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Importance of AQMM in Peer Reveiw

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- Presentations are intended to be dissuasive and not conclusive.
- A presentation is not a replacement for a formal opinion on a point of law which may require to be addressed.
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Today’s Agenda

- Meaning and Objective of AQMM
- Peer Review and AQMM differences
- AQMM : Applicability
- Key Sections & Its Scoring Model
- Focus Areas for Evaluation

Similar Objective but Different Approach

	Peer Review	AQMM
Meaning	An Independent Assessment	Self Assessment
Focus	Compliance with AS, SA and other regulatory requirements	Quality management System
Review	Completed Assurance Engagements	Existence of quality ecosystem
Assessment	Performance based	Capability based

Capability in AQMM means whether the firm has an ability to **consistently** deliver high-quality audit and assurance services **through its people, systems, processes, technology , governance and other resources.**

AQMM : Meaning & Objective

AQMM is a **self evaluation** model for practicing firms covering audit team, leadership team, HR, IT , Admin and MIS functions of the firm.

It is developed to enable the firms to assess their current level of maturity, identify areas of improvement and to work towards higher level of maturity

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AQMM Applicability

The AQMM 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.

AQMM Applicability: Widened Scope

The AQMM has been made mandatory in a phased manner for following categories of firms:

Sr No.	Category of firms	Date of applicability (peer review conducted on or after)
1	Firms **which are subject to Peer Review and** auditing the Holding/Subsidiary/ Associates/Joint Ventures of the following entities: a) A Listed Entity b) Banks other than Co-operative banks (Except multi- state Co-operative banks) c) Insurance Companies However, the firms conducting only branch audits are not to be covered	April 1, 2026

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AQMM Applicability: Widened Scope

Sr No.	Category of firms	Date of applicability (peer review conducted on or after)
2	Firms which **propose to undertake** Statutory Audit of **unlisted public companies** having paid-up capital of not less than rupees five hundred crores or having annual turnover of not less than rupees one thousand crores or having, in aggregate, outstanding loans, debentures and deposits of not less than rupees five hundred crores as on the 31st March of immediately preceding financial year.	April 1, 2026

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AQMM Applicability: Widened Scope

Sr No.	Category of firms	Date of applicability (peer review conducted on or after)
3	Firms which propose to undertake the Statutory Audit of entities which have raised funds from public or banks or financial institutions of over Fifty Crores rupees during the period under review or of any body corporate including trusts which are covered under public interest entities.	April 1, 2027

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Key Sections & Score Model

Key Sections	Maximum score	% of Weightage	Minimum %	Minimum score required
Section 1 Practice management – Assurance	370	61.67%	30	111
Section 2 Human Resource Management	150	25%	30	45
Section 3 Digital Competency	80	13.33%	30	24
Total	600	100		

Maturity Level Criteria

Score Range	Level of Firm
30 % to 50%	**Level 1**
51% to 70%	**Level 2**
71 % to 85%	**Level 3**
Above 85%	**Level 4**

So , Level 1 indicates the nascent performance of the firm, with a lot of scope for improvement. As against Level 4 which indicates significant adoption of standards and procedures and should work towards optimization.

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Section 1 Practice Management: Assurance

- SQC Policies
- Audit Manuals and Documentation policy
- Audit Planning and Risk Assessment
- Independence & Ethical Compliance
- Use of Audit Programs and Checklists
- EQCR Process and Implementation
- Training and Seminars

Section 2 Human Resource Management

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- HR Policies
- Appointment Letters
- Training
- Staff to Partner Ratio
- Performance Appraisal Mechanism
- Employee Retention
- Existence and implementation of feedback Mechanism from employees
- Statutory Compliance

Section 3 Digital Competency

- IT Related Policies and its implementation
- Identify Process Automation such as compliance calender, EL formats
- Centralized System of Documentation
- Data Backup and DRP
- Cybersecurity Controls
- Usage of Licensed Software
- Implementation of Data Privacy Measures
- Audit Tools
- Use of Data Analytics , AI and training

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The true success of AQMM lies not in achieving high score , but the quality culture it creates.