Audit Quality Maturity Model (AQMM) 2.0 Issued by ICAI: Comprehensive Analysis and Comparison its Application in Bank audits

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Agenda Overview

- Introduction to AQMM 2.0
- Comparison with AQMM 1.0
- Scoring System in AQMM 2.0
- Detailed Breakdown of AQMM 2.0 Parts
- Part B: Human Resources
- Part C: Monitoring and Evaluation

Introduction to AQMM 2.0



Background and Purpose

Evolving Landscape of Auditing

The auditing profession is rapidly changing, requiring a more robust and adaptable framework to meet new challenges.

Quality Culture Development

AQMM 2.0 aims to guide audit firms in fostering a culture focused on quality and continuous improvement in their processes.

Continuous Improvement

The framework promotes continuous improvement as a fundamental principle for audit firms to enhance their service delivery.

Key Objectives

Standards for Audit Quality

Establishing clear standards for audit quality is essential for ensuring consistency and reliability in audit practices.

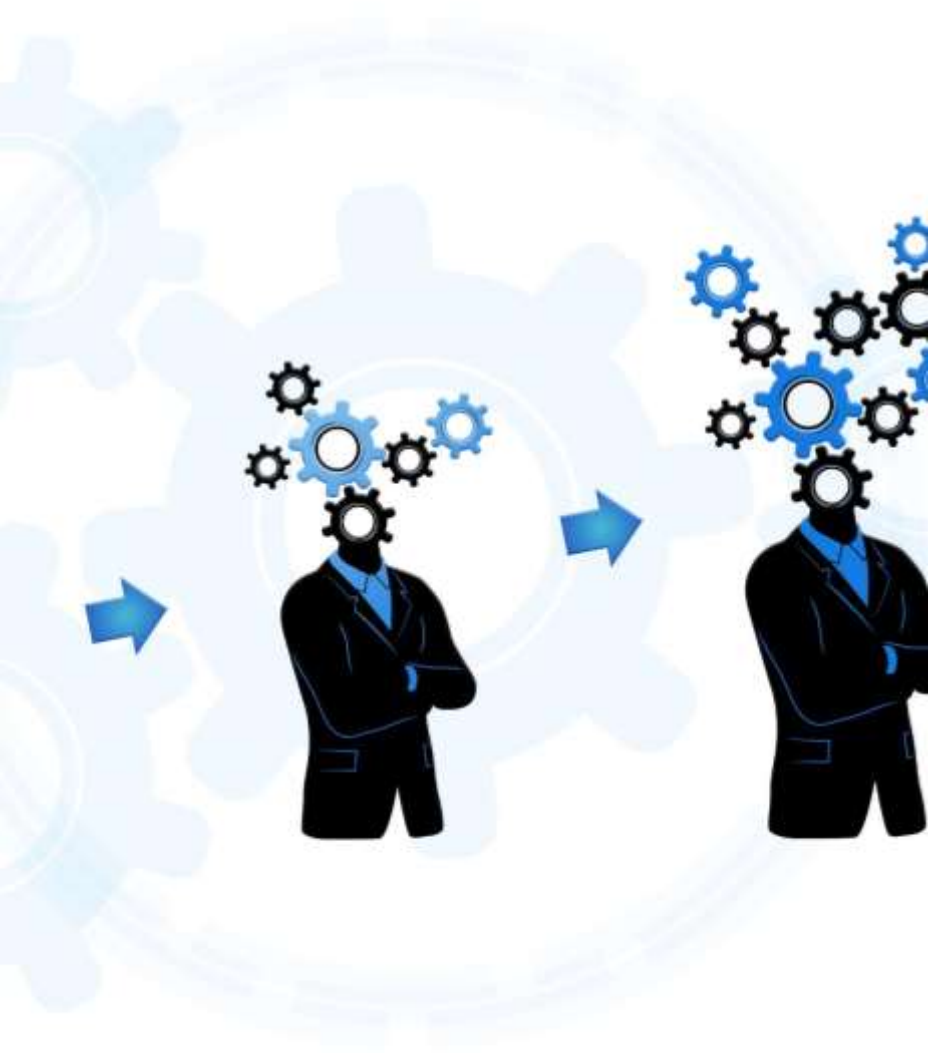
Self-Assessment Framework

Providing a framework for self-assessment empowers firms to evaluate their audit processes and identify areas for improvement.

Proactive Quality Management

Promoting a proactive approach to quality management ensures that firms continuously enhance their audit practices and address potential risks.





Importance for Audit Firms

Alignment with Best Practices

AQMM 2.0 assists audit firms in aligning their processes with international best practices to ensure quality and compliance.

Enhancing Client Confidence

By adopting AQMM 2.0, audit firms can enhance client confidence in their audit processes and outcomes.

Better Audit Outcomes

Implementing AQMM 2.0 ultimately supports audit firms in achieving better audit outcomes and delivering value to clients.

Comparison with AQMM 1.0

Evolution and Improvements



Stakeholder Feedback Integration

AQMM 2.0 incorporates valuable feedback from stakeholders, enhancing its relevance and effectiveness in the auditing process.

Evolving Industry Standards

The new version aligns with evolving industry standards, ensuring that audit practices remain up-to-date and effective.

Improved Applicability

Enhancements in AQMM 2.0 improve its applicability across various audit contexts, boosting overall audit quality.

Effective Audit Quality

The enhancements focus on improving audit quality, which is paramount for stakeholder trust and compliance.



Benefits of AQMM 2.0

Improved Audit Quality

AQMM 2.0 enhances the quality of audits by providing clear guidelines and frameworks that lead to thorough assessments.

Enhanced Credibility

Adopting AQMM 2.0 builds trust with stakeholders by ensuring consistent and reliable audit outcomes.

Structured Improvement Path

AQMM 2.0 provides a structured approach for continuous improvement in audit practices, fostering long-term success.

Scoring System & Applicability

Scoring Criteria

The scoring pattern i.e. the maximum score that can be granted to a firm under AQMM v 2.0 is as follows: -

Section Reference	Maximum Score	% weightage
Section 1 "Practice Management – Assurance"	370	61.67
Section 2 "Human Resource Management"	150	25.00
Section 3 "Digital Competency"	80	13.33
TOTAL	**600**	**100.00**

Competency dimensions mentioned in each Section are targeted to enable



Firm Maturity Level

The firm maturity level shall be determined based on the following range of scores under the AQMM v 2.0:

Greater than or equal to	Less than	Level of Firm
30%	50%	**Level 1 Firm**
50%	70%	**Level 2 Firm**
70%	85%	**Level 3 Firm**
85%	100%	**Level 4 Firm**

Interpreting the Levels

Level 1 - Indicates that the firm is very nascent -will have to take immediate steps to upgrade its competency or will be left lagging.

Level 2 - Indicates firm has made some progress -will have to fine-tune further to reach the highest level of competency.

Level 3 - Indicates firm has made substantial progress -will have to fine-tune further to reach the highest level of competency.

Level 4 - Indicates firms that have made significant adoption of standards and procedures - Should focus on optimizing further.

Applicability

The AQMM v 1.0 has been made mandatory w. e. f. April 1, 2023, to the firms auditing the following entities:

(a) a listed entity; or

(b) Banks other than co-operative banks *(except multi-state co-operative banks); or*

(c) Insurance Companies

However, firms doing only branch audits are not covered.

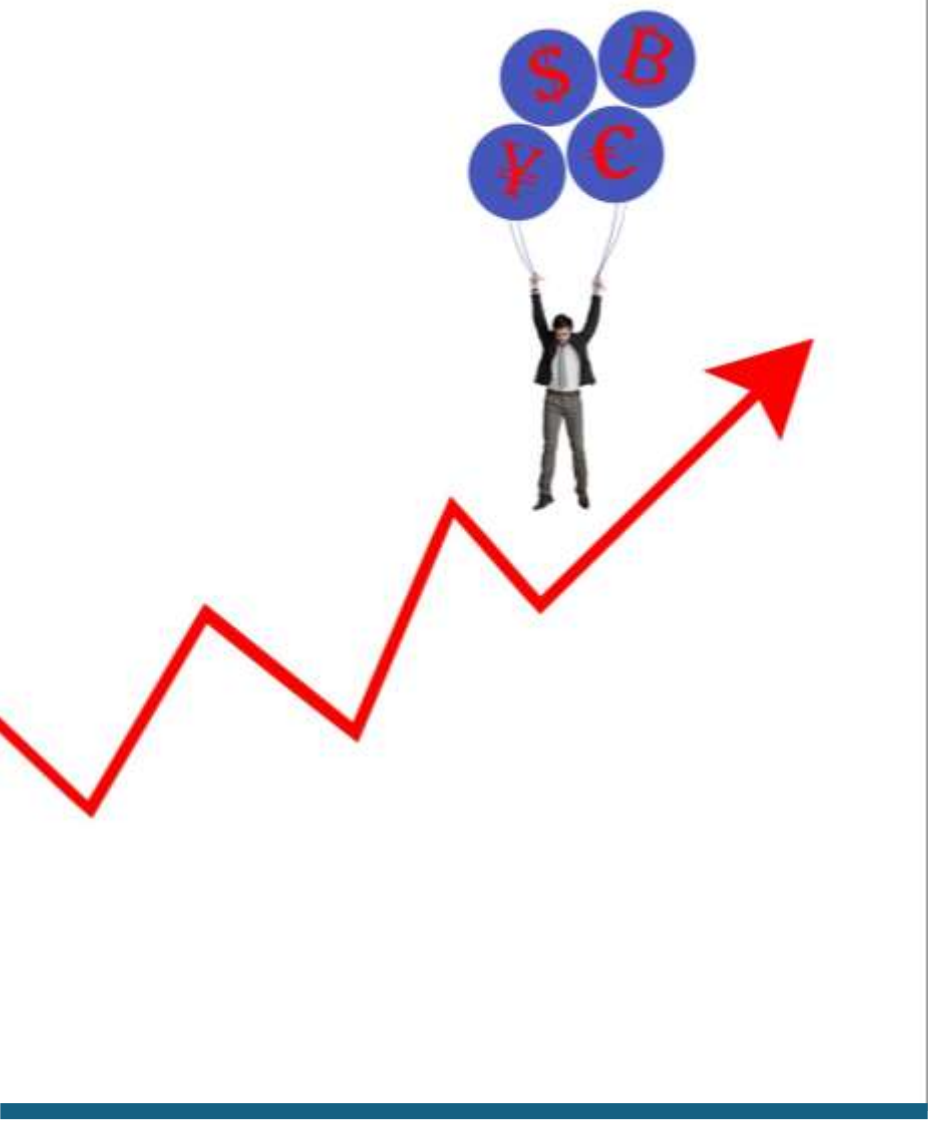
The level of the firm obtained using AQMM v 1.0 is being reviewed by a peer reviewer and recorded on the website of ICAI against the validity of the firms' peer review certificate.

There is no change regarding the applicability of AQMM v 2.0. Therefore, AQMM v 2.0 is also mandatory for firms auditing the aforesaid entities.

Part A: Practice management - Assurance

Part B: Human Resources

Part C: Digital Competency



Continuous Improvement Mechanisms

Culture of Quality

Fostering a culture of quality is essential for organizational success and employee engagement in improvement processes.

Strategies for Enhancement

Implementing various strategies can lead to the ongoing enhancement of audit practices and operational efficiency.

Audit Practices

Regularly enhancing audit practices ensures compliance and promotes accountability within the organization.

Conclusion

Comprehensive Framework

AQMM 2.0 offers a detailed framework that outlines key components essential for achieving high audit quality.

Enhancing Audit Practices

By implementing AQMM 2.0, audit firms can enhance their practices and improve the quality of their audits significantly.

Importance for Audit Firms

Understanding and applying the AQMM 2.0 model is crucial for audit firms aiming for excellence in audit quality.