Audit Quality Maturity Model v 2.0

Centre for Audit Quality

भारतीय सनदी लेखाकार संस्थान
(संसद के अधिनियम द्वारा स्थापित)
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)



Content

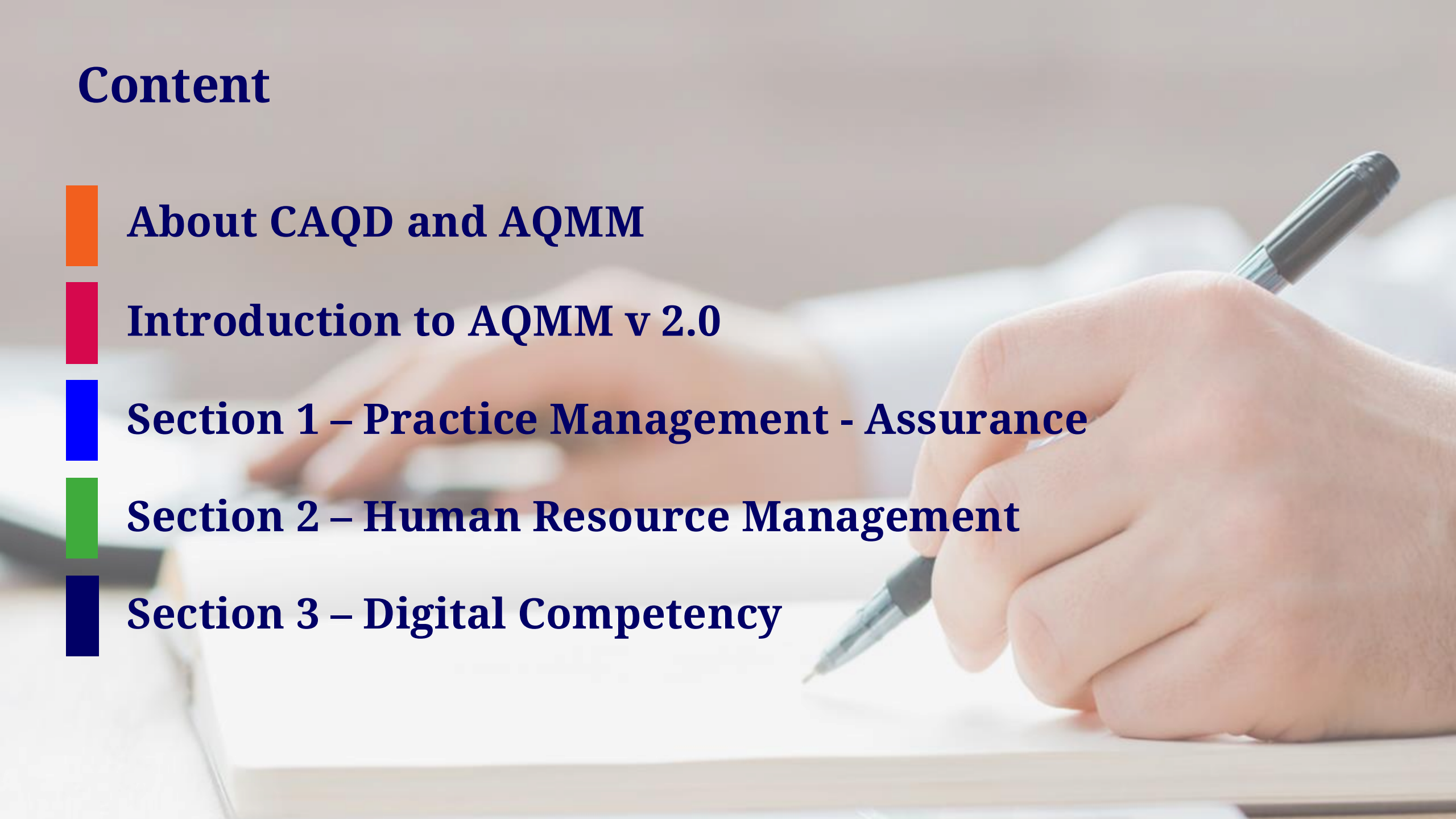
About CAQD and AQMM

Introduction to AQMM v 2.0

Section 1 – Practice Management - Assurance

Section 2 – Human Resource Management

Section 3 – Digital Competency



About CAQD and AQMM



About Centre for Audit Quality Directorate

The ICAI established the Centre for Audit Quality Directorate ("CAQD") in 2020, primarily focusing on the qualitative aspects of the audit function and audit quality.

Publications

- Audit Quality Maturity Model v 2.0 & IG for AQMM v 2.0
- Analysis of Modified Opinions
- Firm Manual - Model Referencer
- Significant Audit Matter (SAM)

Tools & Utilities

- Utility for self-evaluation under AQMM v 2.0
- Utility for Bank Branch Audit, 2025 Edition
- Utility for Determining Materiality
- Review & Monitoring Tool for Standards on Auditing Compliance
- Utility on Engagement Letters

Other initiatives

- Certificate Course: Executive Master Program-New Age Auditors
- Programmes on audit quality aspects
- Training Programme for the officials of SAI of Syria
- Quality Café Sessions
- Did you know! Posts on X

Journey of Audit Quality Maturity Model (AQMM)

2021

Release of AQMM v 1.0 after incorporating comments received on the exposure draft.

2022

Council decision for AQMM review by peer reviewers & to host the level of firm assessed on ICAI website.

2023

AQMM v 1.0 made mandatory for firms conducting audit of listed entities, certain banks and insurance companies.

2024

Group constituted to revise AQMM. 160 comments received for exposure draft. AQMM v 2.0 released by the Council.

2025

Release of Implementation Guide and Utility for self evaluation under AQMM v 2.0.

AQMM review process

Application

AQMM v 2.0 is applicable to firms applying for Peer Review on or after 01.04.2025.

- If the firm wants to get the AQMM review done as a separate exercise either because of the mandatory applicability of AQMM or because the firm wants to get itself self-evaluated, it may apply for AQMM Review to the PRB.
- The firm may request to have its AQMM review done for a shorter period, which shall in no case be less than a year.

Reviewer

AQMM Review is conducted along with the Peer Review of the firm, no additional fees in such case

- AQMM review shall be given to the same peer reviewer who conducted the last peer review. In case of non-availability, the same shall be reviewed by any other peer reviewer appointed by the PRB.
- There shall be an additional fee only where AQMM Review is conducted as a separate exercise.

Assessment

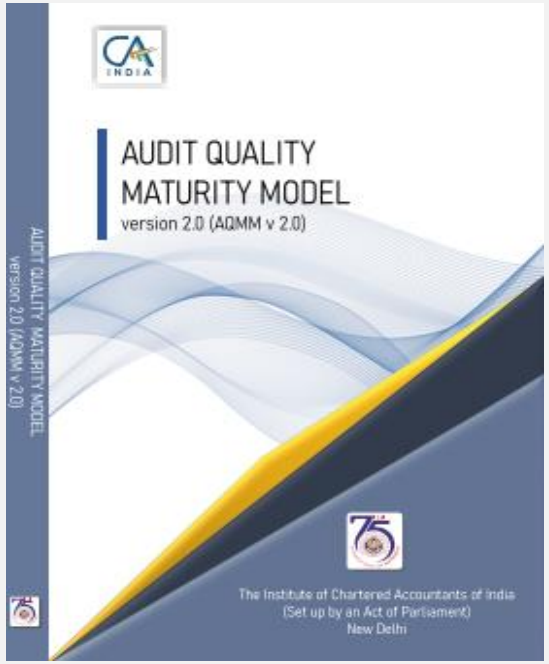
The level of the firm assessed under AQMM by Peer Reviewer is hosted on ICAI website along with date of validity of Peer Review Certificate

- Firms applying for AQMM review will need to submit Part C of “Form I – Application cum Questionnaire” to the PRB.
- The peer reviewer has to submit Annexure III along with the Peer Review Report and the level of the firm ascertained by the peer reviewer shall form part of the main report.

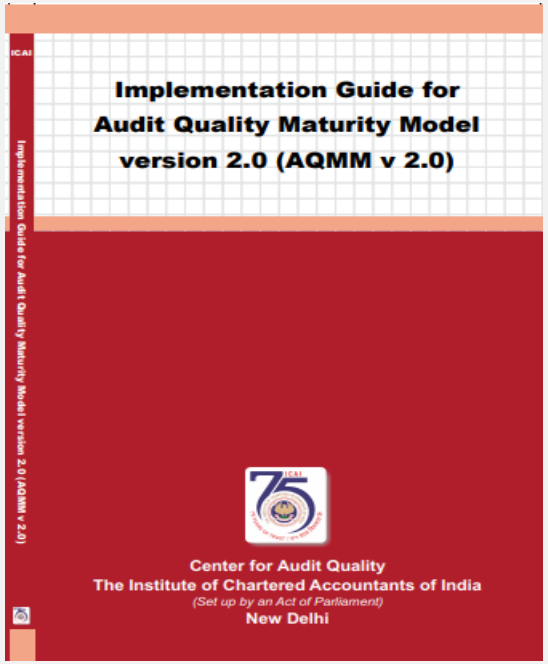
Introduction to AQMM v 2.0



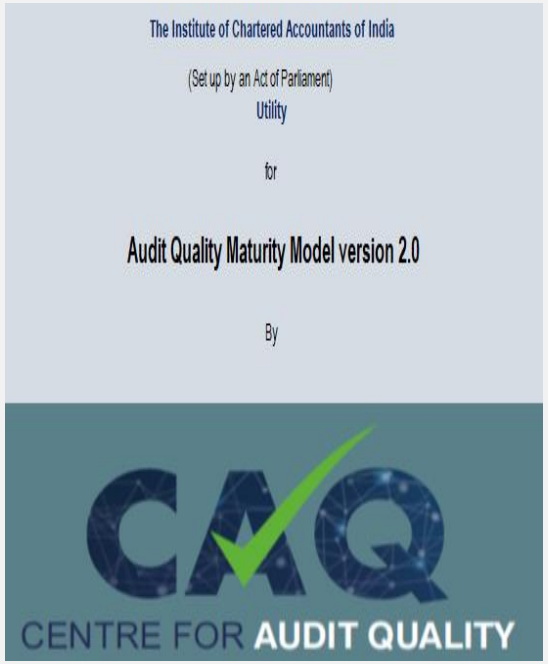
Audit Quality Maturity Model v 2.0 tool kit



AQMM v 2.0



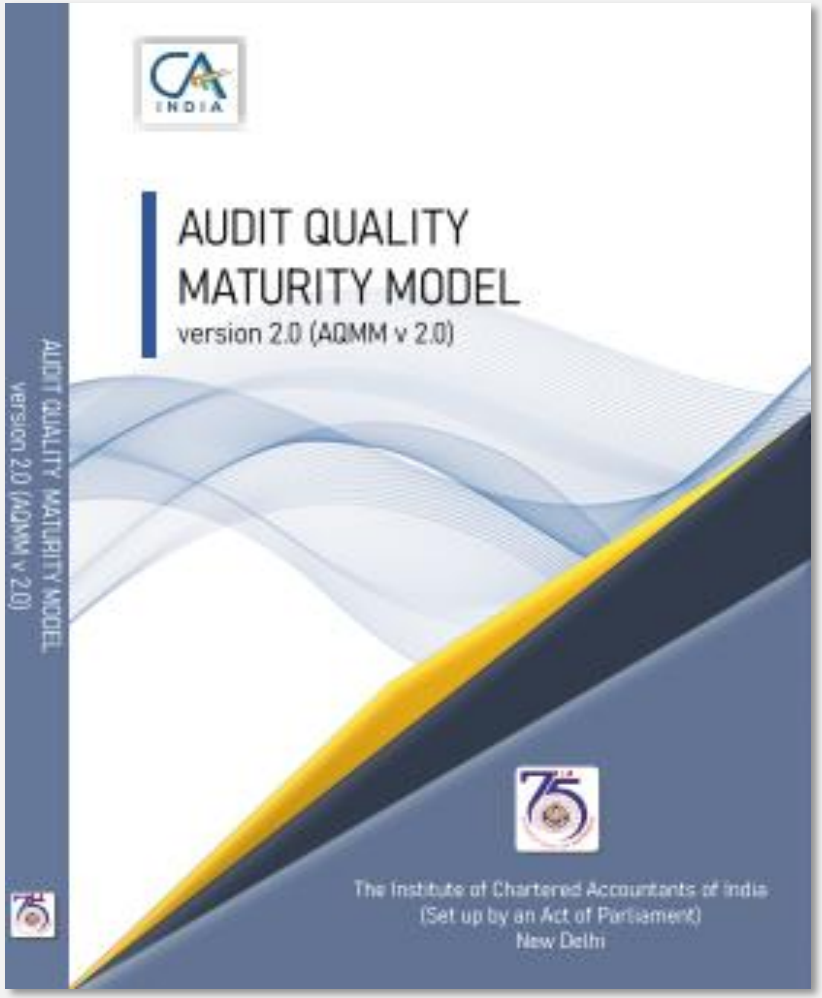
IG for AQMM



Utility for AQMM

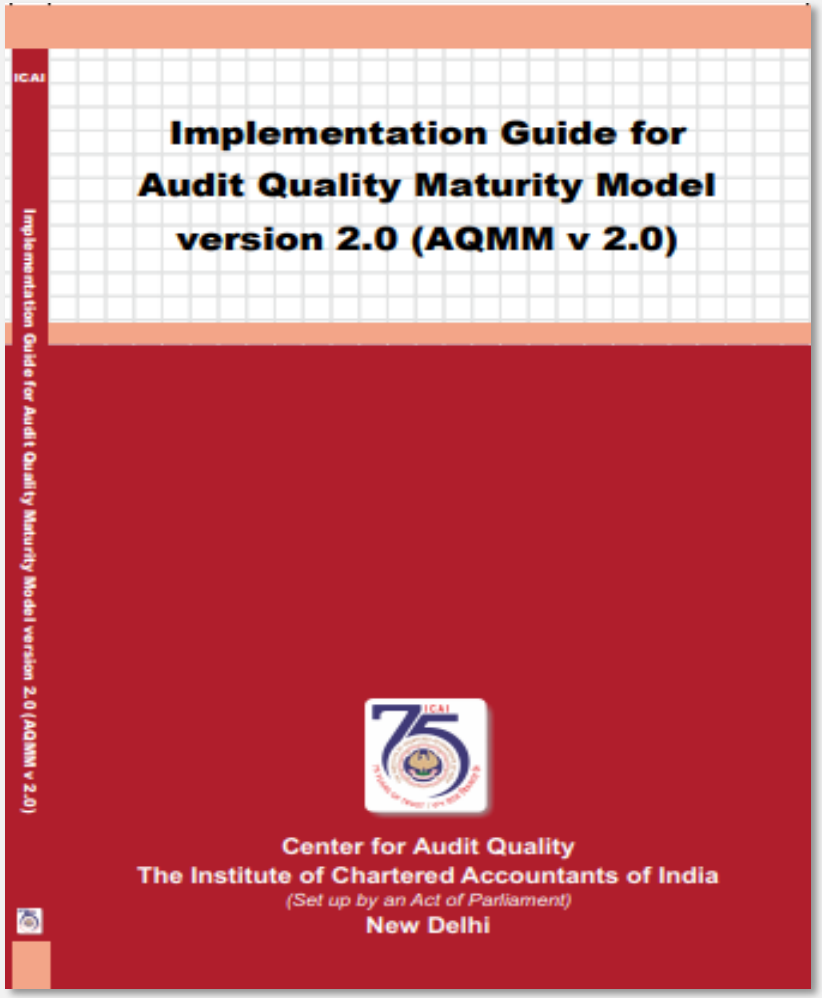
Audit Quality Maturity Model v 2.0

- The AQMM version 2.0 is a significant step forward in ICAI's ongoing efforts to elevate the standards of audit practice.
- The model reflects ICAI's commitment to fostering a culture of continuous improvement and innovation within the auditing profession.
- The focus is on enhancing audit quality, ensuring adherence to Standards on Auditing, and supporting small and medium firms in achieving greater compliance.
- It serves as a comprehensive framework designed to guide audit firms in assessing and enhancing their audit processes, capabilities, and outcomes.
- The firms can assess their level of audit quality maturity using AQMM.
- AQMM v 2.0 is hosted at https://resource.cdn.icai.org/81585caq65805.pdf



Implementation Guide for AQMM v 2.0

- The Implementation Guide for Audit Quality Maturity Model version 2.0 is designed to assist professional firms in implementing AQMM for self-assessing their audit maturity level.
- The purpose of the Implementation Guide is to assist members and firms in interpreting the Audit Quality Indicators outlined in version 2.0 of the Audit Quality Maturity Model.
- Each section has been elaborated in detail, accompanied by illustrative examples where necessary
- The Implementation Guide for AQMM v 2.0 is hosted at https://resource.cdn.icai.org/84392caq68003.pdf



Utility for self evaluation under AQMM v 2.0

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Utility

for

Audit Quality Maturity Model version 2.0

By

CAQ

CENTRE FOR AUDIT QUALITY

- A Utility has been developed which will assist the firms to self -evaluate their firm's maturity level on the basis of audit quality indicators defined under AQMM v 2.0.
- This will enable them to identify areas where competencies are strong or lacking and then develop a road map for achieving a higher level of audit maturity.
- The same can be accessed at https://rb.gy/urco9m

Basic Instructions

How to determine the Firm's Maturity Level

Step 1: Enter the score in Column G of the "Self Evaluation" tab.

Step 2: A grey cell in column G indicates that the user has inadvertently not assigned any score for that particular sub-section and therefore a score has to be filled by him/her.

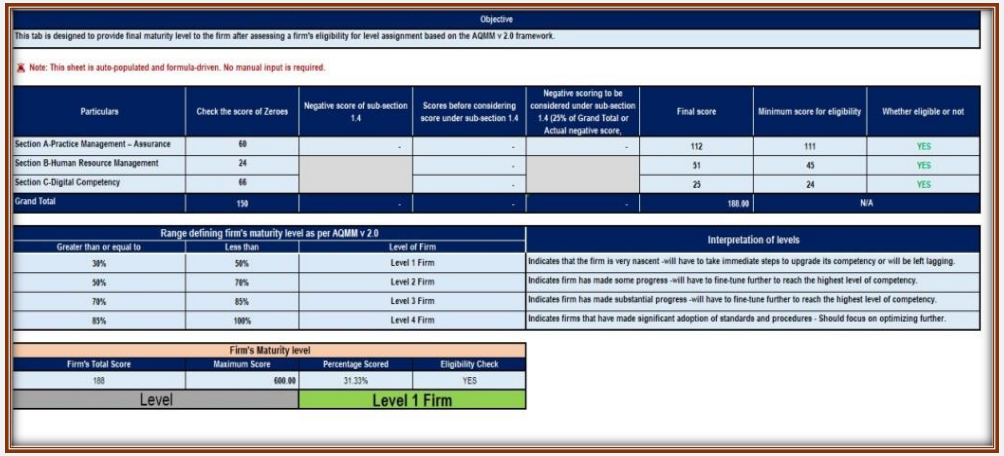
Step 3:Column "B" of the tab "Summary" indicates the count of zeroes under each section. Users are therefore advised to re-check whether a score other than zero needs to be assigned.

Step 4: After completion of steps 1,2 & 3 above, the "Summary" tab indicates whether the firm is eligible for AQMM review or not. In case it is eligible, the level of firm is ascertained under this tab.

Disclaimer

This AQMM utility is an endeavour of the Centre for Audit Quality to enable members to self evaluate the current level of audit maturity of their firms as per the scoring criteria prescribed in the AQMM v 2.0. This utility has been prepared on the basis of Audit Quality indicators as described under AQMM v 2.0 and user discretion is advised in providing scores to their firms.The ICAI is not in any way responsible for the result of any action taken on the basis of usage of this utility.

For feedback & query reach us at: caq@icai.in



Objective

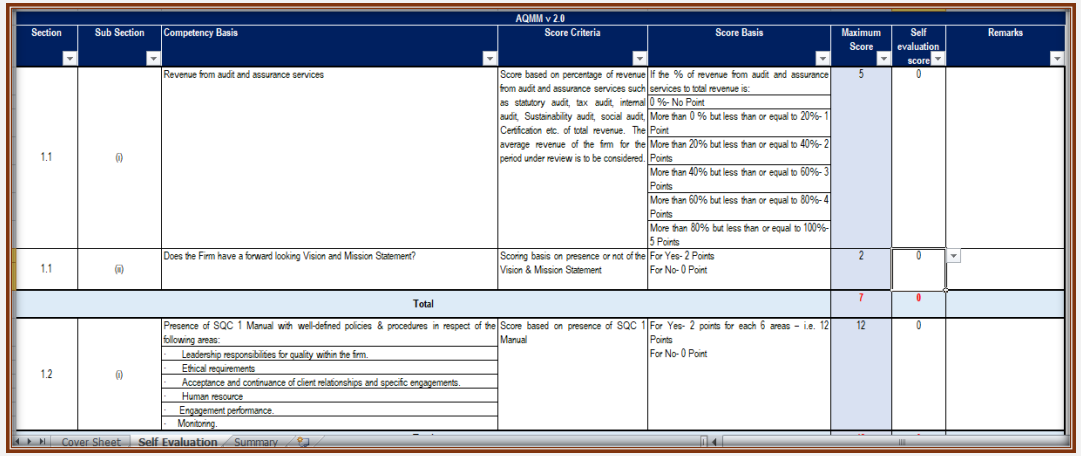
This tab is designed to provide final maturity level to the firm after assessing a firm's eligibility for level assignment based on the AQMM v 2.0 framework.

Note: This sheet is auto-populated and formula-driven. No manual input is required.

Particulars	Check the score of Zeroes	Negative score of sub-section 1.4	Scores before considering score under sub-section 1.4	Negative scoring to be considered under sub-section 1.4 (25% of Grand Total or Actual negative score,	Final score	Minimum score for eligibility	Whether eligible or not
Section A-Practice Management – Assurance	60	-	-	-	112	111	YES
Section B-Human Resource Management	24		-		51	45	YES
Section C-Digital Competency	66		-		25	24	YES
Grand Total	150	-	-	-	188.00	N/A	

Range defining firm's maturity level as per AQMM v 2.0			Interpretation of levels
Greater than or equal to	Less than	Level of Firm	
30%	50%	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.
50%	70%	Level 2 Firm	Indicates firm has made some progress -will have to fine-tune further to reach the highest level of competency.
70%	85%	Level 3 Firm	Indicates firm has made substantial progress -will have to fine-tune further to reach the highest level of competency.
85%	100%	Level 4 Firm	Indicates firms that have made significant adoption of standards and procedures - Should focus on optimizing further.

Firm's Maturity level			
Firm's Total Score	Maximum Score	Percentage Scored	Eligibility Check
188	600.00	31.33%	YES
Level	Level 1 Firm		



AQMM v 2.0

Section	Sub Section	Competency Basis	Score Criteria	Score Basis	Maximum Score	Self evaluation score	Remarks
1.1	(i)	Revenue from audit and assurance services	Score based on percentage of revenue from audit and assurance services such as statutory audit, tax audit, internal audit, Sustainability audit, social audit, Certification etc. of total revenue. The average revenue of the firm for the period under review is to be considered.	If the % of revenue from audit and assurance services to total revenue is: 0 %- No Point More than 0 % but less than or equal to 20%- 1 Point More than 20% but less than or equal to 40%- 2 Points More than 40% but less than or equal to 60%- 3 Points More than 60% but less than or equal to 80%- 4 Points More than 80% but less than or equal to 100%- 5 Points	5	0	
1.1	(ii)	Does the Firm have a forward looking Vision and Mission Statement?	Scoring basis on presence or not of the Vision & Mission Statement	For Yes- 2 Points For No- 0 Point	2	0	
		Total			7	0	
1.2	(i)	Presence of SQC 1 Manual with well-defined policies & procedures in respect of the following areas: Leadership responsibilities for quality within the firm. Ethical requirements Acceptance and continuance of client relationships and specific engagements. Human resource Engagement performance. Monitoring.	Score based on presence of SQC 1 Manual	For Yes- 2 points for each 6 areas – i.e. 12 Points For No- 0 Point	12	0	

Cover Sheet | Self Evaluation | Summary

Score weightage comparison

AQMM v 2.0

Section Reference	Maximum Score	%
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

AQMM v 1.0

Section Reference	Maximum Score	%
Section 1 “Practice Management – Operations”	280	46.67
Section 2 “Human Resource Management”	240	40.00
Section 3 “Practice Management – Strategic / Functional”	80	13.33
TOTAL	600	100.00

Minimum Eligibility Criteria for each section

Section Reference	Maximum marks	Minimum % required	Minimum Marks required
Section 1 “Practice Management – Assurance”	370	30 %	111
Section 2 “Human Resource Management”	150	30 %	45
Section 3 “Digital Competency”	80	30 %	24

Eligibility Criteria- Minimum marks to be scored under each Section

Ascertainment of Level - Overall Range of Score

Level	Scores Received		Narrative
	Greater than or equal to	Less than	
Level 1 Firm	30 %	50 %	Indicates that the firm is very nascent -will have to take immediate steps to upgrade its competency or will be left lagging behind
Level 2 Firm	50 %	70 %	Indicates firm has made some progress -will have to fine-tune further to reach the next level of competency
Level 3 Firm	70 %	85 %	Indicates firm has made substantial progress -will have to fine-tune further to reach the highest level of competency
Level 4 Firm	85 %	100 %	Indicates firms that have made significant adoption of standards and procedures - Should focus on optimising further

The overall ranking of the firm will be determined by computing the percentage of score achieved based on the ratio of the total Actual Score to the Maximum Score.

Applicability of AQMM v 2.0

- The Audit Quality Maturity Model version 1.0 has been made mandatory w. e. f. April 1, 2023, to the firms auditing the following entities:

  a) a Listed Entity

  b) Banks other than Co-Operative banks (Except multi-state Co-operative banks)

  c) Insurance Companies

  However, the firms conducting 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.

Transitional Provisions

- For Peer Reviews initiated on or after April 1, 2025, the review period will be from 01.04.2022 till 31.03.2025 (other than firms which have been constituted during this period for which the review period shall commence from the date of constitution till 31.03.2025).
- Hence AQMM v 2.0 is applicable to Practice Units which submit Form 1 on or after 01.04.2025.
- The Practice Units may however adopt AQMM v 2.0 earlier.

Section 1 – Practice Management - Assurance



Maximum score allocation

Section	Competency Basis	Maximum Score
1.1	Practice Areas of the Firm	7
1.2	Workflow - Practice Manuals	12
1.3	Service Delivery - Effort monitoring	20
1.4	Quality Control for engagements	8
1.5	Client Sensitization	8
1.6	Regulatory Compliances	55
1.7	Practice Management - Strategic/Functional	12
1.8	Infrastructure – Physical	12
1.9	Practice Credentials	6
1.10	Presence and implementation of Formats/Checklists/ Templates	230
	TOTAL	370

1.1 Practice Areas of the Firm

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.1(i)	Revenue from audit and assurance services	Score based on percentage of revenue from audit and assurance services such as statutory audit, tax audit, internal audit, Sustainability audit, social audit, Certification etc. of total revenue. The average revenue of the firm for the period under review is to be considered.	If the % of revenue from audit and assurance services to total revenue is: 0 %- No Point More than 0 % but less than or equal to 20%- 1 Point More than 20% but less than or equal to 40%- 2 Points More than 40% but less than or equal to 60%- 3 Points More than 60% but less than or equal to 80%- 4 Points More than 80% but less than or equal to 100%- 5 Points	5
1.1(ii)	Does the Firm have a forward looking Vision and Mission Statement?	Scoring basis on presence or not of the Vision & Mission Statement	For Yes- 2 Points For No- 0 Point	2

Example to explain clause (i) of sub section 1.1 – Review period less than 3 years

Firm: XYZ & Co.			Date of Constitution: August 1, 2023		
Peer Review period: 01.08.2023 to 31.03.2025 (i.e. 1.67 years)					
S. No.	Type of Service rendered	Assurance/ Non Assurance	Revenue (in Lakhs ₹)		Total (in Lakhs ₹)
			Year 1 (01.08.2023 to 31.03.2024)	Year 2 (01.04.2024 to 31.03.2025)	
1	Tax audit	Assurance	500	650	1150
2	Statutory audit	Assurance	420	510	930
3	GST audit	Assurance	350	410	760
Revenue from Assurance Services			1270	1570	2840
4	Management consultancy service	Non Assurance	500	625	1125
5	Tax Return preparation	Non Assurance	225	350	575
6	Representation before tax authorities	Non Assurance	90	120	210
Revenue from Non- Assurance Services			815	1095	1910
Total					4750

Average revenue from assurance services (during the review period)	2840 lakh / 1.67 = 1700.60
Total average revenue (during the review period)	4750 lakh / 1.67 = 2844.31
Percentage of revenue from audit & assurance services to total revenue	1700.60/2844.31 * 100 = 59.79%

AQMM Score = 3 Points

Example to explain clause (i) of sub section 1.1 – Review period is 3 years

ABC & Associates						
Peer Review period: 01.04.2022 to 31.03.2025 (i.e. 3 years)						
S. No.	Type of Service rendered	Assurance/ Non Assurance	Revenue (in ₹ Lakhs)			Total (in Lakhs ₹)
			Year 1 (01.04.2022 to 31.03.2023)	Year 2 (01.04.2023 to 31.03.2024)	Year 3 (01.04.2024 to 31.03.2025)	
1	Tax audit	Assurance	850	625	750	2225
2	Financial audit	Assurance	912	1013	1125	3050
3	GST audit	Assurance	762	813	935	2510
Revenue from Assurance Services			2524	2451	2810	7785
4	Management consultancy service	Non Assurance	700	550	650	1900
5	Tax Return preparation	Non Assurance	525	650	725	1900
6	Representation before tax authorities	Non Assurance	645	250	325	1220
Revenue from Non-Assurance Services			**1870**	**1450**	**1700**	**5020**
Total						**12805**

Average revenue from assurance services (during the review period)	7785 / 3 = 2595.00
Total average revenue (during the review period)	12805 / 3 = 4268.33
Percentage of revenue from audit & assurance services to total revenue	2595/4268.33*100 = 60.79%

AQMM Score = 4 Points

1.2 Workflow – Practice Manuals

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.2(i)	Presence of SQC 1 Manual with well-defined policies & procedures in respect of the following areas: • Leadership responsibilities for quality within the firm. • Ethical requirements • Acceptance and continuance of client relationships and specific engagements. • Human resource • Engagement performance. • Monitoring.	Score based on presence of SQC 1 Manual	For Yes- 2 points for each 6 areas – i.e. 12 Points For No- 0 Point	12

- A firm should have a well-defined SQC 1 Manual ensuring that all necessary elements are comprehensively addressed to ensure high-quality audit practices and compliance with professional standards.
- The SQC 1 Manual should be revised periodically at least annually depending on the changes in regulation and other aspects. The revised document should carry the date of revision and the person responsible for revising the same say the managing partner or a committee.

1.3 Service Delivery – Effort monitoring

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.3(i)	Are Budget vs. Actual analysis of time and effort spent carried out for top 20 assurance assignments based on billing?	Scoring based on percentage of engagements, out of top 20 assignments based on billing, in which the compliance with budget vs actual is carried out	If the % of engagements in which analysis of budget vs. actual is carried out is:	20
			Up to 10% – 0 Point	
			More than 10% but less than or equal to 30% – 4 Points	
			More than 30% but less than or equal to 50% – 8 Points	
			More than 50% but less than or equal to 70% – 12 Points	
			More than 70% but less than or equal to 90% – 16 Points	
			More than 90% – 20 Points	

Example to explain clause (i) of sub section 1.3 - Selection of top 20 assurance assignments

1: Compile comprehensive list of all assurance assignments including amounts for each year under review. Then, aggregate the fees client-wise for all three years. Finally, identify the top 20 assurance assignments based on the aggregated fees:

Assignment ID	Client Name	Billing Amount (₹) in lakhs (only assurance assignments)			Total Billing (₹) in lakhs	Ranking
		2022-23	2023-24	2024-25		
605	ABC Ltd.	12.00	13.75	10.95	36.70	6
007	XYZ Corp.	9.50	7.65	0.00	17.15	15
809	DEF Pvt. Ltd.	9.00	8.95	7.75	25.70	8
010	GHI Ltd.	18.50	15.50	16.85	50.85	2
416	JKL Ltd.	0.00	4.50	3.50	8.00	-
011	MNO Corp.	6.50	8.85	9.55	24.90	10
212	PQR Pvt. Ltd.	7.00	8.00	6.45	21.45	14
015	STU Ltd.	26.80	20.65	15.65	63.10	1
919	VWX Ltd.	10.50	16.65	14.45	41.60	4
003	YZA Pvt. Ltd.	6.20	0.00	3.70	9.90	20
021	BCD Ltd.	16.00	10.05	15.75	41.80	3
223	EFG Corp.	5.80	7.85	8.85	22.50	12
041	HIJ Ltd.	0.00	1.85	1.75	3.60	-
728	KLM Pvt. Ltd.	0.40	1.25	2.75	4.40	-
093	NOP Ltd.	1.30	2.25	1.20	4.75	-
337	QRS Corp.	5.10	5.65	0.00	10.75	19
129	TUV Ltd.	15.00	10.95	12.75	38.70	5
030	WXY Ltd.	12.90	10.95	8.85	32.70	7
617	ZAB Pvt. Ltd.	4.80	0.00	7.75	12.55	17
300	CDE Ltd.	1.70	0.00	5.65	7.35	-

Example to explain clause (i) of sub section 1.3 - Selection of top 20 assurance assignments (contd..)

Assignment ID	Client Name	Billing Amount (₹) in lakhs (only assurance assignments)			Total Billing (₹) in lakhs	Ranking
		2022-23	2023-24	2024-25		
690	ASD Ltd.	8.90	7.50	7.85	24.25	11
109	FLO Corp.	6.75	8.55	9.85	25.15	9
583	YJK Ltd.	1.22	2.50	1.25	4.97	-
119	SDE Ltd.	5.06	6.65	4.00	15.71	16
278	OIU Corp.	2.08	0.00	1.85	3.93	-
345	NHE Ltd.	3.90	4.50	0.00	8.40	-
604	LLR Ltd.	7.80	7.95	6.65	22.40	13
592	NFG Corp.	2.55	5.50	0.00	8.05	-
765	EGH Ltd.	3.75	5.85	1.25	10.85	18
016	HYE Corp.	2.55	0.00	5.65	8.20	-

2: Analysis Execution

Step 1:	Determine the Number of Assignments Analyzed	For this example, let us assume that Budget vs. Actual analysis was carried out for 15 of these top 20 assignments based on billing.
Step 2:	Calculate the Percentage of Assignments Analyzed	(Number of Assignments Analysed / Top 20 assignments) × 100 = (15/20) ×100 = 75%

AQMM Score = 16 Points

1.4 Quality control for engagements

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.4(i)	Has any advisory been issued by the QRB or C&AG and received by the firm / any partner of the firm during the review period?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – (-5) Points for each advisory received subject to maximum of (-25) Points For No – 0 Point	Negative Points
1.4(ii)	Has any advisory been issued by FRRB or TAQRB and received by the firm/ any partner of the firm during the review period and the firm/ partner of the firm accepts the non-compliances in the advisory and the reviewer confirms them while conducting the review?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – (-5) Points for each advisory received subject to maximum of (-25) Points For No – 0 Point	Negative Points

1.4 Quality control for engagements

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.4(iii)	During the review period, has the firm/ any partner of the firm been held guilty in the PFO in case reference to Director (Discipline) was made by any of the following: • FRRB • TAQRB • PRB • QRB • C&AG • any other Government body other than NFRA	Scoring based on Presence or Not. Yes/ No Answers	For Yes – (-10) Points per order subject to maximum of (-50) Points For No – 0 Point	Negative Points
1.4(iv)	Has the NFRA evaluated the performance of the firm to the extent of debarment/ blacklisting and communication has been received by the firm during the review period?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – (-50) Points per order subject to a maximum of (-100) Points For No – 0 Point	Negative Points

1.4 Quality control for engagements

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.4(v)	Has there been a case of professional misconduct on the part of a partner of the firm or the firm where the partner or the firm has been proved guilty under Schedule II of the Chartered Accountants Act, 1949?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – (-50) Points per order subject to a maximum of (-100) Points For No – 0 Point	Negative Points

Note: Total of negative marks under sub-clauses i to v above shall be restricted upto 25 % of total score obtained by the firm

Example to explain clause (i) to (v) of sub section 1.4

Section	Max. negative Score that can be assigned	Hypothetical Score for 4 Firms			
		Firm A	Firm B	Firm C	Firm D
1.4(i)	(-) 25	(-) 10	(-) 10	0	(-) 25
1.4(ii)	(-) 25	(-) 15	(-) 10	(-) 20	(-) 25
1.4(iii)	(-) 50	(-) 20	(-) 20	(-) 30	0
1.4(iv)	(-) 100	(-) 50	(-) 50	0	(-) 100
1.4(v)	(-) 100	(-) 100	(-) 50	0	0
A. Total	(-) 300	(-) 195	(-) 140	(-) 50	(-) 150
B. Total Hypothetical Score of the Firm before considering score under section 1.4 (i) to (v)		550	430	310	220
C. Maximum negative Score that can be assigned under section 1.4 (i) to (v) [25% of total score obtained by firm before considering score under section 1.4 (i) to (v)]		(-) 137.5	(-) 107.5	(-) 77.5	(-) 55
D. Score obtained by firm under section 1.4 (i) to (v) (A or C whichever is lower)		**(-) 137.5**	**(-) 107.5**	**(-) 50**	**(-) 55**

1.4 Quality control for engagements

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.4(vi)	Does the firm have a library (physical or digital) of updated Accounting and Auditing material including other regulatory material which is accessible to all and which impacts financial statements, accounting or auditing requirements of its clients, guidance given to its employees relating to any of above and a log of consultation is available for access as and when required?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 8 Points For No – 0 Point	8

For providing an effective assurance service the engagement firm should have quality reference resources available to perform the engagement task. Examples of such resources are:

a. Repository of ICAIs resources
b. Other resources
c. Online Subscription of resource material
d. Soft copies of client specific issues handled by the firm
e. Compilation of information on the basis of experience
f. Dedicated/ Shared Technical desk

However, mere access to publicly available resources should not be construed as maintenance of library.

1.5 Client Sensitization

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.5(i)	Does the firm communicate with the clients including Those Charged With Governance (TCWG) to discuss with them the following: • Significant risks (including fraud risk) identified, and auditing procedures planned/ undertaken to address those risks. • Key changes relating to accounting, auditing, reporting or other regulatory requirements impacting the client • Key Accounting and/or Auditing matters which arose during audit and basis on which those were concluded including modification of audit opinion. • Key Audit Matters with description and reasoning for selection as Key Audit Matters and the audit procedures undertaken to address those key audit matters. • Significant judgements and estimates relied on and its reasonability or otherwise	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 8 Points For No – 0 Point	8

Compliance with this sub-section may be checked by the Peer Reviewer in all the samples which he/she has selected for Peer Review process excluding samples from clause 22 K of Part A of Form No.1 i.e. Application cum Questionnaire submitted by the Practice Unit.

1.6 Regulatory Compliances

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.6(i)	Whether the disclosure to the Institute has been made where the gross annual professional fees from an Audit client for two consecutive years exceeds the prescribed threshold percentage of more than 40% of the total fees of the firm in case of non-public Interest entities and 20% of the total fees of the firm in case of public Interest entities?	Scoring based on Presence or Not. Yes/ No Answers	For Yes - 0 Point For No -(-20) Points	Negative Points

1.6 Regulatory Compliances

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.6(ii)	Adherence to ICAI's minimum recommended scale of fees	Scoring criteria based on percentage of adherence in respect of statutory and tax audit engagements	If the % of statutory and tax audit engagements adhering to ICAI's minimum recommended scale of fees is: Upto 100% but more than or equal to 95% - 25 Points Less than 95% but more than or equal to 80% - 20 Points Less than 80% but more than or equal to 60% - 15 Points Less than 60% but more than or equal to 40% - 10 Points Less than 40% but more than or equal to 20% - 5 Points Less than 20% - 0 Point	25

1.6 Regulatory Compliances

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.6(iii)	Number of UDINs generated within specified time	Scoring based on percentage of assurance engagements for which UDINs are generated within 2 working days from the date of signing	If the % of UDINs generated within 2 working days from the date of signing is: 100% - 30 Points Less than 100% but more than or equal to 80% - 25 Points Less than 80% but more than or equal to 60% - 20 Points Less than 60% but more than or equal to 40% - 15 Points Less than 40% but more than or equal to 20% - 10 Points Less than 20% – 0 Point	30

- Objective of introduction of this AQI is to encourage timely generation of UDINs.
- The holidays as defined by the firm will not be considered as a working day.

Total Assurance Engagements signed during the Review period	50
Number of UDINs Generated within 2 Working Days	36
Percentage of UDINs generated within 2 working days	Number of UDINs generated within 2 working days / Total number of assurance engagements) × 100
	= (36 / 50) × 100 = 72%

AQMM Score = 20 Points

1.7 Practice Management – Strategic/Functional

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.7(i)	Does the firm have adequate experienced assurance partners?	Scoring based on the average experience of partners (to be calculated on the last day of the Financial Year for which review is being conducted)	For average partner experience of: More than or equal to 2 years but less than 5 years – 2 Points More than or equal to 5 years but less than 7 years – 4 Points More than or equal to 7 years but less than 10 years – 6 Points More than or equal to 10 years – 8 Points	8
1.7(ii)	Does the firm have a whistleblower policy?	Scoring based on Presence or Not. Yes/No Answers	For Yes – 4 Point For No – 0 Point	4

For calculating score under 1.7(i):

- Overall experience of the assurance partner which would include experience as a partner in other firm has to be considered and not only the experience in the current firm. Thus this sub-section gives weightage to lateral entry of a partner.
- Industry experience should not be considered.
- For the purpose of this sub- section, an assurance partner is a partner who has generated at least one UDIN in respect of listed entity or five UDINs in aggregate in any financial year under review.
- An employee of a firm who becomes a partner with the firm is also to be considered for the continuous service with that firm immediately preceding the date of admission as a partner while calculating the score under this sub-section as a longer tenure in that firm enhances his/her client-related expertise, ultimately improving audit quality. However, the tenure shall be subject to a maximum of three years.

Example to explain clause (i) of sub section 1.7

Review Period - 01.04.2022 to 31.03.2025						
Name	Designation	Date of joining the firm	Date of Retiring from the firm	Total years of Experience (including prior experience as a Partner)	Assurance partner on the last date of review period i.e. 31.03.2025	Experience of assurance partner on the last date of review period i.e. 31.03.2025
A	Assurance Partner	31.10.2020	-	12	A	12
B	Assurance Partner	01.01.2023	-	7	B	7
C	Non- Assurance Partner	01.07.2014	-	20	-	-
D	Assurance Partner	01.06.2015	-	25	D	25
E	Assurance Partner	01.02.2013	31.01.2025	26	-	-
F	Employee	01.09.2018	-	15	-	-
Total experience of all assurance partners as on the last date of review period i.e. 31.03.2025						**44**
Average experience of assurance partners on the last date of review period i.e. 31.03.2025						**14.7**
AQMM Score assigned based on Average Experience of assurance partner						**8 Points**

1.8 Infrastructure – Physical

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.8(i)	Number of Branches (excluding associates, network firms and affiliates)	Scoring based on Nos. as per ICAI record No marks for H.O.	Upto 3 – 3 Points 4 to 7 – 6 Points 8 to 15 – 9 Points More than 15 – 12 Points	12

1.9 Practice Credentials

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.9(i)	Has the firm been Peer Reviewed earlier?	Scoring based on number of completed Peer Review cycles	2 Points for each Peer Review Cycle subject to a maximum of 6 Points	6

1.10 Presence and implementation of Formats / Checklists / Templates

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.10(i)	Formats/Checklists/Templates	For presence of formats/ Checklists/Template: Scoring based on Presence or not. Yes/No Answers	Refer Annexure	230

- Marks should be given only if the format/checklist/template is implemented in 100% of top 20 assurance assignments based on billing (as identified under sub-section 1.3 (i)). Even if one sample out of the top 20 assurance assignments fails on a particular format/checklist/template, no marks for implementation shall be allotted.
- The said formats should be easily made available to all members of the firm either through email or better still by being hosted on an easily accessible folder for standard formats.
- Further, all the formats/ checklists/ templates should be reviewed and updated at least annually or with each change in the respective regulation or statute and a document is maintained for the review/ updation.

1.10 Presence and implementation of Formats / Checklists / Templates

S. No	Details of Formats/Checklists/ Templates	Marks for Presence	Marks for Implementation	Total
1	Client acceptance/ continuation and appointment formalities	1	2	3
2	Engagement Acceptance / Continuation/Withdrawal/ Rejection/ Decision Checklist	1	2	3
3	Independence Confirmations - personnel, firm and non-audit services	1	2	3
4	Confidentiality Undertakings	1	2	3
5	Engagement letter	1	5	6
6	Planning Scope of Engagement	1	2	3
7	Budgeting resources and hours including experts time and cost	1	2	3
8	Understanding the Clients Business, its industry & Key People (KYC)	1	2	3
9	Significant applicable Laws and Regulations	1	5	6
10	Understanding and walk through of Processes impacting significant accounts	1	2	3
11	Identifying Significant Risks, fraud risk and risk of material misstatement and plan to address	1	5	6
12	Preliminary analytical procedures	1	2	3

1.10 Presence and implementation of Formats / Checklists / Templates (contd..)

S. No	Details of Formats/Checklists/ Templates	Marks for Presence	Marks for Implementation	Total
13	Working of materiality, Performance materiality and tolerable error (audit differences) and its basis	1	5	6
14	Testing strategy and determining nature, extent and timing of auditing procedures	1	3	4
15	Team planning meeting and its minutes	1	2	3
16	Allocation of work and timing of execution and review	1	2	3
17	Outcome of Test of control including IT environment, IT general controls, IT application controls and determination of substantive strategy	1	4	5
18	Sampling basis	1	4	5
19	Preparing detailed Audit Strategy document including instructions to component auditors, if any	1	2	3
20	Substantive Audit procedures adopted and performed for each item of B/S; Operating income and expenses	1	10	11
21	Audit procedures planned and performed to check the appropriateness of the going concern assumption	1	2	3
22	Audit procedures planned and performed to check the subsequent events as per SA 560 that could have an impact on the financial statements	1	2	3
23	Checking the completeness of Related Party Transactions and compliance with the same	1	5	6
24	Internal Control Over Financial Reporting (ICFR)	1	5	6

1.10 Presence and implementation of Formats / Checklists / Templates (contd..)

S. No	Details of Formats/Checklists/ Templates	Marks for Presence	Marks for Implementation	Total
25	Procedures to verify the journal entries and check the authenticity of the same on the financial statement	1	2	3
26	Contingent Liability (CL) - covering nature; management procedure for identification and reporting of CL and movement from Previous year FS to current year	1	2	3
27	Use of Work of Experts or internal auditor	1	2	3
28	Secretarial Compliances	1	2	3
29	Accounting Policies Checklist	1	5	6
30	Schedule III Checklist	1	5	6
31	CARO Checklist	1	5	6
32	Checklist of Accounting Standard and Ind AS (for all standards)	1	10	11
33	Checklist of Standards on Auditing (for all standards)	1	10	11
34	Certificates in accordance with ICAI Guidance Note	1	5	6
35	Engagement Quality Control Review Process	1	4	5
36	Management Representation Letter	1	5	6

1.10 Presence and implementation of Formats / Checklists / Templates (contd..)

S. No	Details of Formats/Checklists/ Templates	Marks for Presence	Marks for Implementation	Total
37	SUM/SAD -"summary of uncorrected misstatements"/ "summary/ schedule of unadjusted differences	1	2	3
38	Analysis of Actual and budgeted Man-hours	1	3	4
39	Final Analytical procedures	1	2	3
40	Closure and archival of files	1	2	3
41	Any other format/ checklist/ template (1 mark each for presence and 2 marks each for implementation)	10 (maximum)	20 (maximum)	30
	TOTAL	**50**	**165**	**215**
42	Whether ALL the above checklists/ formats/ templates are reviewed and updated at least annually or with each change in the respective regulation or statute and a document is maintained for the review/ updation.	For Yes: 15 points For No: 0 points		15
	TOTAL			**230**

Section 2 – Human Resource Management



Maximum score allocation

Section	Competency Basis	Maximum Score
2.1	Policies and Practices	21
2.2	Resource Planning and Monitoring as per the firm's policy	12
2.3	Employee Training and Development	52
2.4	Resources Turnover & Compensation Management	21
2.5	Qualification Skill Set of employees	28
2.6	Performance evaluation measures carried out by the firm (KPI's)	16
	TOTAL	150

2.1 Policies and Practices

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
2.1(i)	Whether the firm has clearly defined the roles and responsibilities of its following support functions: • Accounts • Admin • IT	Scoring based on Presence or Not. Yes/No Answers	1 mark to be assigned for defined roles and responsibilities in respect of each function	3
Each department within the firm - Accounts, Admin, and IT requires a distinct skill set.				
2.1(ii)	Does the firm have a documented leave policy?	Scoring based on Presence or Not. Yes/No Answers	For Yes – 4 Points For No – 0 Point	4
The firm's leave policy may specify the various types of leave, number of each type of leave per year, policy regarding carry forward of unavailed leave at the end of each calendar year, leave encashment entitlements etc.				
2.1(iii)	Does the firm issue appointment letters to all its employees?	Scoring based on Presence or Not. Yes/No Answers	For Yes – 4 Points For No – 0 Point	4
An appointment letter serves as official documentation that an individual has been selected for a specific role within the firm.				

2.1 Policies and Practices

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
2.1(iv)	Does the firm conduct exit interviews for employees leaving the organization?	Scoring based on Presence or Not. Yes/No Answers	For Yes – 4 Points For No – 0 Point	4
Exit interviews can reveal patterns behind employee departures, such as dissatisfaction with leadership, pay, work-life balance, or other concerns.				
2.1(v)	Does the firm orient new joiners (including partners) regarding its policies, procedures, etc.?	Scoring based on Presence or Not. Yes/No Answers	For Yes – 4 Points For No – 0 Point	4
Policies and procedures are shared and discussed with the new joiners including partners. Orientation helps new joiners to understand the firm's policies and procedures through discussions, ensuring alignment, clarity, and a smoother integration into the firm's work culture.				
2.1(vi)	Does the firm have a policy/procedure for: i. Clients register their complaints/ dissatisfaction. ii. Speedy disposal of complaints	Scoring based on Presence or Not. Yes/No Answers	For having a policy/procedure for clients to register their complaints - 1 Point For having a procedure for speedy disposal of complaints - 1 Point For not having such mechanism- 0 point	2
A formal complaint system demonstrates that the firm values its clients and is dedicated to resolving their concerns. The firm should establish a structured policy ensuring confidentiality of complainants, an unbiased evaluation process, a feedback mechanism, and prompt resolution of client complaints to address dissatisfaction efficiently and professionally. A documented procedure provides clients with clarity on how to raise concerns, the steps involved, and the expected resolution timeline. By swiftly handling complaints, the firm can maintain client satisfaction and loyalty, reducing the risk of losing business.				

2.2 Resource Planning & Monitoring

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
2.2(i)	Does the firm employ adequate professionally qualified employees? Professionally qualified employees mean Chartered Accountants and members of other professional bodies referred to in Regulation 53A of the Chartered Accountants Regulations, 1988.	Scoring based on the average of ratios of professionally qualified employees to proprietor/ partners calculated on the last day of each Financial Year for period under review.	If the firm has a professionally qualified employees to proprietor/ partner ratio of: 0- 0 Point More than 0 but less than 3 – 3 Points 3 or more - 6 Points	6
2.2(ii)	Does the firm employ adequate human resources which includes professionally qualified employees, semi-qualified and non- qualified employees, employee for support functions and article assistants but excluding partners?	Scoring based on the average ratios of all employees and article assistants to proprietor/ partners calculated on the last day of each Financial Year for period under review.	If the firm has employees and article assistants to proprietor/ partners ratio of: Less than 3 – 0 Point More than or equal to 3 but less than 5- 3 Points More than or equal to 5 - 6 Points	6

Example to explain clause (i) and (ii) of sub section 2.2

Name	Qualification	Designation	Date of Joining	Date of Leaving	For sub-section 2.2 (i) Whether qualified employee/partner as at the year-end ?			For sub-section 2.2 (ii) Whether employee/partner as at the year-end?
					31.03.2022	31.03.2023	31.03.2024	
X	Chartered Accountant	Partner	01.01.2011	-	✓	✓	✓	✓
Y	Chartered Accountant	Partner	01.04.2015	31.12.2023	✓	✓	✗	✓(to be considered for FY 2021-22 & 2022-23)
A	Chartered Accountant	Employee-Qualified	01.04.2018	-	✓	✓	✓	✓
B	Chartered Accountant	Employee-Qualified	01.06.2019	31.12.2024	✓	✓	✓	✓
C	MBA	Employee-Qualified	01.05.2017	-	✓	✓	✓	✓
D	LLB	Employee-Qualified	01.04.2016	-	✓	✓	✓	✓
H	Cost Accountant	Employee-Qualified	01.07.2022	31.01.2024	✗	✓	✗	✓ (to be considered for FY 2022-23)
E	CA-Final	Employee-Semi-Qualified	01.07.2021	-	✗	✗	✗	✓
F	B.Com	Employee-Non-Qualified	01.06.2021	15.12.2024	✗	✗	✗	✓
G	CA-Intermediate	Article Assistant-Semi-Qualified	01.11.2021	-	✗	✗	✗	✓
J	12th Pass	Employee for Support Function -Data entry operator	01.12.2021	-	✗	✗	✗	✓
L	Article Assistant	Article Assistant-Semi-Qualified	01.01.2019	-	✗	✗	✗	✓

Example to explain clause (i) and (ii) of sub section 2.2

Financial Year	2.2 (i)	2.2 (ii)
	Ratio of professionally Qualified Employees/ Partner	Ratio of all Employees & Article assistant / Partner
2021-22	(4/2)=2	(9/2)=4.5
2022-23	(5/2)=2.5	(10/2)=5
2023-24	(4/1)=4	(9/1)=9
Average	Average ratio of Professionally Qualified Employees to Partner = (2+2.5+4)/3=2.8333	Average ratio of All employees & article assistant to Partner = (4.5+5+9)/3=6.167
AQMM Score	**3 Points**	**6 Points**

2.3 Employee Training & Development

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
2.3(i)	Does the firm have a training policy specifying the minimum number of hours of training required each year as under: 1. For proprietor/ partners - at least 30 hours 2. For professionally qualified employees -at least 30 hours 3. For others, including article assistants (excluding support functions) - at least 45 hours	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 6 Points For No – 0 Point 2 marks to be assigned in respect of each category	6
2.3(ii)	Has the firm implemented minimum number of hours of training as per its policy for proprietor/ partners?	Scoring based on proprietor/ % of partners fulfilling the minimum training parameters. The said score has to be calculated for each year	If the proprietor/ % of partners fulfilling the minimum training parameters is: Less than or equal to 50% - 0 Point More than 50% but less than or equal to 75% - 1 Point More than 75% - 2 Points	6

2.3 Employee Training & Development

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
2.3(iii)	Has the firm implemented a minimum number of hours of training as per its policy for professionally qualified employees?	Scoring based on % of professionally qualified employees fulfilling the minimum training parameters. The said score has to be calculated for each year	If the % of professionally qualified employees fulfilling the minimum training parameters is: Less than or equal to 50% - 0 Point More than 50% but less than or equal to 75% - 2 Points More than 75% - 4 Points	12
2.3(iv)	Has the firm implemented minimum number of hours of training as per its policy for others including article assistants (excluding support functions)?	Scoring based on % of others fulfilling the minimum training parameters. The said score has to be calculated for each year	If the % of others fulfilling the minimum training parameters is: Less than or equal to 50% - 0 Point More than 50% but less than or equal to 75% - 3 Points More than 75% - 6 Points	18

Example to explain clause (ii), (iii) and (iv) of sub section 2.3

Name & Qualification	Designation	Date of Joining	Date of Leaving	Training Hours Required Per Year (as per 2.2 (i))	Training Hours Completed (Financial Year)		
					2021-22	2022-23	2023-24
A (CA)	Partner	01.04.2015	-	30	30	35	38
B (CA)	Partner	15.07.2017	-	30	25	20	40
C (CA)	Partner	10.10.2019	-	30	38	21	35
D (CA)	Professionally Qualified Employee	01.04.2020	-	30	31	35	30
E (Other professionals)	Professionally Qualified Employee	01.06.2020	-	30	32	18	35
F (Other professionals)	Professionally Qualified Employee	01.05.2021	-	30	25	30	40
G (Other professionals)	Professionally Qualified Employee	01.02.2022	31.08.2023	30	24	30	NA
H (B. Com.)	Other Employee	20.07.2022	-	45	NA	27	10
I (Article Assistant)	Other Employee	01.07.2021	-	45	48	15	45

Example to explain clause (ii), (iii) and (iv) of sub section 2.3 (contd...)

Year Ending	31.03.2022	31.03.2023	31.03.2024
Sub-section 2.3(ii)			
Total no. of Partners	3	3	3
No. of partners fulfilling training Parameters	2	1	3
% of partners fulfilling training Parameters (sub-section 2.3(ii))	67%	33%	100%
Year-wise AQMM score	1	0	2
Sub-section 2.3(iii)			
Total no. of qualified employees	4	4	3
No. of qualified employees fulfilling training Parameters	2	3	3
% of qualified employees fulfilling training Parameters (sub-section 2.3(iii))	50%	75%	100%
Year-wise AQMM score	0	2	4
Sub-section 2.3(iv)			
Total no. of other employees	1	2	2
No. of other employees fulfilling training Parameters	1	0	1
% of other employees fulfilling training Parameters (sub-section 2.3(iv))	100%	0%	50%
Year-wise AQMM score	6	0	0

AQMM Score = 3 Points

AQMM Score = 6 Points

AQMM Score = 6 Points

2.3 Employee Training & Development

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
2.3(v)	Does the firm have a policy and mechanism of Appraisal of its personnel? Has the firm set standards for recruiting employees such as knowledge, experiences, performance, attributes required for the entry level and other levels? Whether the same has been timely implemented?	Scoring based on Presence and implementation or Not. Yes/ No Answers	For Presence of policy for appraisal - 3 Points For having set Standards for recruiting employees - 3 Points For Implementation- 4 Points (2 for each) For no policy- 0 Point	10

2.4 Resources Turnover & Compensation Management

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
2.4(i)	Does the firm measure and monitor the employee turnover ratio and identify the reasons for the high turnover, if any? Does it take measures to minimize the turnover ratio?	Scoring based on Presence or Not. Yes/No Answers	For measuring and monitoring employee turnover – 5 Points For taking measures to minimize the turnover ratio - 3 Points For not measuring and monitoring – 0 Point	8
2.4(ii)	Whether the firm has complied with the Statutory requirements relating to its employees and partners such as: 1. PF 2. ESI 3. Gratuity 4. Maternity Leaves 5. POSH 6. Others	Negative marking for each Non-Compliance	For Yes - 0 Point For No - (-1 for each non-compliance) subject to a maximum of (-5) Points	Negative Points

2.4 Resources Turnover & Compensation Management

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
2.4(iii)	Does the firm have a practice to celebrate occasions like Festivals/New Year/ Annual get together etc.?	Scoring based on Presence or Not. Yes/No Answers	For Yes – 3 Points For No – 0 Point	3
2.4(iv)	Does the firm have an established mechanism to listen to employees' views and suggestions?	Scoring based on Presence or Not. Yes/No Answers	For Yes – 4 Points For No – 0 Point	4
2.4(v)	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?	Scoring based on Presence or Not. Yes/No Answers	For Yes – 6 Points For No – 0 Point	6

2.5 Qualification Skill Set of employees

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
2.5(i)	Does the firm have a policy to encourage Chartered Accountant employees (including partners) to pursue Diploma/ Certificate courses conducted by ICAI or courses conducted by Institutions of National/ International repute which can improve efficiency and quality of services rendered by the firm?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 4 Points For No – 0 Point	4
2.5(ii)	Does the firm implement the policy stated under 2.5 (i)?	Scoring based on percentage of employees (including partners) pursuing additional qualification as stated under 2.5 (i) in a year. The said score has to be calculated for each year	Percentage of employees (including partners) pursuing these courses in a year: Up to 10% - 2 Points More than 10% but equal to or less than 25%- 4 Points More than 25% but equal to or less than 50%- 6 Points More than or equal to 50%- 8 Points	24

Example to explain clause (ii) of sub section 2.5

S. No.	Particulars	No. of employees [Financial Year]		
		21-22	22-23	23-24
1	Total employees (including partners) at the end of Financial year	10	12	15
2	Total employees pursuing additional qualification as stated under sub-section 2.5(i)	5	5	9
3	Employees joining the firm during FY: 2021-22, 2022-23 & 2023-24 [A, B, C, D & E]: • A: Joined in FY 2021-22 • B: Joined in FY 2022-23 • C, D & E: Joined in FY 2023-24	1	1	3
4	Employees with less than 1 year of service (as stated under 3 above) within the firm and pursuing courses [A, C & D]: • A in FY 2021-22 • C & D in FY 2023-24	1	0	2
5	Employees leaving the firm during FY: 2021-22, 2022-23 & 2023-24 [F, G, H, X & Y]: • X and Y left in FY 2021-22 • F and G left in FY 2022-23 • H left in FY 2023-24	2	2	1
6	Employees who left the firm during the FY and who were pursuing the courses [F, H,X & Y] : • X and Y left in FY 2021-22 • F left in FY 2022-23 • H left in FY 2023-24	2	1	1
7	Employees pursuing courses other than who left the firm during the FY[S. NO. 2- S. NO. 6]	**3**	**4**	**8**
8	Total Employees in the firm (as at the end of the Financial Year) Employees who were not pursuing courses but were in service of the firm for less than a years are excluded. FY: 2022-23 [12-1] **(B is excluded:** as he has less than 1 yr. experience and not pursuing any course) FY: 2023-24 [15-1] (**E is excluded:** as he has less than 1 yr. experience and not pursuing any course)	**10**	**11**	**14**
9	Percentage of employees (including Partner) pursuing courses [i.e. S. No. 7/S. No. 8 *100]	**30**	**36.36**	**57.14**
10	**AQMM Score (per year)**	**6**	**6**	**8**
11	**Total AQMM Score under sub-section 2.5(ii)**	**20 Points**		

2.6 Performance evaluation measures carried out by the firm (KPI's)

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
2.6(i)	Does the firm have written KPIs for performance evaluation of the employees and partners?	Scoring based on Presence or Not. Yes/No Answers	For Yes – 4 Points For No – 0 Point	4
2.6(ii)	Does it have specific/ determined method for measurement and evaluation of the KPIs?	Scoring based on Presence or Not. Yes/No Answers	For Yes – 4 Points For No – 0 Point	4
2.6(iii)	Is there a decided frequency for the evaluation and has been consistently followed?	Scoring based on Presence or Not. Yes/No Answers	For Yes – 4 Points For No – 0 Point	4
2.6(iv)	Are engagement partners reviewed based on the review results of the engagements of each partner?	Scoring based on Presence or Not. Yes/No Answers	For Yes – 4 Points For No – 0 Point	4

Section 3 – Digital Competency



Maximum score allocation

Section	Competency Basis	Maximum Score
3.1	Managing Digital Identity	8
3.2	Operational Process Automation	6
3.3	Centralized file storage system/server	8
3.4	Application for invoicing and receivable management	2
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3.11	Design of Application Level Controls	1
3.12	Custody of Digital Assets	4
3.13	Availability of qualified resource pool and talent development relating to digital competencies	9
3.14	Level of automation relating to audit processes and nature of audit services being rendered	11
3.15	Adaptation of advanced and emerging technologies	1
	TOTAL	80

3.1 Managing Digital Identity

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.1(i)	Does the firm have a registered Domain Name?	Scoring based on Presence or Not. Yes/No Answers	For Yes – 1 Point For No – 0 Point	1
3.1(ii)	Does the firm have a registered website? Is the website updated on a regular basis?	Scoring based on Presence or Not. Yes/No Answers	For having a website - 1 Point For regular updation - 1 Point For not having a website- 0 Point	2
3.1(iii)	Does the firm have a corporate mail ID? Is it available for all the office staff including article assistants?	Scoring based on Presence or Not. Yes/No Answers	For having a corporate mail id - 1 Point For availability to all office staff - 1 Point For availability to article assistants - 1 Point For not having a corporate mail id - 0 Point	3
3.1(iv)	Does the firm have a Social Media Presence? Is there a minimum of one update posted by the firm in a month?	Scoring based on Presence or Not. Yes/ No Answers	For having a social media presence - 1 Point For having a minimum one post - 1 Point For not having a social media presence - 0 Point	2

3.2 Operational Process Automation

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.2(i)	Is there biometric/IP address tracking or other similar mechanism for attendance?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 1 Point For No – 0 Point	1
3.2(ii)	Are there HR Tools available for Interview Management and Performance Management?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 1 Point For No – 0 Point	1
3.2(iii)	Do employees and article assistants fill out time sheets regularly?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 1 Point For No – 0 Point	1
3.2(iv)	Are the time sheets being verified by the Partners/HR?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 1 Point For No – 0 Point	1
3.2(v)	Are time sheets being co-related with attendance to verify for any deviations?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 1 Point For No – 0 Point	1
3.2(vi)	Are the internal workflow and documentation managed on a digital workflow management system and are there any digitized workflow tools?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 1 Point For No – 0 Point	1

3.3 Centralized file storage system/server

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.3(i)	Is there a centralized file storage system/server?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 2 Points For No – 0 Point	2
3.3(ii)	Are all the files being uploaded on the server on a regular basis?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 2 Points For No – 0 Point	2
3.3(iii)	Is back-up done for the files uploaded on system/server?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 2 Points For No – 0 Point	2
3.3(iv)	Are documents of client services stored electronically or digitally?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 2 Points For No – 0 Point	2

3.4 Application for invoicing and receivable management

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.4(i)	Is there an application available for invoicing and receivable management?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 1 Point For No – 0 Point	1
3.4(ii)	Does the system give report on outstanding balance on periodic basis?	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 1 Point For No – 0 Point	1

3.5 Redundancy and Continuity

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.5(i)	Is all the data being uploaded on server on a daily/periodic basis?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.5(ii)	Is the back-up data stored in multiple locations?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.5(iii)	Is this process of backup automated?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.5(iv)	Are there multiple connections available in case of connectivity issues in one connection?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1

3.6 Laptop and Data Security

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.6(i)	Are the laptops secured through drive encryption?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.6(ii)	Are there laptops/PDAs given to employees/articles for official use?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.6(iii)	Are all the systems secured through antivirus?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.6(iv)	Are systems being updated with the latest security definitions?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.6(v)	Are critical communications digitally secured (either through digital signatures or passwords/other mechanism)?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.6(vi)	Is the access to internet restricted on need only basis and use of data cards is also routed through corporate firewalls/filtering of websites?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.6(vii)	Is there BYOD (Bring your own device) policy available in the firm? Do these devices have any end point security applied to the systems?	Scoring based on Presence or Not. Yes/No Answers	For having a policy - 1 Point For having end point security in the devices - 1 Point For not having a policy or for not having an end point security - 0 Point	2

3.6 Laptop and Data Security

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.6(viii)	Is there an IT policy available for the firm and is the policy being read and acknowledged and regularly reiterated to the firms' employees?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.6(ix)	Is there any password policy?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.6(x)	Does the e-password need to be changed on a periodic basis?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1

3.7 Copyright and Licenses

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.7(i)	Are all software being used appropriately licensed?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.7(ii)	Is there a list of licenses along with the expiry date maintained?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1

3.8 Digital Media for Communication

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.8(i)	Is there an internal employee portal available?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.8(ii)	Is the portal accessible outside the office premises?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.8(iii)	Is all data/content relating to firm's audit programs, checklists, sample representation letters, trainings, etc. available and updated on real time basis?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.8(iv)	Is the access to the portal through a login ID and password?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1

3.9 Protecting Personal Data and Privacy

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.9(i)	Is all employee related personal information/HR data in electronic form secured from unauthorized access and all the systems having sensitive HR data being protected by passwords?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.9(ii)	Are social media background checks done before recruiting employees?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.9(iii)	Are the employees formally trained on how to identify authenticity of the source while searching for content?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.9(iv)	Are employees, including article assistants sensitized on due care to be taken relating to sharing client specific information during induction and on a regular basis?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.9(v)	Does the firm have a Term of Usage policy for usage of data and assets under their control?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.9(vi)	Has the firm classified data into sensitive and non-sensitive data?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1

3.10 Information Systems Related Audits/Reviews

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.10(i)	Has the firm carried out audits relating to IT Security -General control reviews?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.10(ii)	Are there any Application Security and Vulnerability Audits performed?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.10(iii)	Has the firm obtained any external certifications like, ISO 27001, ISO 9001, etc.?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1

3.11 Design of Application level Controls

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.11(i)	Does the firm have a CRM/ e-mailing software for client communication management?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1

3.12 Custody of Digital Assets

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.12(i)	Does the firm have an inventory of assets (Hardware, Software, License, etc.)?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.12(ii)	Are the assets been given unique ID?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.12(iii)	Are all the digital signatures in the custody of authorized personnel?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.12(iv)	Does the firm have an approval system for usage of digital signatures?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1

3.13 Availability of qualified resource pool and talent development relating to digital competencies

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.13(i)	Is there an Annual Maintenance Contract (AMC) for IT Support/ maintenance?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.13(ii)	Are there trainings being conducted on digital communication by the firm for its staff?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.13(iii)	Does the firm sensitize its employees on issues like cyberbullying, Phishing attacks/spear phishing attacks and Malware threat indicators?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.13(iv)	Does the firm have an online/on-demand learning portal which employees can access from anywhere?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.1(v)	Has the firm subscribed to any digital learning platforms for skill development of its staff?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.13(vi)	Is staff encouraged to put IT to creative use, say using an app for statutory due date alerts, alerts relating to professional updates, automating a routine function etc.?	Scoring based on number of initiatives taken during the review period.	1 to 2 initiatives - 2 Points 3 to 4 initiatives - 3 Points More than 4 initiatives - 4 Points	4

3.14 Level of automation relating to audit processes and nature of audit services being rendered

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.14(i)	Does the firm have a process of reviewing IT controls before the start of audit?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.14(ii)	Does the firm use any application software/tool for audit planning- including scheduling, resource deployment, tracking hours/days spent vs. budgeted time etc.?	Scoring based on number of software used during the review period	1 to 2 Software -1 Point 3 to 4 Software- 2 Points more than 4 Software -3 Points	3
3.14(iii)	Does the firm has/uses automated audit tools for data extraction, sampling, applying analytics etc.?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.14(iv)	Are the staff, including the article assistants adequately trained on usage of the tools and interpretation of results thereof?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.14(v)	Are the audit staff trained on identifying, obtaining, analyzing, and retaining relevant digital evidence pertaining to their audit work?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1

3.14 Level of automation relating to audit processes and nature of audit services being rendered

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.14(vi)	Are there scenarios where client's core processes are fully automated, and the audit staff uses the audit process in the system to verify the process rather than conducting the normal manual audit techniques?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.14(vii)	Does the firm use various tools for Data Analytics such as, eCAAT, Power BI, Tableau etc.?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.14(viii)	Are any customized apps being used by the firm for the regular office tasks, say generating engagement letter, audit confirmations, invoice generation etc.?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
3.14(ix)	Has the firm used in-built audit capabilities in client applications say, Audit Management Module in SAP, Oracle Financials, audit features in Tally etc.?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1

3.15 Adaptation of advanced and emerging technologies

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3.15(i)	Are there Mobile apps/APIs for the firm, clients, article assistants, etc. in which all the information pertaining to the firm is available and which is available to its staff as well as its clients?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1

Thank You!



Centre for Audit Quality

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