



AUDIT QUALITY MATURITY MODEL

version 2.0 (AQMM v 2.0)



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

Audit Quality Maturity Model

version 2.0

(AQMM v 2.0)



Centre for Audit Quality Directorate
The Institute of Chartered Accountants of India
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Basic draft of this publication was prepared by CA. Nidhi Singh

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Foreword

The pursuit of audit quality is a journey that demands relentless dedication, continuous improvement, and a steadfast commitment to excellence. In an era where the financial landscape is characterized by rapid changes and increasing complexities, the role of auditors in ensuring transparency, reliability, and trust in financial reporting has never been more crucial.

The Audit Quality Maturity Model version 2.0 is a significant step forward in our ongoing efforts to elevate the standards of audit practice. AQMM v 2.0 serves as a comprehensive framework designed to guide audit firms in assessing and enhancing their audit processes, capabilities, and outcomes. By providing a structured pathway for growth and development, it empowers auditors to achieve higher levels of performance and deliver exceptional value to stakeholders.

This model reflects ICAI's commitment to fostering a culture of continuous improvement and innovation within the auditing profession. It encapsulates best practices, benchmark standards, and strategic initiatives that collectively contribute to a more mature and effective audit function.

By adopting the principles and practices outlined in the Audit Quality Maturity Model version 2.0, firms can systematically enhance their audit processes, mitigate risks, and uphold the highest standards of professional integrity. The model encourages a proactive approach to identifying areas for improvement, leveraging technology, and investing in the development of audit professionals.

My sincere appreciation for the efforts of CA. Vishal Doshi, Convenor, CA. Pramod Jain, Deputy Convenor and all members of the Centre for Audit Quality Directorate in bringing out the AQMM v 2.0 to assist the firms in evaluating and enhancing their audit quality.

I am sure that the Model will be immensely beneficial for the firms as well as the Reviewers to guide them efficiently through the Audit Quality process.

CA. Ranjeet Kumar Agarwal
President, ICAI

Place: New Delhi

Date: 15th August 2024

Preface

Audit quality is vital for an audit firm's success, ensuring accurate and reliable financial statements. It builds trust with stakeholders, ensures regulatory compliance, and mitigates risks. High audit quality enhances the firm's reputation, attracts and retains clients, and supports long-term growth and financial performance.

The Audit Quality Maturity Model is a capacity building measure initiated by ICAI and the objective of this Evaluation Matrix is to provide an opportunity to the audit firms to self- evaluate their current level of audit maturity, identify areas where competencies can be improved and then develop a road map for upgrading to a higher level of maturity.

The Centre for Audit Quality Directorate has released Audit Quality Maturity Model version 2.0 (AQMM– v 2.0) for professional firms which enhances and builds upon on the framework of AQMM v 1.0. The existing section- "Practice Management –Strategic/Functional" has been merged with the section- "Practice Management- Operation" and a new section- "Practice Management-Assurance" has been created in AQMM v 2.0.

Section- wise weightage has been optimized considering that Practice Management, Human Resource Management and Digital Competency are the key areas a firm needs to implement. More weightage has been given to the presence of checklists, formats, and templates related to the assurance function which will assist a large number of small and medium firms to enhance their audit quality levels.

The percentage of score for each section used to determine the firm's level of maturity has also been amended. Furthermore, firms need to score a minimum percentage to be eligible for assignment of a level. The level to be determined under AQMM v 2.0 is on an overall basis in place of section-wise levels.

At this juncture, we wish to place on record our sincere gratitude to CA. Bhavani Balasubramanian, CA. Jayant Gokhale, CA. N Jayendran, CA. Pradeep Saxena, CA. Pranshu Singhal, CA. Shyamal Kumar, CA. Shreya Jain, CA. Vijay Maniar, CA. Vijay Totapally and CA. Vivek Agarwal for contributing in preparation of AQMM v 2.0.

We are extremely thankful to CA. Ranjeet Kumar Agarwal, President ICAI and CA. Charanjot Singh Nanda, Vice President, ICAI for their continuous support and encouragement to the initiatives of the Directorate. We also wish to place on record our gratitude to other members of the Centre for Audit Quality, CA. Abhay Chhajed, CA. Chandrashekhar Vasant Chitale, CA. Cotha S Srinivas, CA. (Dr.) Debashis Mitra, CA. Durgesh Kumar Kabra, CA. Kemisha Soni, CA. Mangesh Pandurang Kinare, CA. Piyush S Chhajed, CA. Sripriya Kumar, CA. (Dr.) Sanjeev Kumar Singhal, for providing their invaluable guidance and support to the Directorate.

We also wish to express our sincere appreciation for CA Nidhi Singh, Secretary, Centre for Audit Quality and other Officers of the Directorate for their technical and administrative support in bringing out this publication.

CA. Vishal Doshi
Convenor,
Centre for Audit Quality

CA. Pramod Jain
Deputy Convenor,
Centre for Audit Quality

Place: New Delhi

Date: 15th August 2024

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Chapter 1

Audit Quality Maturity Model version 2.0- Introduction

The Audit Quality Maturity Model version 2.0 (AQMM v 2.0) like the previous version is a cross –functional evaluation model developed with an objective to enable Audit firms to evaluate their current level of Audit Maturity and also identify areas where competencies need to be strengthened. AQMM v 2.0 comprises Audit Quality Indicators (AQI) that enables firms to rate their current level of audit maturity, identify areas where competencies are strong or lacking, and then develop a road map for achieving a higher level of audit maturity.

Layout

Audit Quality Maturity Model version 2.0 (AQMM v 2.0) comprises the following three sections:

- a) Practice Management – Assurance
- b) Human Resource Management
- c) Digital Competency

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 firms to assess their current audit competency for moving to the next level. The firm would need to develop a Management Information System (MIS) to be able to collate data from each engagement to determine whether it makes

it into the 'yes' or 'no' criteria for being awarded a score respective for an Audit Quality Indicator. The investment that the firms will make in establishing, implementing and monitoring policies and procedures will benefit the firm in the form of improved decision making with respect to its triumvirate performance in Practice Management, Human Resource Management and Digital Competency, all of which enhance audit quality.

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.

Transitional provisions for implementation of AQMM v 2.0

To ensure a smooth transition from the previous version, AQMM v 2.0 will be applicable to firms (referred to as Practice Units in the context of Peer Review) which submit *Form 1 – Application cum Questionnaire* on or after 01.04.2025. This will cover firms for which the review period is 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). The Practice Units may however adopt AQMM v 2.0 earlier.

Chapter 2

Section 1- Practice Management- Assurance

Effective practice management for a firm is crucial for several reasons some of which are Workflow Optimization, Client Relationship Management, Compliance with regulatory requirements and Risk Management and Team Management. Effective practice management not only ensures the smooth operation of a firm but also lays the foundation for sustainable growth, enhanced client satisfaction, and long-term success. Section 1 of the Audit Quality Maturity Model version 2.0 is Practice Management- Assurance.

The table below indicates the competency basis related to Practice Management- Assurance on which the firm has to assign a score to itself. The score criteria define the factors on the basis of which the score basis has been arrived. The last column indicates the maximum score that a firm may award itself for the respective competency.

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1	PRATICE MANAGEMENT- ASSURANCE			
1.1	Practice Areas of the Firm			
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,	If the % of revenue from audit and assurance services to total revenue is: 0 %- No Point	5

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Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
		Certification etc. of total revenue. The average revenue of the firm for the period under review is to be considered.	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	
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
Total				7

Section 1- Practice Management- Assurance

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
1.2	Workflow - Practice Manuals			
i	Presence of SQC 1 Manual with well-defined policies & procedures in respect of the following areas: <ul style="list-style-type: none"> • Leadership responsibilities for quality within the firm. • Ethical requirements • Acceptance and continuance of client relationships and specific engagements. • Human resource • Engagement performance. 	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

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Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	<ul style="list-style-type: none"> Monitoring. 			
	Total			12
1.3	Service Delivery - Effort monitoring			
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	<p>If the % of engagements in which analysis of budget vs. actual is carried out is:</p> <p>Up to 10% – 0 Point</p> <p>More than 10% but less than or equal to 30% – 4 Points</p> <p>More than 30% but less than or equal to 50% – 8 Points</p> <p>More than 50% but less than or equal to 70% – 12 Points</p> <p>More than 70% but less than or equal to 90% – 16</p>	20

Section 1- Practice Management- Assurance

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
			Points	
			More than 90% – 20 Points	
	Total			20
1.4	Quality Control for engagements			
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
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	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

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Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	reviewer confirms them while conducting the review?			
iii	<p>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:</p> <ul style="list-style-type: none"> • 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
iv	Has the NFRA evaluated the performance of the firm to the extent of	Scoring based on Presence or Not. Yes/ No Answers	For Yes – (-50) Points per order subject to a maximum of	Negative Points

Section 1- Practice Management- Assurance

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	debarment/blacklisting and communication has been received by the firm during the review period?		(-100) Points For No – 0 Point	
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				
vi	Does the firm have a library (physical or digital) of updated	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 8 Points For No – 0 Point	8

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Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	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?			
	Total			8
1.5	Client Sensitization			
i	Does the firm communicate with the clients including Those	Scoring based on Presence or Not. Yes/ No Answers	For Yes – 8 Points For No – 0 Point	8

Section 1- Practice Management- Assurance

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	<p>Charged With Governance (TCWG) to discuss with them the following:</p> <ul style="list-style-type: none"> • 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 			

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Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	<p>which arose during audit and basis on which those were concluded including modification of audit opinion.</p> <ul style="list-style-type: none"> • 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 			

Section 1- Practice Management- Assurance

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	estimates relied on and its reasonability or otherwise			
Total				8
1.6	Regulatory Compliances			
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	Scoring based on Presence or Not. Yes/ No Answers	For Yes - 0 Point For No -(-20) Points	Negative Points

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Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	case of public Interest entities?			
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	<p>If the % of statutory and tax audit engagements adhering to ICAI's minimum recommended scale of fees is:</p> <p>Upto 100% but more than or equal to 95% - 25 Points</p> <p>Less than 95% but more than or equal to 80% - 20 Points</p> <p>Less than 80% but more than or equal to 60% - 15 Points</p> <p>Less than 60% but more than or equal to 40% - 10 Points</p> <p>Less than</p>	25

Section 1- Practice Management- Assurance

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
			40% but more than or equal to 20% - 5 Points	
			Less than 20% - 0 Point	
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	30

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Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
			more than or equal to 20% - 10 Points	
			Less than 20% - 0 Point	
Total				55
1.7	Practice Management - Strategic/Functional			
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:	8
			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	

Section 1- Practice Management- Assurance

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
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
Total				12
1.8	Infrastructure – Physical			
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
Total				12
1.9	Practice Credentials			
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
Total				6
1.10	Presence and implementation of Formats/Checklists/ Templates			
i	Formats/Checklists/Templates	For presence of formats/Checklists/Template: Scoring based	Refer Annexure	230

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Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
		on Presence or not. Yes/No Answers For implementation: Marks should be given only if the format/checklist/template is implemented in 100% of top 20 assurance assignments based on billing		
	Total			230
	Total of Section 1			370

As mentioned in section 1.10 above, the Annexure is given in the below table:

ANNEXURE

(Section 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

Section 1- Practice Management- Assurance

S. No.	Details of Formats/Checklists/ Templates	Marks for Presence	Marks for Implementation	Total
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
13.	Working of materiality, Performance materiality and tolerable error (audit	1	5	6

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S. No.	Details of Formats/Checklists/ Templates	Marks for Presence	Marks for Implementation	Total
	differences) and its basis			
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	1	2	3

Section 1- Practice Management- Assurance

S. No.	Details of Formats/Checklists/ Templates	Marks for Presence	Marks for Implementation	Total
	SA 560 that could have an impact on the financial statements			
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
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

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S. No.	Details of Formats/Checklists/Templates	Marks for Presence	Marks for Implementation	Total
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
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/ update.	For Yes: 15 points For No: 0 points		15
	TOTAL			230

Chapter 3

Section 2 - Human Resource Management

Human resources (HR) are vital to any firm for several reasons, as they encompass the management of an organization's most valuable asset- its people. Recruitment and Staffing, Training and Development, Performance Management, Employee Relations, Compensation and Benefits, Compliance and Legal Issues, Strategic Planning are some key points highlighting the importance of human resources. Section 2 of the Audit Quality Maturity Model version 2.0 is Human Resource Management.

The table below indicates the competency basis related to Human Resource Management on which the firm has to assign a score to itself. The score criteria define the factors on the basis of which the score basis has been arrived. The last column indicates the maximum score that a firm may award itself for the respective competency.

Sections	Competency Basis	Score Criteria	Score Basis	Maximum Score
2	HUMAN RESOURCE MANAGEMENT			
2.1	Policies and Practices			
i	Whether the firm has clearly defined the roles and responsibilities of its following support functions: <ul style="list-style-type: none">• 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
ii	Does the firm have a	Scoring based on	For Yes – 4 Points	4

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Sections	Competency Basis	Score Criteria	Score Basis	Maximum Score
	documented leave policy?	Presence or Not. Yes/No Answers	For No – 0 Point	
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
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
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
vi	Does the firm have a policy/procedure for: i) Clients register their complaints/dissatisfaction. ii) Speedy disposal of	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	2

Section 2 - Human Resource Management

Sections	Competency Basis	Score Criteria	Score Basis	Maximum Score
	complaints		complaints - 1 Point	
			For not having such mechanism- 0 point	
Total				21
2.2	Resource Planning & Monitoring as per the firm's policy			
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

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Sections	Competency Basis	Score Criteria	Score Basis	Maximum Score
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	<p>If the firm has employees and article assistants to proprietor/ partners ratio of:</p> <p>Less than 3 – 0 Point</p> <p>More than or equal to 3 but less than 5- 3 Points</p> <p>More than or equal to 5 - 6 Points</p>	6
Total				12
2.3	Employee Training & Development			
i	Does the firm have a training policy specifying the minimum number of hours of training required each year as under:	Scoring based on Presence or Not. Yes/ No Answers	<p>For Yes – 6 Points</p> <p>For No – 0 Point</p> <p>2 marks to be assigned in respect of each category</p>	6

Section 2 - Human Resource Management

Sections	Competency Basis	Score Criteria	Score Basis	Maximum Score
	<p>1.For proprietor/ partners - at least 30 hours</p> <p>2.For professionally qualified employees - at least 30 hours</p> <p>3.For others, including article assistants (excluding support functions) - at least 45 hours</p>			
ii	Has the firm implemented minimum number of hours of training as per its policy for proprietor/ partners?	<p>Scoring based on proprietor/ % of partners fulfilling the minimum training parameters</p> <p>The said score has to be calculated</p>	<p>If the proprietor/ % of partners fulfilling the minimum training parameters is:</p> <p>Less than or equal to 50% - 0 Point</p>	6

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Sections	Competency Basis	Score Criteria	Score Basis	Maximum Score
		for each year	More than 50% but less than or equal to 75% - 1 Point	
			More than 75% - 2 Points	
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	12

Section 2 - Human Resource Management

Sections	Competency Basis	Score Criteria	Score Basis	Maximum Score
			More than 75% - 4 Points	
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	<p>If the % of others fulfilling the minimum training parameters is:</p> <p>Less than or equal to 50% - 0 Point</p> <p>More than 50% but less than or equal to 75% - 3 Points</p> <p>More than 75% - 6 Points</p>	18
v	Does the firm have a policy and mechanism of Appraisal of its	Scoring based on Presence and implementation or Not. Yes/	For Presence of policy for appraisal - 3 Points	10

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Sections	Competency Basis	Score Criteria	Score Basis	Maximum Score
	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?	No Answers	For having set Standards for recruiting employees - 3 Points For Implementation- 4 Points (2 for each) For no policy- 0 Point	
Total				52
2.4	Resources Turnover & Compensation Management			
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	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	8

Section 2 - Human Resource Management

Sections	Competency Basis	Score Criteria	Score Basis	Maximum Score
	minimize the turnover ratio?		For not measuring and monitoring – 0 Point	
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
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
iv	Does the firm have an established	Scoring based on Presence or	For Yes – 4 Points For No – 0	4

Audit Quality Maturity Model - version 2.0

Sections	Competency Basis	Score Criteria	Score Basis	Maximum Score
	mechanism to listen to employees' views and suggestions?	Not. Yes/No Answers	Point	
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
Total				21
2.5	Qualification Skill Set of employees			
i	Does the firm have a policy to encourage Chartered Accountant employees (including partners) to pursue Diploma/ Certificate courses conducted by ICAI or	Scoring based on Presence or Not. Yes/No Answers	For Yes – 4 Points For No – 0 Point	4

Section 2 - Human Resource Management

Sections	Competency Basis	Score Criteria	Score Basis	Maximum Score
	courses conducted by Institutions of National/ International repute which can improve efficiency and quality of services rendered by the firm?			
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	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	24

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Sections	Competency Basis	Score Criteria	Score Basis	Maximum Score
		for each year	More than 25% but equal to or less than 50%- 6 Points More than or equal to 50%- 8 Points	
Total				28
2.6	Performance evaluation measures carried out by the firm (KPI's)			
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
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
iii	Is there a decided frequency for the evaluation and has been	Scoring based on Presence or Not. Yes/No Answers	For Yes – 4 Points For No – 0 Point	4

Section 2 - Human Resource Management

Sections	Competency Basis	Score Criteria	Score Basis	Maximum Score
	consistently followed?			
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
Total				16
Total of Section 2				150

Chapter 4

Section 3 - Digital Competency

Digitalization and technology have impacted the way our profession is perceived. These trends not just demand a change in the thought process but also a fundamental shift in the way professional firms are run. As newer digital technologies continue to emerge, firms must anticipate and gear up for the technological revolution. This section covers aspects relating to how effectively chartered accountancy firms utilize their digital skills, capabilities, and technologies in its operations and processes. Section 3 of the Audit Quality Maturity Model version 2.0 is Digital Competency.

The table below indicates the competency basis related to Digital Competency on which the firm has to assign a score to itself. The score criteria define the factors on the basis of which the score basis has been arrived. The last column indicates the maximum score that a firm may award itself for the respective competency.

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
3	DIGITAL COMPETENCY			
3.1	Managing Digital Identity			
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
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	2
			For regular updation - 1 Point	

Section 3 - Digital Competency

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
			For not having a website- 0 Point	
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
iv	Does the firm have a Social Media Presence? Is there a minimum of one update posted	Scoring based on Presence or Not. Yes/No Answers	For having a social media presence - 1 Point	2

Audit Quality Maturity Model - version 2.0

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	by the firm in a month?		For having a minimum one post - 1 Point	
			For not having a social media presence - 0 Point	
Total				8
3.2	Operational Process Automation			
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
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
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
iv	Are the time sheets being verified by the Partners/HR?	Scoring based on Presence or	For Yes – 1 Point For No – 0	1

Section 3 - Digital Competency

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
		Not. Yes/ No Answers	Point	
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
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
Total				6
3.3	Centralized file storage system/server			
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
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
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

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Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
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
Total				8
3.4	Application for invoicing and receivable management			
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
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
Total				2
3.5	Redundancy and Continuity			
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
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
iii	Is this process of backup automated?	Scoring based on Presence or	For Yes -1 Point For No - 0	1

Section 3 - Digital Competency

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
		Not. Yes/No Answers	Point	
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
Total				4
3.6	Laptop and Data Security			
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
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
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
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
v	Are critical communications digitally secured (either through	Scoring based on Presence or Not. Yes/No	For Yes -1 Point For No - 0 Point	1

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Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	digital signatures or passwords/other mechanism)?	Answers		
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
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	2
			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	
viii	Is there an IT policy available for the firm and is the policy being read and acknowledged and	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1

Section 3 - Digital Competency

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	regularly reiterated to the firms' employees?			
ix	Is there any password policy?	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1
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
Total				11
3.7	Copyright and Licenses			
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
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
Total				2
3.8	Digital Media for Communication			
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

Audit Quality Maturity Model - version 2.0

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
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
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
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
Total				4
3.9	Protecting Personal Data and Privacy			
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
ii	Are social media background checks	Scoring based on	For Yes -1 Point	1

Section 3 - Digital Competency

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	done before recruiting employees?	Presence or Not. Yes/No Answers	For No - 0 Point	
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
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
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
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
Total				6
3.10	Information Systems Related Audits/ Reviews			
i	Has the firm carried out audits relating to	Scoring based on	For Yes -1 Point	1

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Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	IT Security -General control reviews?	Presence or Not. Yes/No Answers	For No - 0 Point	
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
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
Total				3
3.11	Design of Application Level Controls			
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
Total				1
3.12	Custody of Digital Assets			
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
ii	Are the assets been given unique ID?	Scoring based on Presence or Not. Yes/No	For Yes -1 Point For No - 0 Point	1

Section 3 - Digital Competency

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
		Answers		
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
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
Total				4
3.13	Availability of qualified resource pool and talent development relating to digital competencies			
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
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
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

Audit Quality Maturity Model - version 2.0

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
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
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
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
Total				9
3.14	Level of automation relating to audit processes and nature of audit services being rendered			
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
ii	Does the firm use any application software/tool for	Scoring based on number of	1 to 2 Software -1 Point	3

Section 3 - Digital Competency

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	audit planning-including scheduling, resource deployment, tracking hours/days spent vs. budgeted time etc.?	software used during the review period	3 to 4 Software- 2 Points more than 4 Software -3 Points	
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
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
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
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	Scoring based on Presence or Not. Yes/No Answers	For Yes -1 Point For No - 0 Point	1

Audit Quality Maturity Model - version 2.0

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	process rather than conducting the normal manual audit techniques?			
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
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
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
	Total			11
3.15	Adaptation of advanced and emerging technologies			
i	Are there Mobile apps/APIs for the firm, clients, article assistants, etc. in	Scoring based on Presence or Not. Yes/No	For Yes -1 Point For No - 0 Point	1

Section 3 - Digital Competency

Section	Competency Basis	Score Criteria	Score Basis	Maximum Score
	which all the information pertaining to the firm is available and which is available to its staff as well as its clients?	Answers		
Total				1
Total of Section 3.				80

Chapter 5

Eligibility and Firm Maturity Level

Eligibility Criteria

A firm should score a minimum percentage under **each section** to become eligible for getting a level assigned. The minimum prescribed percentage under each section is:

Section Reference	Maximum Score	Minimum percentage required
Section 1 "Practice Management – Assurance"	370	30
Section 2 "Human Resource Management"	150	30
Section 3 "Digital Competency"	80	30
TOTAL	600	

If the firm fulfills the above-mentioned eligibility criteria, the firm shall compute the percentage of score achieved on the basis of the Actual Score divided by the Maximum Score (i.e. 600) multiplied by 100. Based on this percentage of score computed, the firm maturity level shall be determined.

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.

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