



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



AUDIT QUALITY MATURITY MODEL

Version 2.0

CENTRE FOR AUDIT QUALITY DIRECTORATE



Audit Quality Maturity Model (AQMM)

Background

- The Audit Quality Maturity Model (AQMM v 1.0) is a cross-functional evaluation model developed with an objective to enable the Audit firms to evaluate their current level of Audit Maturity and also identify areas where competencies need to be strengthened.
- The AQMM v 1.0 is 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 CompaniesHowever, the firms conducting only branch audits are not covered.
- The Implementation Guide was also released by CAQD in February 2022.

Audit Quality Maturity Model (AQMM)

Sections, scoring and level of firms in version 1.0

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

If the firm has different scoring in different sections, then the one with the lowest score is to be considered for the purposes of overall ranking of the Firm

Scores Received	Level	Narrative
Up to 25% in each section	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 behind
25% to 50% in each section	Level 2 Firm	Indicates firm has made some progress -will have to fine-tune further to reach the next level of competency
50% to 75% in each section	Level 3 Firm	Indicates firm has made substantial progress -will have to fine-tune further to reach the highest level of competency
75% in each section	Level 4 Firm	Indicates firms that have made significant adoption of standards and procedures - Should focus on optimising further



Audit Quality Maturity Model (AQMM)

Some major changes proposed in AQMM v 2.0

- Separate Annexures for presence and implementation of Checklist, formats and Templates. Accordingly, Clauses which are covered under Checklist, formats and Templates have been removed.
- A separate Section to evaluate the digital competency of firms has been introduced. Accordingly, existing clauses containing criteria related to Digital competency have been removed and incorporated under this section.
- Some new clauses have been introduced.
- Some existing AQIs have been reworded for better understanding.
- Score basis and maximum scores have been revised for certain clauses.
- Some clauses which were difficult to objectively quantify have been dropped.

Audit Quality Maturity Model (AQMM)

Scoring pattern proposed to be redefined in AQMM v 2.0

- More weightage to Section 1-“Practice Management – Operation” as it is the core area for determining Audit Quality
- Section 3 - “Practice Management – Strategic / Functional” of AQMM v 1.0 has been merged with Section 1- “Practice Management – Operations”
- Introduction of new section 3 – “Digital Competency” to ascertain digital competency of firms

Section Reference	Maximum Score	%
Section 1 “Practice Management – Operation”	370	61.67
Section 2 “Human Resource Management”	150	25.00
Section 3 “Digital Competency”	80	13.33
TOTAL	600	100.00

Audit Quality Maturity Model (AQMM)

Sections, scoring and level of firms proposed in AQMM v 2.0

Section Reference	Maximum marks	Minimum % required	Minimum Marks required
Section 1 "Practice management – Operation"	370	20 %	74
Section 2 "Human Resource Management"	150	20 %	30
Section 3 "Digital Competency"	80	20 %	16

Eligibility
Criteria-
Minimum marks
to be scored under
each Section

Audit Quality Maturity Model (AQMM)

Ascertainment of Level- Overall Range of Score in AQMM v 2.0

Level	Scores Received		Narrative
	Greater than or equal to	Less than	
Level 1 Firm	20 %	40 %	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	40 %	60 %	Indicates firm has made some progress -will have to fine-tune further to reach the next level of competency
Level 3 Firm	60 %	80 %	Indicates firm has made substantial progress -will have to fine-tune further to reach the highest level of competency
Level 4 Firm	80 %	100 %	Indicates firms that have made significant adoption of standards and procedures - Should focus on optimising further

Audit Quality Maturity Model (AQMM)

Reconciliation of clauses and scores between version 1.0 vs version 2.0

Section	1		2		3 moved to 1		3		Total	
	Practice management – Operations		Human Resource Management		Practice Management – Strategic / Functional		Digital Competency			
	Clauses	Scores	Clauses	Scores	Clauses	Scores	Clauses	Scores		
AQMM v 1	31	280	31	240	14	80			76	600
Scores revised upwards	-2	-12	-4	-48	-	-	-	-	-6	-60
Scores revised upwards	2	37	4	78	-	-	-	-	6	115
Scores revised downwards	-2	-12	-7	-52	-	-	-	-	-9	-64
Scores revised downwards	2	7	7	26	-	-	-	-	9	33
Covered in Annexure	-13	-76	-3	-12	-1	-8	-	-	-17	-96
New Clause (Annexure)	1	230	-	-	-	-	-	-	1	230
Dropped - Covered with existing clause	-3	-28	-7	-64	-	-	-	-	-10	-92
Dropped - Difficult to quantify (incl. -ve scores)	-2	-	-3	-16	-3	-28	-	-	-8	-44
Moved to negative marking	-3	-44	-1	-8	-	-	-	-	-4	-52
Moved to negative marking	3	-	1	-	-	-	-	-	4	-
New clause (-ve scoring)	5	-	-	-	-	-	-	-	5	-
New clause	1	30	6	26	-	-	-	-	7	56
Creation of New Section 3 - Digital Competency	-3	-72	-3	-20	-1	-12	70	80	63	-24
Moved to Section 1 from 3 (incl -ve scoring)	10	30	-	-	-9	-32	-	-	1	-2
AQMM v 2	27	370	21	150	-	-	70	80	118	600

In case of 3 clauses in Section 1 and 1 clause in Section 2 with 36 and 8 marks respectively, there is a change in AQI wordings. There is no change in 2 clauses in Section 2 with 12 marks.



Audit Quality Maturity Model (AQMM)

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- Version 2.0 may be made applicable to Practice Units which submit Form 1 on or after 01.04.2025.
- The Practice Units may however be given a discretion for earlier adoption of AQMM v 2.0 after the same has been approved by the Council.



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The related files can be accessed at the following links:

1. AQMM v 2.0 <https://rb.gy/4gpnvs>
2. Presentation summarizing the proposed changes <https://rb.gy/qksppp>
3. Comparison of AQMM v 1.0 and AQMM v 2.0 <https://rb.gy/l23c0o>

Last date for submission of comments is 2nd August, 2024



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