



The poster is for a virtual CPE meeting. At the top left is the ICAI logo and the text 'Bengaluru Branch of SIRC of The Institute of Chartered Accountants of India (Set up by an Act of Parliament)'. To the right is the CA logo. Below this is a gold seal with the name 'PRAGJNANA PRAYATHI' and the phrase 'Conscious Attentive'. The main title is 'AQMM VIRTUAL CPE MEETING ALL ABOUT AUDIT QUALITY MATURITY MODEL AND ITS EFFECT ON PEER REVIEW'. A magnifying glass is positioned over the word 'REVIEW'. To the right of the magnifying glass, it says '3 hrs Duration CPE'. Below that, it lists the speaker: 'Speaker: CA. R.S. Balaji Chennai'. At the bottom left, it specifies the date and time: 'APRIL 2023 27 5pm - 8pm'. At the bottom right, it states 'Delegate Fees - Rs.200/- Plus GST' and 'For Registration: please visit www.bangaloreicai.org'. At the bottom left, it lists 'CA. Divya .S Chairperson' and at the bottom right, 'CA. Manjunath M. Hallur Secretary'.

Bengaluru Branch of SIRC of  
The Institute of Chartered Accountants of India  
(Set up by an Act of Parliament)

CA

PRAGJNANA PRAYATHI  
Conscious Attentive

AQMM VIRTUAL CPE MEETING  
ALL ABOUT AUDIT QUALITY  
MATURITY MODEL AND  
ITS EFFECT  
ON PEER REVIEW

3 hrs  
Duration  
CPE

Speaker:  
CA. R.S. Balaji  
Chennai

APRIL 2023  
**27**  
5pm - 8pm

Delegate Fees -  
Rs.200/- Plus GST

For Registration:  
please visit  
[www.bangaloreicai.org](http://www.bangaloreicai.org)

CA. Divya .S  
Chairperson

CA. Manjunath M. Hallur  
Secretary

# All about AQMM & its effect on

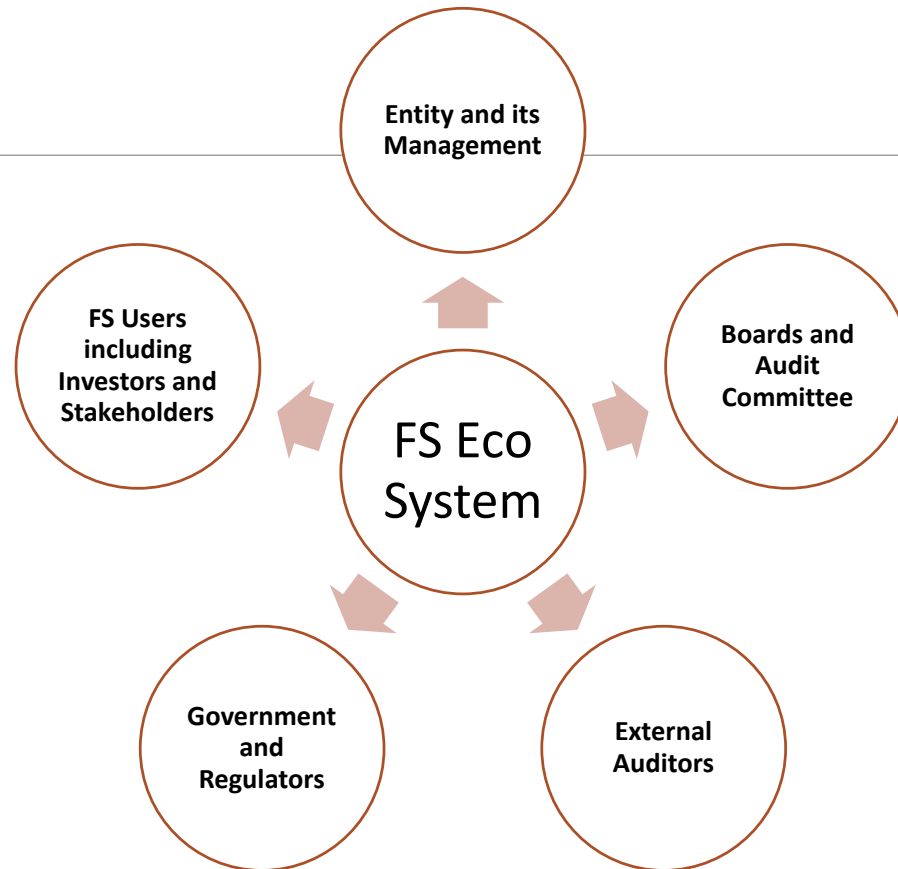
## Peer Review

**CA R S Balaji**

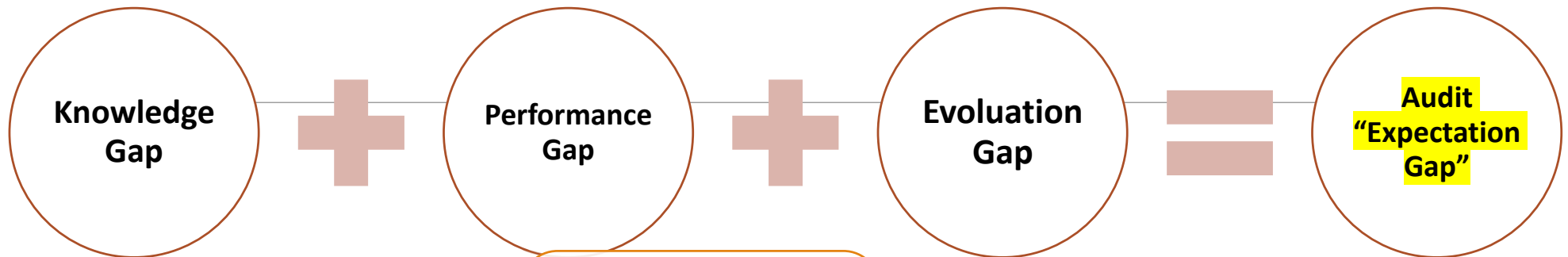
**Co-opted Member AASB of ICAI  
(2019-2022)**

**Bengaluru Branch of SIRC of ICAI**

# Financial Reporting Eco System



# Audit Expectation Gap



## “Knowledge Gap”

The difference between what the public thinks auditors do and what auditors actually do.

This recognizes that the public may misunderstand the role of auditors

## “Performance Gap”

Auditors

do not do

what auditing standards or regulations require

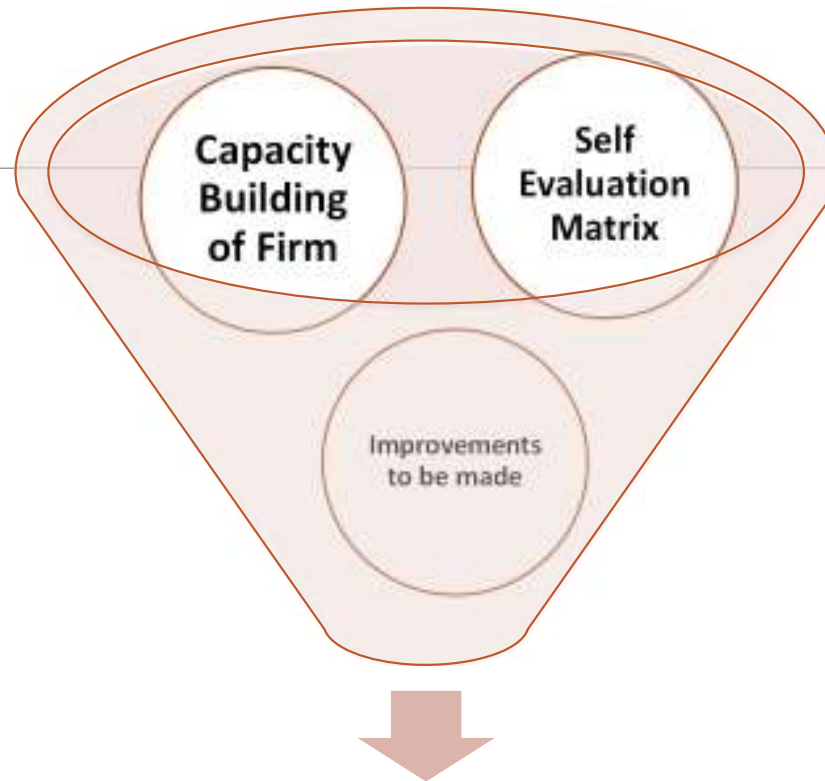
## “EVOLUTION GAP”

Areas of the audit where there is a need for evolution, taking into consideration the general public’s demand, technological advances, and how the overall audit process could be enhanced

**Audit Quality Maturity  
Model – Version 1.0  
(AQMM v1.0) developed  
by CAQ of ICAI**



# What is AQMM?



**Audit Quality Maturity Model**

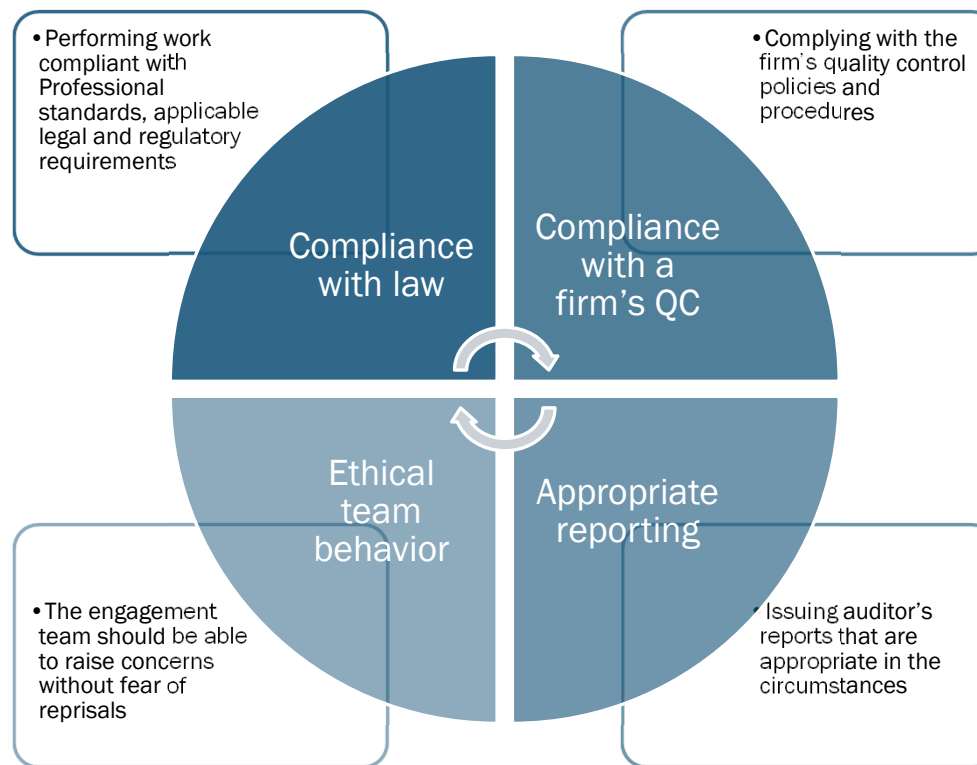
# Enhancing Audit Quality



## Enhancing Audit Quality

- Users depend on Audit Quality to have confidence in financial statements
- Audit quality is a complex subject and there is no analysis of it that has achieved universal recognition
- Audit quality should be improved at the Engagement, Firm and National levels

# How does one measure Audit Quality?



Source: IAASB

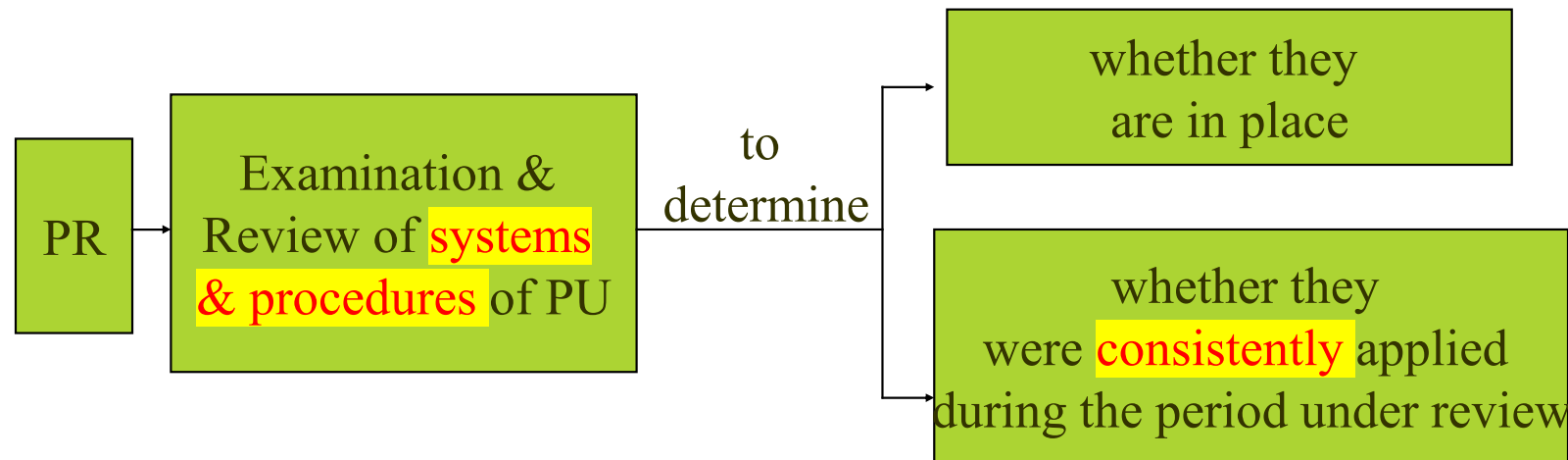
# PEER REVIEW MANDATE

Phase	Category of Firm	Mandatory Date
I	PU undertaking audit of listed entities	1/4/2022
II	PU's Proposing to undertake Audit of unlisted cos. With capital $\geq$ 500 cr., Turnover $\geq$ 1000 cr., loans $\geq$ 500 cr. on previous 31 <sup>st</sup> March OR <b>PU's having 5 or more partners (before accepting any Statutory Audit)</b>	1/4/2023 extended to <b>01/07/2023</b>
III	Proposing to take Audit of Cos. Having raised funds from public or banks or FI > 50 cr. during the period under review or any other public interest entity OR PU having 4 or more partners (before accepting any statutory audit)	1/4/2024
IV	Proposing to take SBA of public sector banks OR PU having 3 or more partners (before accepting such audit)	1/4/2025





# What is Peer Review- Peer Review Guidelines 2022



**To ensure Quality of Assurance Services  
as envisaged by Technical, Professional and Ethical Standards**

**Including AQMM wherever applicable or any other regulatory requirements**

Purpose is to Identify weakness in engagements rather than failure in engagements

# Objective of Peer Review

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- Not to find deficiencies but improve the quality of services rendered.
- Not to identify isolated cases of engagement failure but to identify the pervasive and chronic weakness.
- Not to sit on the judgement of the PU but to evaluate the procedure followed.

# Scope of Peer Review

- **Assurance Services**
- **Focus**
  - Compliance with **Technical, Professional and Ethical Standards**
  - Quality of Reporting
  - Office Systems and Procedures
  - Training Programme for Staff

Weakness  
Identified  
during Peer  
Review

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Audit documentation is not proper

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No Practice manual or Quality Review manual maintained

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Management Representation Letter not taken

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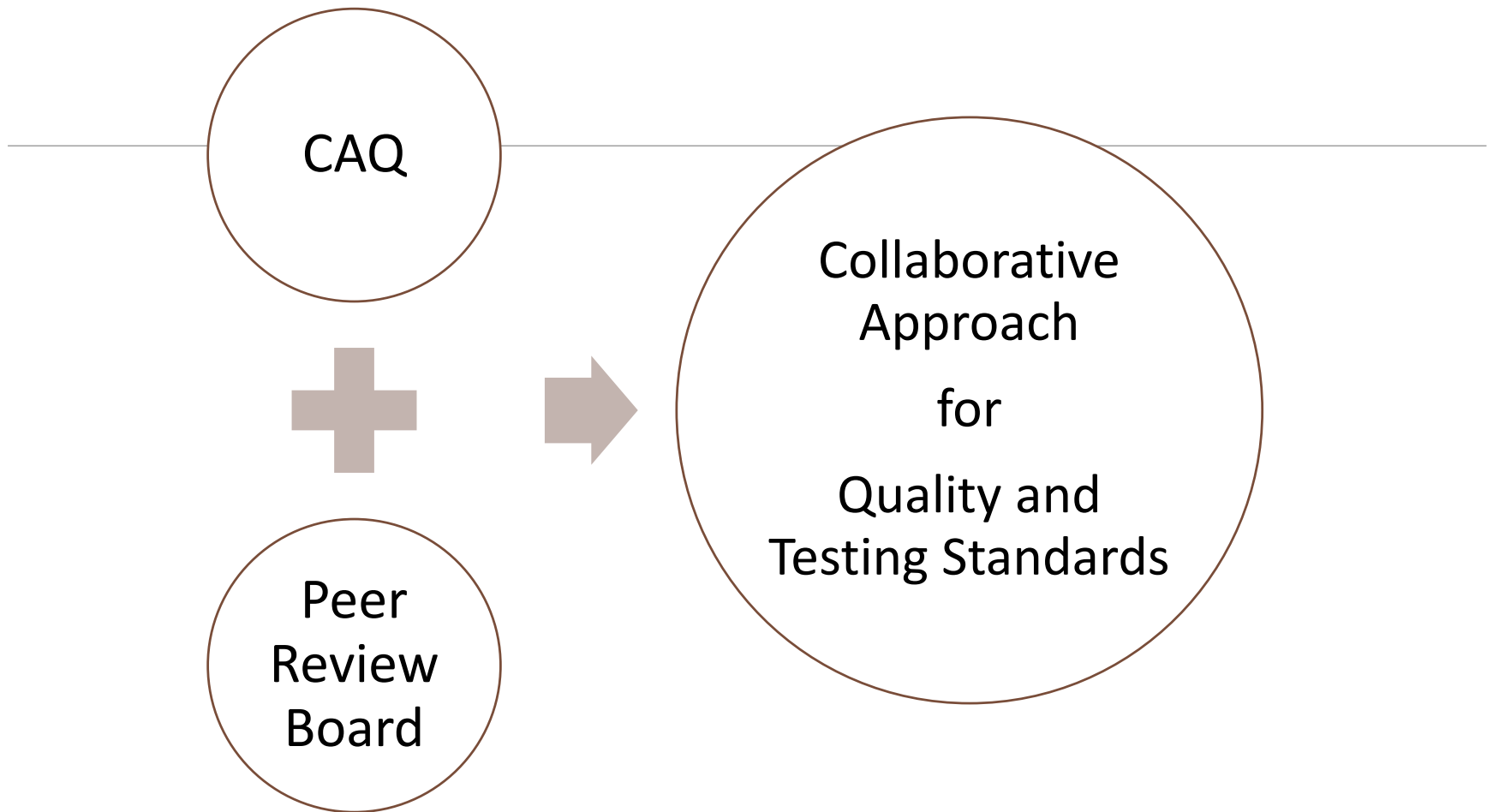
Written communication to those charged with governance not issued

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Technical standards not followed

# Peer Review Report

- Along with the Final Report, the RE has to attach following documents –
  - ❖ Annexure A – checklist of the documents submitted and compliance checklist.
  - ❖ Annexure I – comprising of 24 questions to be answered in “Yes/ No/ NA” format.
  - ❖ Annexure II – Compliance according to SQC 1 – 36 questions with many sub points under each question to be answered elaborately where ever necessary.
  - ❖ Annexure III – AQMM V 1.0 – self assessment by PU and assessment by PR in 3 parts – Total 600 marks.





**AQMM v 1.0 developed by  
Centre for Audit Quality  
(CAQ)**

# Applicability of AQMM v1.0 (issued in June 2021)



The AQMM v 1.0 will apply to 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.

AQMM would apply to firms auditing the above-mentioned entities.

It is **recommendatory for a year** and after a year the Council will review the date from which it would become mandatory.



# Firm Audit Quality Maturity Rating



Section Reference	Total Possible Points
Section 1. Practice Management – Operation	280
Section 2. Human Resource Management	240
Section 3. Practice Management - Strategic/Functional	80
<b>Total</b>	<b>600</b>

Basis:	Level	Description
Up to 25% in each section	Level 1 Firm	Indicates that the firm is in very nascent -will have to take immediate steps to upgrade its competency or will be left lagging behind.
Above 25% to 50% in each section	Level 2 Firm	Indicates firm has made some progress -will have to fine tune further to reach the highest level of competency.
Above 50% to 75% in each section	Level 3 Firm	Indicates firms which have made significant adaption of standards and procedures - Should focus on optimising further.
Above 75% in each section	Level 4 Firm	Indicates firms that have made significant adoption of standards and procedures – should focus on optimising further.

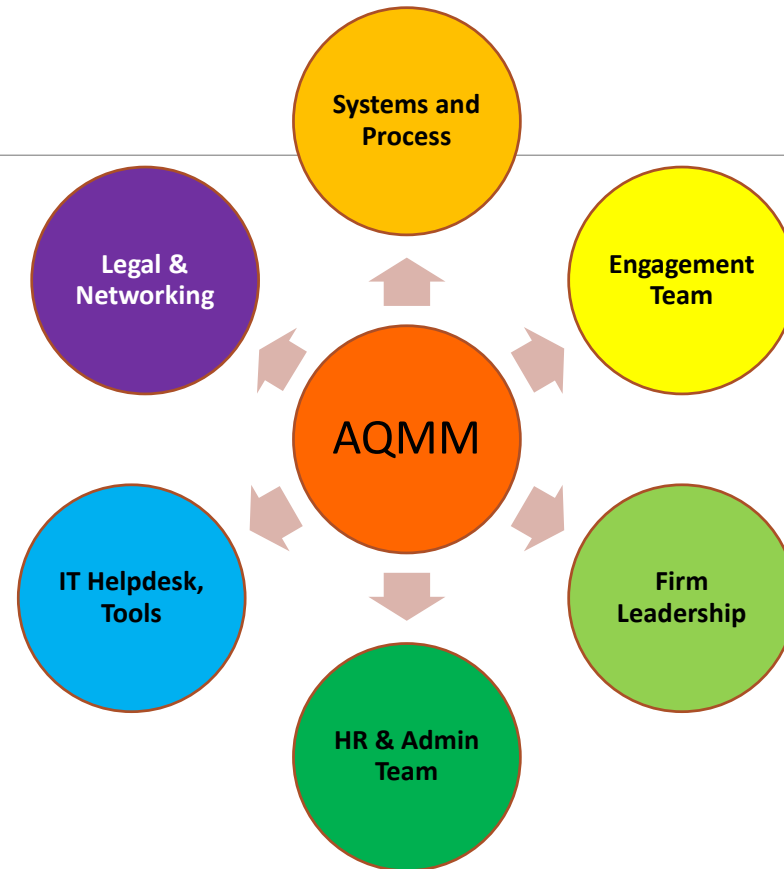
# AQMM – Matrix

**Strategic Functions  
(80 Points)**

Human Resource  
Management  
(240 Points)

Practice Management  
– Operations  
(280 Points)

# AQMM – Cross Functional Features



# Section 1 - Practice Management - Operation



Evaluation Criteria	Max Scores
1.1. Practice Areas of the Firm	12
<b>1.2. Work Flow - Practice Manuals</b>	<b>16</b>
<b>1.3. Quality Review Manuals or Audit Tool</b>	<b>24</b>
1.4. Service Delivery - Effort monitoring	36
<b>1.5. Quality Control</b>	<b>80</b>
1.6. Benchmarking of Service delivery	16
1.7. Client Sensitisation	16
<b>1.8. Technology Adoption</b>	<b>64</b>
1.9. Revenue, Budgeting & Pricing	16
<b>Total of Section 1.</b>	<b>280</b>

# Section 2 – Human Resource Management



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Evaluation Criteria	Max Scores
<b>2.1. Resource Planning &amp; Monitoring as per firm's policy</b>	<b>28</b>
2.2. Employee Training & Development	44
<b>2.3. Resources Turnover &amp; Compensation Management</b>	<b>104</b>
2.4. Qualification Skill Set of employees and use of expert	32
2.5 Performance evaluation measures carried out by firm (KPI's)	32
<b>Total of Section 2.</b>	<b>240</b>

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# Section 3 - Practice Management- Strategic/ Functional



Evaluation Criteria	Max Scores
3.1. Practice Management	20
<b>3.2. Infrastructure – Physical &amp; Others</b>	<b>48</b>
3.3. Practice Credentials	12
<b>Total of Section 3.</b>	<b>80</b>

# Audit Quality Maturity Model v 1.0 and its implementation



# 1. Practice Management - Operation



## 1.1 Practice Area of the Firm

(i) Revenue from  
audit and assurance  
services

- For Yes – 4 Points
- For No – 0 Point
- Max score=4

Minimum revenue of 50% of the total revenue from audit and assurance services is considered specialisation, when consistently witnessed for a period of 3 years. (Exception applies only in case of acquisition of another firm or a group of professionals).



# 1. Practice Management - Operation



## 1.1 Practice Area of the Firm

(ii) Does the firm have vision and mission statement? Does it address Forward looking Practice statements/Plans?

- For Yes – 4 Points
- For No – 0 Point
- Max score=4

Scoring based on presence and implementation or Not.  
Answers: Yes/No



## 1.2 Work Flow – Practice Manuals

(i) Presence of audit manuals containing the firm's methodology that ensures compliance with auditing standards and implementation thereof.

- For Yes – 8 Points
- For No – 0 Point
- Max score=8

(ii) Availability of standard formats relevant for Audit quality like –  
- LOE  
- Representation letter  
- Significant working papers  
- Reports and implementation thereof.

- For Yes – 8 Points
- For No – 0 Point
- Max score=8



## 1.3 Quality Review Manuals or Audit Tool

(i) Usage of client acceptance/engagement acceptance checklists and adequate documentation thereof

- For Yes – 4 Points
- For No – 0 Point
- Max score=4

(ii) Evaluation of Independence for all engagements (partners, managers, staff, trainees) based on the extent required. The firm must identify self – interest threat, familiarity threat, intimidation threat, self- review threat, advocacy threat and conflict of interest.

- For Yes – 4 Points
- For No – 0 Point
- Max score=4

(iii) Does the firm maintain and use the engagement withdrawal/rejection policy . templates etc?

- For Yes – 4 Points
- For No – 0 Point
- Max score=4



## 1.3 Quality Review Manuals or Audit Tool

(iv) Availability and use of standard checklists in performance of an audit for compliance with Accounting and Auditing Standard.

- For Yes – 4 Points
- For No – 0 Point
- Max score=4

(v) Availability and use of standard formats for Audit documentation of business understanding, Sampling basis, Materiality determination, Data Analyst and Control Evaluation.

- For Yes – 4 Points
- For No – 0 Point
- Max score=4

(vi) Are the documents related to Quality control mentioned from (i) to (v) above reviewed and updated on a frequent basis ( say annually) or with each change in the respective regulation or statute and remedial action taken?

- For Yes – 4 Points
- For No – 0 Point
- Max score=4



## 1.4 Service Delivery – Effort Monitoring

(i) Does the firm carry out a Capacity planning for each Engagement?

- For Yes – 4 Points
- For No – 0 Point
- Max score=4

(ii) Is a process of Budgeting & planning of efforts required maintained (hours/days/weeks)?

- For Yes – 4 Points
- For No – 0 Point
- Max score=4



## 1.4 Service Delivery – Effort Monitoring

(iii) Are budget vs Actual analysis of time and efforts spent carried out to identify the costing and pricing ?

- Up to 10% – 0 Point
- More than 10% and up to 30% – 4 Points
- More than 30% and up to 50% – 8 Points
- More than 50% and up to 70% – 12 Points
- More than 70% and up to 90% – 16 Points
- More than 90% – 20 Points
- Max score=20

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

- For Yes – 8 Points
- For No – 0 Point
- Max score=20



## 1.5 Quality Control for engagements

(i) Does the firm have a partner review/ Quality review for all audit assignments and is there a document of time spent for review of all engagements ?

- For Yes – 8 Points
- For No – 0 Point

(ii) Total engagements having concluded to be satisfactory as per quality review vs No of engagements quality reviewed

- Up to 10% – 0 Point
- More than 10% and up to 30% – 4 Points
- More than 30% and up to 50% – 8 Points
- More than 50% and up to 70% – 12 Points
- More than 70% and up to 90% – 16 Points
- More than 90% – 20 Points



## 1.5 Quality Control for engagements

(iii) No. of engagements without findings by ICAI, Committees of ICAI and regulators that require significant improvements

10% to 30% – 4 Points  
More than 30% and up to 50% – 8 Points  
More than 50% and up to 70% – 12 Points  
More than 70% and up to 90% – 16 Points  
More than 90% – 20 Points

(iv) Documentation of the firm in accordance with SQC 1

- For the presence of documentation in the critical areas of Ethical requirements, Acceptance and continuance of client relationships and specific engagements, and
- Engagement performance – 6
- Points
- For the presence of documentation in the areas of Leadership responsibilities for quality within the firm, Human resources, and Monitoring – 6 Points





## 1.5 Quality Control for engagements

(v) Does the firm have Accounting and Auditing Resources in the form of soft copies of archives Q&As, firm thought leadership, a dedicated/ Shared Technical desk?

For Yes - 8 Points

For No - 0 Point

Max score=8

(vi) Is appropriate time spent on understanding the business, risk assessment and planning an engagement? How have risks been mitigated through performance of audit procedures?

For Yes - 12 Points

For No - 0 Point

Max score=12



## 1.6 Benchmarking of service delivery

(i) Does the firm follow/ implement Standard delivery methodology – the adoption of audit manuals, adherence to practice standards and tools?

- For Yes – 4 Points
- For No – 0 Point
- Max score=4

(ii) The number of statutory audit engagements re-worked (filing errors, information insufficiency, wrong interpretation of provisions, etc.)

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



## 1.6 Benchmarking of service delivery

(iii) Number of client disputes (other than fees disputes) and how they are addressed.

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

(iv) Are the timing of audit interactions with management planned in such a way that integrates with the auditor's requirements so that audit timelines can be met? [Review frequency of back- log, engagement agreed upon and not commenced, WIP, etc. (Excl. of client-side delays)]

- For Yes - 12 Points
- For No - 0 Point
- Max score=12



## 1.7 Client Sensitisation

(i) Awareness meetings and knowledge dissemination meetings/ articles / documents sharing with clients including :

- 1) Updating client on audit issues, formally – effectiveness of the process of communication with management and those charged with governance;
- 2) Updating client on changes in accounting, legal , audit aspects etc. with client specific impact; and
- 3) Follow through on previous audit observations and updates to management and those charged with Governance.

For Yes – 8  
Points  
For No – 0  
Point  
Max Score -8

(ii) Monitoring planned hours vs actual hours across engagement; the focus is on the existence of a monitoring mechanism



## 1.8 Technology Adoption

### (i) Technology Adoption at Office

- Internal communication – chats ( for Yes – 4 Points , for No – 0 points )
- Has the firm automated its office with automated Attendance System and Leave management? ( for Yes – 4 Points , for No – 0 points )
- Project or activity management/ Timesheet management, ( for Yes – 4 Points , for No – 0 points )
- Digital storage of records (scan, etc.), ( for Yes – 4 Points , for No – 0 points )
- Centralised server/ Cloud ( for Yes – 4 Points , for No – 0 points )
- Digital Library (Own or ICAI) ( for Yes – 4 Points , for No – 0 points )
- Client interaction (Alerts, updates, availability of information in website, etc), ( for Yes – 4 Points , for No – 0 points )



## 1.8 Technology Adoption

### (i) Technology Adoption at Office

- Video conferencing facilities adopted, ( for Yes – 4 Points , for No – 0 points )
- Does the firm use only licensed operating system, software etc.? ( for Yes – 4 Points , for No – 0 points )
- Own E-mail domains, E-mail usage policies, etc. ( for Yes – 4 Points , for No – 0 points )
- Use of anti-virus and malware protection tools, ( for Yes – 4 Points , for No – 0 points )
- Data security, etc ( for Yes – 4 Points , for No – 0 points )
- Cyber security measures ( for Yes – 4 Points , for No – 0 points )



## 1.8 Technology Adoption

*(ii)* Awareness and Adoption of Technology for Service delivery – Say, use of Audit tools, usage of analytical tools, use of data visualisation tools or adoption of an audit tool.  
Note: DCMM Version 2 may be referred to arrive at the technical maturity of the firm/ CA

For Yes – 12 Points  
For No – 0 Point

Max Point - 12



## 1.9 Revenue, Budgeting & Pricing

(i) Whether the client wise revenue is in compliance with the Code of Ethics (currently fees from one client should not exceed 40% of total revenue) and once the deferred clauses of Part A are implemented this will be reduced to 15%.

- For Yes – 4 Points
- For No – 0 Point
- Max score=4

(ii) Fee considerations and scope of services should not infringe upon the quality of work and documentation as envisaged in SQC 1 under Leadership is responsible for quality within the firm.

- For Yes – 8 Points
- For No – 0 Point
- Max score=8

(iii) Adherence to a minimum scale of fees standards recommended by ICAI.

- For up to 50% of the engagements- 2 Points
- For More than 50% of the engagements – 4 Points
- For None – 0 Point





## 2. Human Resource Management

### 2.1 Resource Planning & monitoring as per the firm's policy

(i) Does the firm have a process of Employee/ Resources Planning for the engagements based on skill set requirement, experience etc.?

(ii) Methods/Tools used by the firm for Resource Allocation (use of spreadsheets, work-flow tools, etc.)

(iii) Is there a method of tracking the employee activity, to identify resource productivity (e.g. timesheet)?

For Yes – 4 Points  
For No – 0 Point  
Max score=4



## 2.1 Resource Planning & monitoring as per the firm's policy

(iv) Does the firm maintain a minimum Staff to Partner Ratio, Partner to Manager, Manager to Articles, Client to Staff ratio, etc.

- For Yes – 8 Points
- For No – 0 Point
- Max score=8

(v) Does the firm monitor the Utilisation & Realisation rate per employee

- For Yes – 4 Points
- For No – 0 Point
- Max score=4

(vi) Does the firm document the resource plan for each engagement and file it for reference during the engagement?

- For Yes – 4 Points
- For No – 0 Point
- Max score=4



## 2.2 Employee Training and development

(i) Does the firm have an employee training policy?

For Yes – 4 Points  
For No – 0 Point  
Max Score – 4 points

(ii) Number of Professional Development hours/days spent (Frequency) as a firm – per employee

**60 Hours per year for junior – Level:** 2 points for general training and 6 points for specialized technical training.

**30 – 60 per year for Mid- Level:** 2 Points for general training and 6 points for specialized technical training.

**More than 30 hours for partners:** 2 Points for general training and 6 points for specialized technical training.



## 2.2 Employee training & Development

(vi) Whether the firm has a performance management culture that rewards high performing employees and those who demonstrate high levels of quality and ethics?

For Yes - 8  
Points  
For No - 0 Point  
Max score=8



## 2.3 Resource Turnover & Compensation Management

(x) Special policies to provide people time to rejuvenate especially after busy audit seasons

For Yes – 4 Points  
For No – 0 Point  
Max score=4

(xi) Focused policies and support for staff well - being, engagement and communication

For Yes – 8 Points  
For No – 0 Point  
Max score=4

( xii) An established mechanism to listen to people and their views and suggestions. Credible Employee survey and its outcome demonstrate how well people are taken care of and heard.

For Yes – 8 Points  
For No – 0 Point  
Max score=8



## 2.3 Resource Turnover & Compensation Management

(xiii) Standards of recruiting people – Assessment methodology, evaluation of quality and fitment to the job and culture

For Yes – 4 Points  
For No – 0 Point  
Max score=4

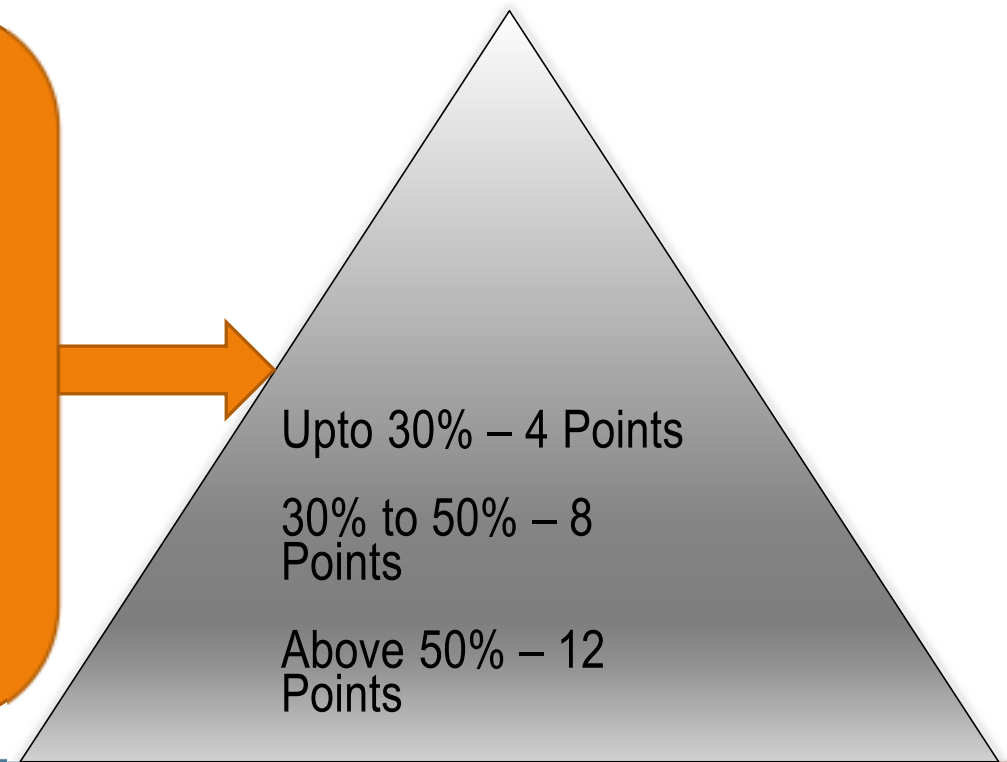
(xiv) Are the employees of the firm compensated as per a defined approach where salary is mapped to the knowledge and experience level of the employee?

For Yes – 4 Points  
For No – 0 Point  
Max score=4

## 2.4 Qualification Skill Set of employees and use of Experts



(iii) Members with Specialisation courses or Certifications – (Ranking can be based on newer areas or international qualification – say, Dip. IFRS or Firm Ind AS / IFRS Accreditation Requirements, etc.)



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



(i) Does the firm have written KPIs for performance evaluation of the firm and partners?

(ii) Method for measurement and evaluation as mentioned above (i) are determined / specific.

For Yes – 8 Points  
For No – 0 Point

Max Score - 8

(iii) There is a decided frequency for the evaluation and is consistently applied.

(iv) Are engagement partners reviewed based on the review results of the engagements of each partner.



## 3. Practice Management – Strategic/Functional



### 3.1 Practice Management

Does the firm Manage the following attributes relating to Assurance partners to maintain the same at optimum levels as deemed fit for the respective organisations?

(i) Does the firm have a balanced mix of experienced and new Assurance partners?

For average partner experience of partners > 5 years – 4 Points

For average partner experience of partners > 10 years – 8 Points

Max  
score=8

## 3. Practice Management – Strategic/Functional



### 3.1 Practice Management

Does the firm Manage the following attributes relating to Assurance partners to maintain the same at optimum levels as deemed fit for the respective organisations?

(ii) Is the firm compliant with the ICAI Code of Ethics, Companies Act 2013 and other regulatory requirements in relation to Professional Independence and Conflict of Interest?

For Yes – 8 Points  
For No – 0 Point

Max  
score=8

## 3. Practice Management – Strategic/Functional



### 3.1 Practice Management

Does the firm Manage the following attributes relating to Assurance partners to maintain the same at optimum levels as deemed fit for the respective organisations?

(iii) Is there is a 'whistle blower' policy?

For Yes – 4 Points  
For No – 0 Point

Max score=4

## 3. Practice Management – Strategic/Functional



### 3.2 Infrastructure – Physical & Others

Branches in the same city shall have only one point, branches in Metro and Tier -1 cities shall have additional points, team size per branch shall have additional points

(i) Number of Branches & Associates and network firms and affiliates

Upto 3 – 2 Points  
4 to 7 – 4 Points  
8 to 15 – 6 Points  
More than 15 – 8 Points

Max score=8

## 3. Practice Management – Strategic/Functional



### 3.2 Infrastructure – Physical & Others

Branches in the same city shall have only one point, branches in Metro and Tier -1 cities shall have additional points, team size per branch shall have additional points

(ii) Are branch level activities Centralised/ Decentralised in accounting, Invoicing, and Payroll processing

Centralised – 8 Points  
Decentralised – 4 Points

Max score=8

## 3. Practice Management – Strategic/Functional



### 3.2 Infrastructure – Physical & Others

Branches in the same city shall have only one point, branches in Metro and Tier -1 cities shall have additional points, team size per branch shall have additional points

(iii) Physical & Logical Security of Information are extended and implemented across locations?

For Yes – 8 Points  
For No – 0 Point

Max  
score=8

## 3. Practice Management – Strategic/Functional



### 3.2 Infrastructure – Physical & Others

Branches in the same city shall have only one point, branches in Metro and Tier -1 cities shall have additional points, team size per branch shall have additional points

(iv) Are there adequate Data Analytics tools and IT infrastructure available and are they being used for the relevant assignment?

For Yes – 12 Points  
For No – 0 Point

Max  
score=12

## 3. Practice Management – Strategic/Functional



### 3.2 Infrastructure – Physical & Others

Branches in the same city shall have only one point, branches in Metro and Tier -1 cities shall have additional points, team size per branch shall have additional points

(v) Is the infrastructure adequate in terms of internet/intranet network bandwidth/ VPN/Wi-Fi etc. for remote working?

For Yes – 12 Points  
For No – 0 Point

Max  
score=12





### 3.3 Practice Credentials

What are the credentials of the firm that distinguish the firm or stands as testimony to the quality of the firm:

(i) Is the firm ICAI Peer Review certified?	For Yes – 4 Points For No – 0 Point	Max score=4
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### 3.3 Practice Credentials

What are the credentials of the firm that distinguish the firm or stands as testimony to the quality of the firm:

(ii) Empanelment with RBI and C&AG	For Yes – 8 Points For No – 0 Point	Max score=8
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### 3.3 Practice Credentials

What are the credentials of the firm that distinguish the firm or stands as testimony to the quality of the firm:

(iii) Is there an advisory as well as a decision, to not allot work due to unsatisfactory performance by the CAG office?

For Yes – (-5) Points  
For No – 0 Point

Max score=0



### 3.3 Practice Credentials

What are the credentials of the firm that distinguish the firm or stands as testimony to the quality of the firm:

(iv) Have any Government Bodies/  
Authorities evaluated the  
performance of the firm to the extent  
of debarment/ blacklisting?

For Yes – (-10) Points  
For No – 0 Point

Max score=0



### 3.3 Practice Credentials

What are the credentials of the firm that distinguish the firm or stands as testimony to the quality of the firm:

(v) Any negative assessment in the report of the Quality Review Board?

For Yes – (-5) Points  
For No – 0 Point

Max score=0



### 3.3 Practice Credentials

What are the credentials of the firm that distinguish the firm or stands as testimony to the quality of the firm:

(vi) Has there been a case of professional misconduct on the part of a member of the firm where he has been proved guilty?

For Yes – (-5) Points  
For No – 0 Point

Max score=0

# Firm Audit Quality Maturity Rating



Section Reference	Total Possible Points
Section 1. Practice Management – Operation	280
Section 2. Human Resource Management	240
Section 3. Practice Management - Strategic/Functional	80
<b>Total</b>	<b>600</b>

Basis:	Level 1 Firm	Level 2 Firm	Level 3 Firm	Level 4 Firm
Up to 25% in each section	Indicates that the firm is in very nascent -will have to take immediate steps to upgrade its competency or will be left lagging behind.			
Above 25% to 50% in each section		Indicates firm has made some progress -will have to fine tune further to reach the highest level of competency.		
Above 50% to 75% in each section			Indicates firms which have made significant adaption of standards and procedures - Should focus on optimising further.	
Above 75% in each section				Indicates firms that have made significant adoption of standards and procedures – should focus on optimising further.

# Section 1 - Practice Management - Operation



Evaluation Criteria	Max Scores
1.1. Practice Areas of the Firm	12
<b>1.2. Work Flow - Practice Manuals</b>	<b>16</b>
<b>1.3. Quality Review Manuals or Audit Tool</b>	<b>24</b>
1.4. Service Delivery - Effort monitoring	36
<b>1.5. Quality Control</b>	<b>80</b>
1.6. Benchmarking of Service delivery	16
1.7. Client Sensitisation	16
1.8. Technology Adoption	64
1.9. Revenue, Budgeting & Pricing	16
<b>Total of Section 1.</b>	<b>280</b>



# Section 2 – Human Resource Management



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Evaluation Criteria	Max Scores
<b>2.1. Resource Planning &amp; Monitoring as per firm's policy</b>	<b>28</b>
2.2. Employee Training & Development	44
2.3. Resources Turnover & Compensation Management	104
2.4. Qualification Skill Set of employees and use of expert	32
2.5 Performance evaluation measures carried out by firm (KPI's)	32
<b>Total of Section 2.</b>	<b>240</b>

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# Practical Aspects for Conceptual Clarity & Compliance

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Specific Audit  
Documentation

Acceptance  
Related  
Matters

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Pre-Audit Correspondence

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Appointment Letter

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Consent Letter

---

Communication with Previous Auditor

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Client Acceptance Checklist

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Engagement Letter

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Specific Audit  
Documentation

Communication  
&  
Work Aspects

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# Letter of Confirmation

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# Representations by the Management

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# Correspondence Concerning Significant Matters

SA 240, SA 260, SA 265, SA 701

# Sequence of Events – Step 2

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Communication with the Previous Auditor

Clause 8 of Part 1 of First Schedule

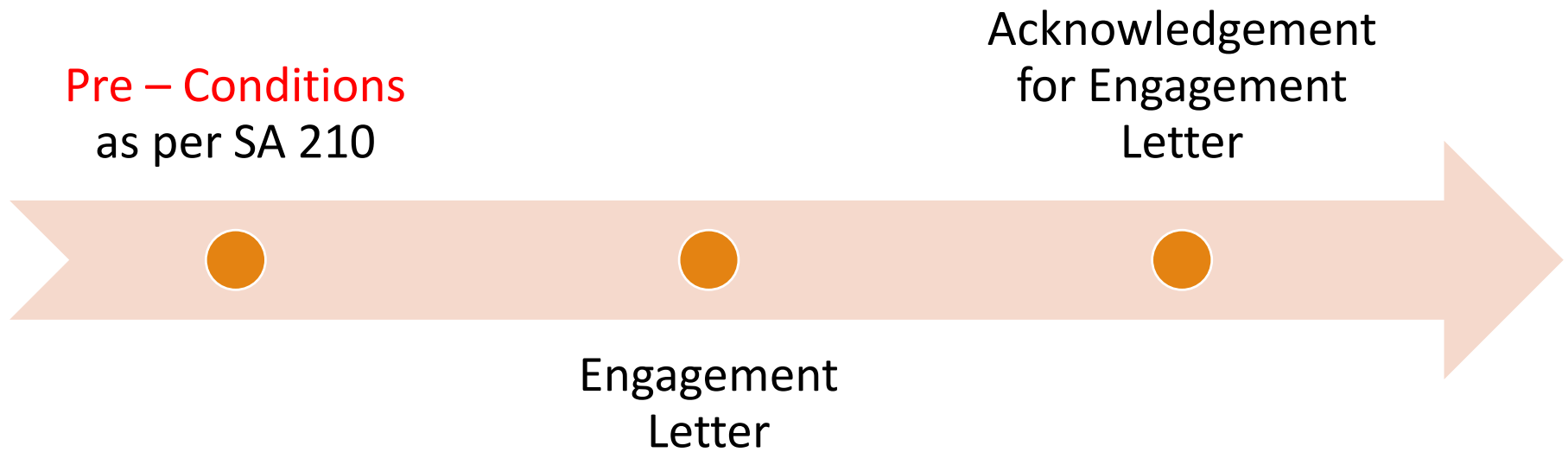


Verification of Validity of Appointment

Clause 9 of Part 1 of First Schedule

# Sequence of Events – Step 3

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# Practical Implications of Certain Important Standards

SA	Important SA's Regarding Ensuring Quality and base Work
210	Agreeing The Terms Of Audit Engagements
220	Quality Control for an Audit of Financial Statements
240	<b>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</b>
250	Consideration of Laws and Regulations in an Audit of Financial Statements
300	Planning an Audit of Financial Statements
315	Identifying & Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment
330	The Auditor's Responses to Assessed Risks
450	Evaluation of Misstatements Identified during the Audit
550	Related Parties
570	<b>Reporting on Going Concern</b>
600	Using the Work of Another Auditor
700	Forming an Opinion & Audit Report Format
701-705	Key Audit Matters Reporting - Modifications in Audit Reporting
720	Other Information



# Peer Review Enabler Module in Audit tools

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# Useful Reference Materials from ICAI

## **1. Practitioner's Guide to Audit of Small Entities**

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<https://resource.cdn.icai.org/58215aasbpg2020.pdf>

## **2. Implementation Guide to SA 230 – Audit Documentation**

<https://resource.cdn.icai.org/53548aasb42961.pdf>

## **3. E- Booklet on Sample Check List on SAs:**

**Ready Referencer for Practitioners & CA Firms**

<https://resource.cdn.icai.org/54214ccbmp43510.pdf>

# Thank You!

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**Member, Academic Council of Sri Sankara Arts  
& Science College, Kanchipuram**

**Member, Editorial Board of Padhuka's Publications**

**Member, Faculty Team of Shri Gurukripa's  
Institute of Management**

