

AUDIT UPDATE

**Mandatory Evaluation of the
Audit Quality Maturity of CA
Firms using AQMM w.e.f. 1st
April 2023**



Firms mandated to assess their current level of maturity model using Audit Quality Maturity Model- AQMM rev v1.0 w.e.f. 1st April 2023

Background

- This mandate comes about a year after the launch of the AQMMv1.0 by the Centre for Audit Quality (CAQ) of ICAI in July, 2021. The revised AQMM rev v1.0 has been arrived after incorporating two changes in the AQMM v 1.0. With this the scores and the level arrived by the firms also need to be reviewed by a Peer Reviewer under Peer Review Mechanism of ICAI, which will be carried out alongside the peer review of the firm. Alternatively, the firm(s) may also choose to get their AQMM levels reviewed even before the peer review cycle gets due through an AQMM Reviewer. The level of the firm after being reviewed by the Peer reviewer/AQMM reviewer shall be hosted on the website of the ICAI alongside the details of the peer review certificate.
- The ICAI Centre of Audit Quality was established in the year 2020 with an objective to improve the audit quality of Chartered Accountant Firms for promoting confidence, reliability, and transparency among the stakeholders. Since its launch, the firms had been encouraged to carry out self-evaluation of the maturity of their audit quality to ascertain areas which needed to be strengthened. As of now, around 2000 chartered accountancy firms are proposed to be covered under this mandate. To help the firms take up the assessment an implementation guide and the FAQs have also been made available alongwith a detailed announcement regarding its applicability.

About Audit Quality Maturity Model (AQMM)

- The Audit Quality Maturity Model (AQMM) is an amalgamation of a well-researched set of Audit Quality Indicators (AQIs). It is a cross-functional evaluation model covering key areas of not only audit engagements but also audit practice at the firm level. It includes operations of the firm viz. revenue budgeting and pricing, audit practice manual, budgeting of

engagements, time sheet, use of technology adoption, quality control for engagements, Human Resource Management including resource planning and monitoring, performance evaluation and compensation, physical and IT infrastructure. The model has been developed after deep international research on systems to enhance audit quality and after widespread outreach activities conducted across India.

- The AQMM model is structured into 3 sections namely Practice Management (Operation), Human Resource Management and Practice Management -Strategic/Functional with a total score of 600 points. Based on the score(s) obtained under each of the sections, the firm shall arrive at a level ranging from Level 1 to 4. While Level 1 depicts that the firm is very nascent, Level 4 indicates that the firm has made significant adoption of standards and procedures. Accordingly, all firms must strive to achieve level 4 under the AQMM.

Applicability

- The Institute of Chartered Accountants of India (ICAI) has mandated the firms to undertake audit quality maturity evaluation through AQMM rev v1.0 w.e.f. 1st of April 2023. The mandate covers the firms auditing
 - a) A listed entity; or
 - b) Bank other than co-operative bank (except multi-state co-operative bank); or
 - c) Insurance Company

However, those firms which are conducting only branch audits are excluded from this mandate.

While the model is still mandatory for a certain set of firms, it would be in the interest of the other firms to take up self-evaluation using AQMM for assessing its level and identifying the strength and the concern areas for improvement.

Benefits to the firms

AQMM offers the following benefits to the firms:

- Assessing the current level of audit quality maturity
- Helps in identifying the areas needing improvisation
- Helps developing a roadmap for upgrading of the firms to the higher level of audit maturity
- Provides visibility to the firm by the Levels being hosted in the public domain

For detailed information on this aspect, please refer notification:

Mandatory Evaluation of The Audit Quality Maturity of The Firms using Revised Audit Quality Maturity Model (AQMM Rev v1.0) - (13-09-2022)

Website link: <https://www.icai.org/post/mandatory-evaluation-of-the-audit-quality-maturity-of-the-firms>

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