	• Data security, etc			Yes	1	
	• Cybersecurity measures			Yes	1	
31	Awareness and Adoption of Technology for Service delivery – Say, use of Audit tools, usage of analytical tools, use of data visualisation tools or adoption of an audit tool. Note: DCMM Version 2 may be referred			Yes	2	
			For Yes – 2 Points			
			For No – 0 Point / NA			

	to arrive at the technical maturity of the firm/ CA.					
	<b>Total</b>				<b>15</b>	<b>0</b>
32	Whether the client wise revenue is in compliance with the Code of Ethics (currently fees from one client should not exceed 40% of total revenue) and once the deferred clauses of Part A are implemented this will be reduced to 15%.		For Yes – 1 Points For No – 0 Point / NA		1	
33	Fee considerations and scope of services should not infringe upon the quality of work and documentation as envisaged in SQC 1 under Leadership is responsible for quality within the firm.		For Yes – 1 Points For No – 0 Point / NA	Yes	1	
34	Adherence to a minimum scale of fees standards recommended by ICAI		Upto 50% of engagements-1 > 50%-2 None=0		1	
	<b>Total</b>				<b>3</b>	<b>0</b>
35	Does the firm have written KPIs for performance evaluation of the firm and partners?		For Yes – 2 Points For No – 0 Point / NA	Yes	2	

36	Method for measurement and evaluation as mentioned above (i) are determined / specific.		For Yes – 2 Points			
			For No – 0 Point / NA	Yes	2	
37	There is a decided frequency for the evaluation and is consistently applied		For Yes – 2 Points	Yes	2	
			For No – 0 Point / NA			
38	Are engagement partners reviewed based on the review results of the engagements of each partner			Yes	2	
					8	0
		TOTAL			80	0
	HUMAN RESOURCES				0	
1	Does the firm have a process of Employee/ Resource Planning for the engagements based on skill set requirement, experience, etc.?		For Yes – 1 Points		1	
			For No – 0 Point / NA			
2	Methods/Tools used by the firm for Resource Allocation (use of spreadsheets, work flow tools, etc.)		For Yes – 2 Points		1	
			For No – 0 Point / NA			
3	Is there a method of tracking the employee activity, to identity resource productivity (e.g. timesheet)?		For Yes – 2 Points		1	
			For No – 0 Point / NA			
4	Does the firm maintain a minimum Staff to Partner Ratio, Partner to Manager,					
			For Yes – 2 Points		1	

	Manager to Articles, Client to Staff ratio, etc.		For No – 0 Point / NA			
	Does the firm monitor the Utilisation &		For Yes – 2 Points		1	
5	Realisation rate per employee		For No – 0 Point / NA			
6	Does the firm document the resource plan for each engagement and file it for reference during the engagement?		For Yes – 2 Points			
			For No – 0 Point / NA		1	
					6	
7	Does the firm have an employee training policy?		For Yes – 2 Points		1	
			For No – 0 Point / NA			
8	Number of Professional Development hours/days spent (Frequency) as a firm – per employee		For Yes – 2 Points			
			For No – 0 Point / NA		9	
9	Employees are equipped with technological skill sets – AI, Blockchain, Audit & Data analytical tools, etc. and sponsored by the firm to develop the same:	Use of Analytical Tools for the listed entity, Banks other than co-operative banks (except multi-state co-operative banks) and Insurance			2	
	1. Knowledge of technological skill sets will					

	be more relevant for large audits (Audit Engagements of Listed entity, Banks other than co-operative banks (except multi-state co-operative banks) and Insurance Companies). Hence, the question should be relevant only for such audit engagements.	Companies audit engagements:				
	2. The audit Teams should be aware of Data Analytics Tools and comprehend the results of the tools to adjust the audit strategy.		No-0 points			
	3. Technologies like AI and blockchain may be considered as an incremental factor for differentiation purposes, if the firms are scored at the same level.					
10	Whether the firm has a performance management culture that rewards high performing employees and those who demonstrate high levels of quality and ethics?		For Yes – 2 Points For No – o Point / NA		2	
					14	
11	Does the Firm evaluate a team composition overall to build the Team Strength - say, Number of Managers, Assistant Managers, Paid Assistants, Article Assistants, Other Degree holders?		For Yes – 2 Points For No – o Point / NA		2	
12	Does the firm maintain and monitor the employee turnover ratio and identify		For Yes – 2 Points		2	



	measures to keep it minimal?		For No – 0 Point / NA			
13	Qualified professionals retained by the firm (resources available to a partner				5	
14	Does the firm evaluate the Employee relation with the firm (No. of Professionals vs. No. of years employed with firm) to identify reasons for turnover if any?		For Yes – 2 Points For No – 0 Point / NA		1	
15	Statutory contributions wherever applicable, Health Insurance and other benefits, available in the firm for staff members and partners		For Yes – 2 Points For No – 0 Point / NA		1	
16	Does the firm evaluate for which kind of audits does it have a revolving door (between different engagements) for people below partner level?		For Yes – 2 Points For No – 0 Point / NA		1	
17	Progress of people through an established framework and time commitment of Managers and Partners – Engagement level review and overall performance evaluation and rewards mechanism for differentiated performance levels		For Yes – 2 Points For No – 0 Point / NA		1	

18	Access to technology, infrastructure methodology for better enablement of day to day work / including favorable remote working policies		For Yes – 2 Points For No – 0 Point / NA		1	
19	Coaching and mentoring program investment, especially for women colleagues to enhance the diversity of audit leaders in the profession		For Yes – 2 Points For No – 0 Point / NA		2	
20	Special policies to provide people time to rejuvenate especially after busy audit seasons		For Yes – 2 Points For No – 0 Point / NA		1	
21	Focused policies and support for staff well - being, engagement and communication		For Yes – 2 Points For No – 0 Point / NA		1	
22	An established mechanism to listen to people and their views and suggestions. Credible Employee survey and its outcome demonstrate how well people are taken care of and heard.		For Yes – 2 Points For No – 0 Point / NA		2	

23	Standards of recruiting people – Assessment methodology, evaluation of quality and fitment to the job and culture		For Yes – 2 Points		1	
			For No – 0 Point / NA			
24	Are the employees of the firm compensated as per a defined approach where salary is mapped to the knowledge and experience level of the employee		For Yes – 2 Points			
			For No – 0 Point / NA		1	
					22	
25	Number of Professionally qualified members – ACA/FCA					
					3	
26	Post Qualification Certifications obtained from professional bodies or similar organisations (DISA, IP, etc.)				2	
	DISA and IP are courses that are required in Information System Audits.		For Yes – 2 Points			
			For No – 0 Point / NA			
27	Members with specialisation courses or certifications				3	
					8	
					50	
	Practice Management -Structural					
1	Does the firm have a balanced mix of experienced and new partners	scoring based on number of employees with set	Average experience> 5 years		2	
			Average experience>10 years			
2	Is the firm compliant with the ICAI Code of Ethics, Companies Act 2013 and other					

	regulatory requirements in relation to		For Yes – 2 Points			
	Professional Independence and Conflict of		For No – 0 Point / NA		2	
	Interest?					
3	Is there is a 'whistle blower' policy		For Yes – 1 Points			
			For No – 0 Point / NA		1	
4	Number of Branches & Associates					
			Upto 3=1		4	
			4-7=2			
			8-15=3			
			>15=4			
5	Are branch level activities Centralised/					
	Decentralised in accounting, Invoicing, and		Centralised-2		2	
	Payroll processing		Decentralised-1			
6	Physical & Logical Security of Information		For Yes – 2 Points		2	
	are extended and implemented across		For No – 0 Point / NA			
	locations?					
7	Are there adequate DA tools and IT		For Yes – 2 Points		2	
	infrastructure available for the relevant		For No – 0 Point / NA			
	assignment?					
8	Is the infrastructure adequate in terms of					
	internet/intranet network bandwidth/		For Yes – 2 Points		2	

	VPN/Wi-Fi etc. for remote working?		For No – 0 Point / NA			
9	Is the firm ICAI Peer Review certified?		For Yes – 1 point		1	
10	Empanelment with RBI and C&AG		For No – 0 Point / NA		1	
11	Does the firm hold any ISO certifications ?				1	
12	Is there an advisory as well as a decision, to not allot due to unsatisfactory performance by the CAG office?		For Yes – Minus 5 points	0		
			For No – 0 Point / NA			
13	Have any Government Bodies/ Authorities evaluated the performance of the firm to the extent of debarment/ blacklisting?		For Yes – Minus 10 points	0		
			For No – 0 Point / NA			
14	Any negative assessment in the report of the Quality Review Board?		For Yes – Minus 5 points	0		
			For No – 0 Point / NA			
15	Has there been a case of professional misconduct on the part of a member of the firm where he has been proved guilty		For Yes – Minus 5 points	0		
			For No – 0 Point / NA			
		TOTAL			20	
					150	

						Rating of the firm		
Section	Max Points		Audit Quality Rating			Section	Score	Rating
1	80		Upto 30%	1	Nascent	1		
2	50		30-60%	2	Some Progress	2		
3	20		>60%	3	Significant Adoption	3		
Total	150							