

CENTRE FOR AUDIT QUALITY

AUDIT QUALITY MATURITY MODEL (V 1.0)

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The Institute of Chartered Accountants of India

With you today

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Audit Quality Maturity Model – Version 1.0 (AQMM v1.0)

AQMM is

- Capacity building Measure
- Self evaluate Audit Maturity
- Identify areas of competencies
- Road Map for Up-grading to Higher level of Maturity

Enhancing Audit Quality



Enhancing Audit Quality

- Users depend on Audit Quality to have confidence in financial statements
- Audit quality is a subject and complex subject
- Audit quality should be improved at the Engagement, Firm and National levels



Weaknesses identified during Peer Review

- ▶ Technical standards not followed
- ▶ Audit documentation is inadequate
- ▶ Management Representation Letter not taken
- ▶ Written communication to TCWG not issued
- ▶ No Practice manual or Quality Review manual maintained

To address this and to identify areas where Audit firms are good or lacking and develop roadmap for upgrading to a higher level of maturity this project is a collaborative approach by Peer Review Board and Centre for Audit Quality

Objectives of a Framework for Audit Quality



Source: IAASB



How does one measure Audit Quality?





Let's scale new heights of success
through the AQMM (V 1.0)



Poll Question 1



Poll Question 2

-
-
-



Applicability of AQMM v1.0

The AQMM v1.0 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.



Section 1 - Practice Management - Operation

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

Section 2 – Human Resource Management



Evaluation Criteria	Max Scores
2.1. Resource Planning & Monitoring as per firm's policy	28
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
Total of Section 2.	240

Section 3 - Practice Management- Strategic/ Functional



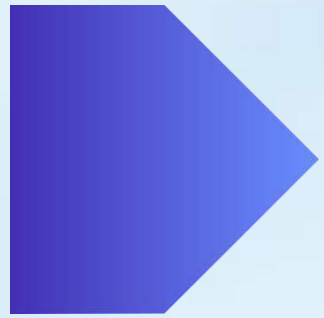
Evaluation Criteria	Max Scores
3.1. Practice Management	20
3.2. Infrastructure – Physical & Others	48
3.3. Practice Credentials	12
Total of Section 3.	80



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
Total	600

Basis:	Up to 25% in each section	Level 1 Firm	Indicates that the firm is nascent stage -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 develop further to reach the highest level of maturity.
	Above 50% to 75% in each section	Level 3 Firm	Indicates firm has 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 stay focused on leadership in all areas



1: Practice Management – Operation





1. Practice Management - Operation

1.1 Practice Area of the Firm

(i) Revenue from audit and assurance services

- 50% to 75% - 5
- Above 75% - 8
- Max score=8

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. Practice Management - Operation

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. Practice Management - Operation

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. Practice Management - Operation

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. Practice Management - Operation

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. Practice Management - Operation

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 ?
(scoring based on % of engagements in which compliance with budget vs actual is carried out)

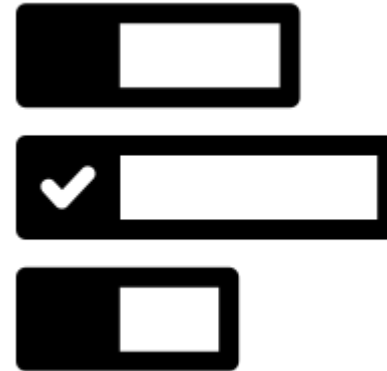
- Up to 10% – 0 Point
- More than 10% and up to 30% – 4 Points
- More than 30% and up to 50% – 8 Points
- More than 50% and up to 70% – 12 Points
- More than 70% and up to 90% – 16 Points
- More than 90% – 20 Points
- Max score=20

(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: 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=8



Poll Question 3





1. Practice Management - Operation

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

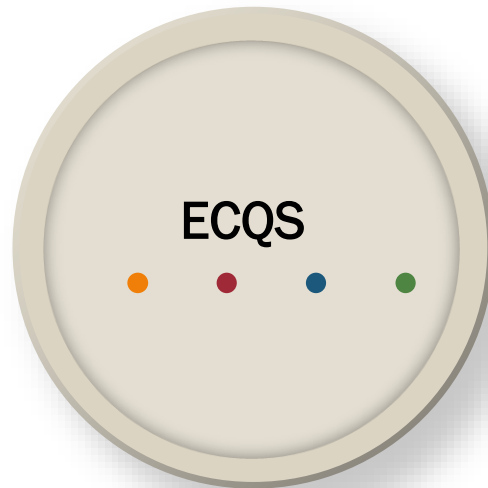
(ii) Total engagements having concluded to be satisfactory as per quality review vs No of engagements quality reviewed

(scoring based on % of quality review with overall engagements of the same)

- 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



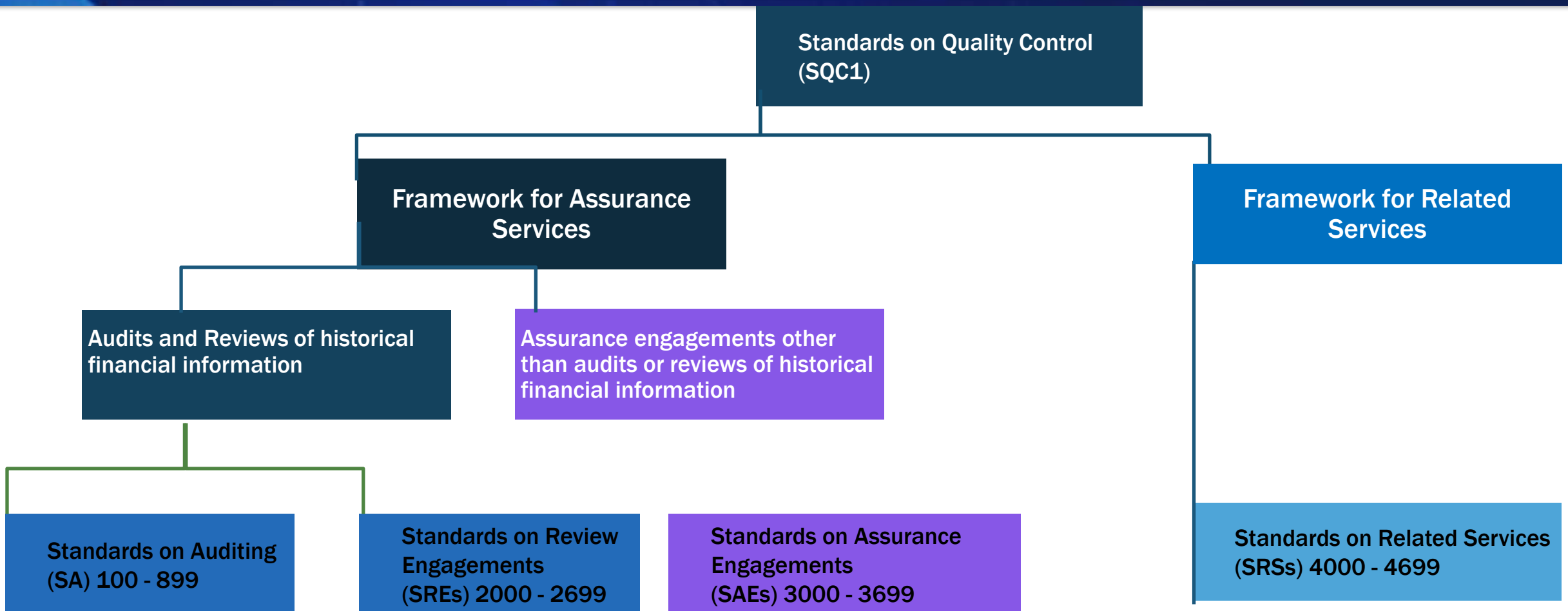
Framework on Engagement Standards



- Standards on Auditing (SAs)
- Standard on Review Engagements (SREs)
- Standard on Assurance Engagements (SAEs)
- Standard on Related Services (SRSs)
- Standard on Quality Control (SQC) – SQC1

AGENDA –Engagement and Quality Control Standards (ECQS) – Standard on Auditing

Structure of Standards issued by the Auditing and Assurance Standards Board (AASB)



WHY ARE AUDITING STANDARDS IMPORTANT



PRINCIPLE BASED STANDARDS – Applicable to all Practicing Chartered Accountants



Auditing Standards are mandatory to be followed by practitioners under the direction issued by the Council of ICAI.

01
ICAI



Section 143(9) of the Companies Act, 2013 requires every auditor to comply with the Auditing Standards.

02
Companies Act



If not complied with Auditing Standards in performing Assurance Engagement, CA shall be held guilty of Professional misconduct under Schedule-II to the Chartered Accountants Act, 1949.

03
Ethics - ICAI

Engagement and Quality Control Standards



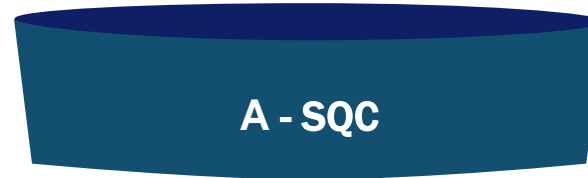
Standards Issued till date

A - SQC 1 - (1 Issued)

“Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements”

B - Standard on Auditing (38 Issued)

- 100-199 Introductory Matters
- 200-299 General Principles and Responsibilities (9 Issued)
- 300-499 Risk Assessment and Response to Assessed Risks (6 Issued)
- 500-599 Audit Evidence (11 Issued)
- 600-699 Using Work of Others (3 issued)
- 700-799 Audit Conclusions and Reporting (6 Issued)
- 800-899 Specialized Areas (3 issued)



A - SQC



B - SA



C - SREs



D - SAEs



E - SRSs

C. 2000-2699 Standards on Review Engagements (SREs) (2 Issued)

D. 3000-3699 Standards on Assurance Engagements (SAEs)
•3000-3399 Applicable to All Assurance Engagements
•3400-3699 Subject Specific Standards (3 issued)

E. Related Services
4000-4699 Standards on Related Services (SRSs) (2 issued)



INTRODUCTION TO ISQM 1

WHAT?



ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, replaces the IAASB's current standard, International Standard on Quality Control (ISQC) 1, which addresses firms' systems of quality control.

Under ISQM 1, firms are required to design a system of quality management to manage the quality of engagements performed by the firm.

ISQM 1 applies to all firms that perform audits or reviews of financial statements, or other assurance or related services engagements (i.e., if the firm performs any of these engagements, ISQM 1 applies to managing quality for those engagements).



Firms are required to have their system of quality management designed and implemented by Aug 05, 2022



ISQM 1 consists of:

Eight components that operate in an iterative and integrated manner; and

Other requirements, comprising the roles and responsibilities for the system, leadership's overall evaluation of the system, network requirements or network services and documentation.



INTRODUCTION TO ISQM 1

HOW?



MORE ROBUST GOVERNANCE AND LEADERSHIP

ISQM 1 addresses, among other matters:

The firm demonstrating a commitment to quality through its culture which exists throughout the firm – includes recognizing and reinforcing:

The firm's role in serving the public interest by consistently performing quality engagements
The importance of quality in the firm's strategic decisions and actions, including those related to the firm's financial and operational priorities

The roles, responsibilities and accountability of leadership, leadership's qualifications, and undertaking performance evaluations of leadership annually



INTRODUCTION TO ISQM 1

ESTABLISH QUALITY OBJECTIVES

- ISQM 1 prescribes outcome- based quality objectives in the components – these are comprehensive
- The firm establishes additional quality objectives that the firm considers are necessary to achieve the objectives of the system of quality management

IDENTIFY AND ASSESS QUALITY RISKS

- The firm understands the conditions, events, circumstances, actions or inactions that could adversely affect the achievement of the quality objectives
- The firm focuses on the nature and circumstances of the firm and engagements it performs

DESIGN AND IMPLEMENT RESPONSES

- The firm designs and implements responses that address the quality risks
- ISQM 1 includes some specified responses – the specified responses are not comprehensive

IDENTIFY INFORMATION THAT INDICATES CHANGES ARE NEEDED

If there are changes in the nature and circumstances of the firm or the engagements, or as a result of information from the firm's monitoring and remediation process, the firm:

- Establishes additional quality objectives, or modifies any additional quality objectives
- Modifies or adds to the quality risks and responses



INTRODUCTION TO ISQM 1

EXPANDED RESOURCES



- Three categories of resources needed to operate the system of quality management and perform engagements:

Human | Technological | Intellectual

- ISQM 1 explicitly deals with resources from service providers
- The firm considers what resources are needed, whether they are appropriate, and how they are used and maintained

IMPROVING INFORMATION AND COMMUNICATION



- ISQM 1 emphasizes the continual flow of information within the firm, and with engagement teams, and drives firms to establish an information system
- The firm culture needs to embed the need to exchange information
- The firm communicates with external parties when it is appropriate
 - Includes communicating to those charged with governance about the system when the firm performs an audit of financial statements of listed entities

PROACTIVE MONITORING OF THE SYSTEM AS A WHOLE, AND TIMELY AND EFFECTIVE REMEDIATION



MONITOR

- The firm monitors the system as a whole
- The firm tailors the nature, timing and extent of the monitoring activities, based on factors described in ISQM 1
- Inspection of completed engagements – ISQM 1 has an increased focus on risk-based selection and factoring in other monitoring activities performed by the firm

EVALUATE FINDINGS AND IDENTIFY DEFICIENCIES

- ISQM 1 includes a framework for evaluating findings and identifying deficiencies and evaluating the severity and pervasiveness of the deficiencies
- The firm is required to investigate the root cause(s) of deficiencies

DESIGN AND IMPLEMENT RESPONSES

- The firm appropriately remediates deficiencies that is responsive to the root cause(s)
- Leadership is required to determine that remedial actions are effective

PROACTIVE MONITORING OF THE SYSTEM AS A WHOLE, AND TIMELY AND EFFECTIVE REMEDIATION



EVALUATING THE SYSTEM OF QUALITY MANAGEMENT ON AN ANNUAL BASIS



- Leadership evaluates and concludes whether the system of quality management is achieving its objectives
- Evaluation required to be undertaken at least annually
- The firm takes further action if the conclusion is unsatisfactory

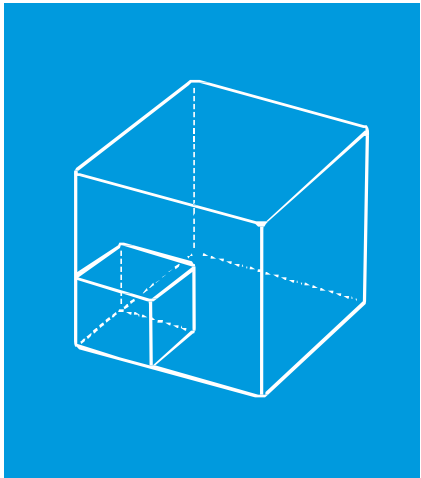
ADDRESSING THE USE OF NETWORKS



- ISQM 1 focuses on reinforcing the firm's responsibility for its own system of quality management
- The firm understands network requirements or network services and the effect on the firm's system of quality management
- The firm understands monitoring activities undertaken by the network across network firms, including those to determine that network requirements have been appropriately implemented across network firms



HOW IS SCALABILITY ADDRESSED?



Quality objectives are outcome-based – the firm determines how to achieve the quality objectives

Quality risks are tailored to the firm - in identifying and assessing quality risks, the firm focuses on understanding conditions, events, circumstances, actions or inactions that relate to the nature and circumstances of the firm and its engagements

Specified responses are limited and are scalable

The monitoring and remediation process is focused on tailoring to the firm's circumstances

Examples in application material demonstrate how to apply aspects of the standard to less complex and more complex firms



1. Practice Management - Operation

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. Practice Management - Operation

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. Practice Management - Operation

1.6 Benchmarking of service delivery – 16/280

(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.)
(negative scoring based on %)

- 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. Practice Management - Operation

1.6 Benchmarking of service delivery

(iii) Number of client disputes (other than fees disputes) and how they are addressed.
(negative scoring based on % of clients)

- 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. Practice Management - Operation

1.7 Client Sensitization – 16/280

(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.



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



1. Practice Management - Operation

1.8 Technology Adoption – 64/280

(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)



Digital Auditor

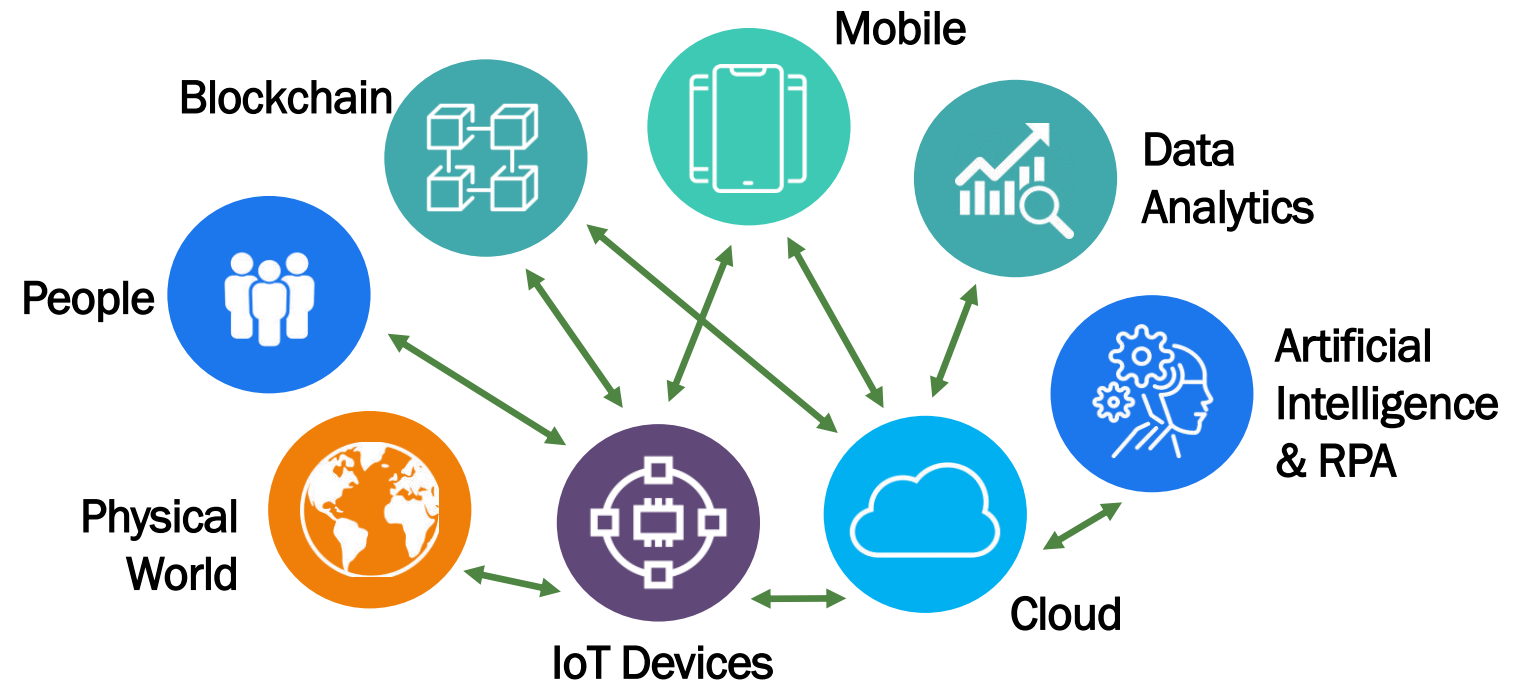


TECHNOLOGY IS CONNECTING THE WORLD

- Technological innovation is rapid and disruptive and touches almost every aspect of our lives. And almost every business today is, at its core, a technology business — relies on IT not only to operate, but also to innovate and enable future success.

We are now in a connecting world and the world today is somehow connected to either people or machines. This connectivity is really impacting the way we work and this is through technology.

Ex - Social Media





FUTURE OF AUDIT





1. Practice Management - Operation

1.8 Technology Adoption – 64/280

(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/activity/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. Practice Management - Operation

1.8 Technology Adoption – 64/280

(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 2.0 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. Practice Management - Operation

1.9 Revenue, Budgeting & Pricing – 16/280

(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

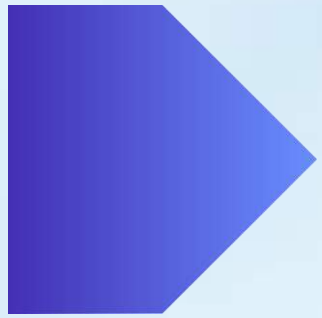
(ii) Fee considerations and scope of services should not infringe upon the quality of work and documentation as envisaged in SQC 1 under Leadership is responsible for quality within the firm.

- 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

Q&A



2: Human Resource Management



2. Human Resource Management





Audit Quality Indicators

INPUT	PROCESS	OUTPUTS
Audit Professionals <ul style="list-style-type: none">• Availability• Competence• Focus	Audit Processes <ul style="list-style-type: none">• Tone at Top/ Leadership• Incentives• Independence• Infrastructure• Monitoring	Audit Results <ul style="list-style-type: none">• High Quality Audit – Financial Statements



Poll Question 3



Human Capital Challenges of Auditing Firm

Difficult to recruit and retain talent

History of Long Working Hours

High Employee Turnover Rates

Employee Well Being – Ex - Employee Satisfaction , Work – Life Balance



Questions

1) What do audit employees think of their employers?

- **How accounting firms are rated by their employees on different dimensions and, more importantly, how auditor satisfaction and work–life balance relate to audit quality.**

2) What determines employee satisfaction in the audit firms?

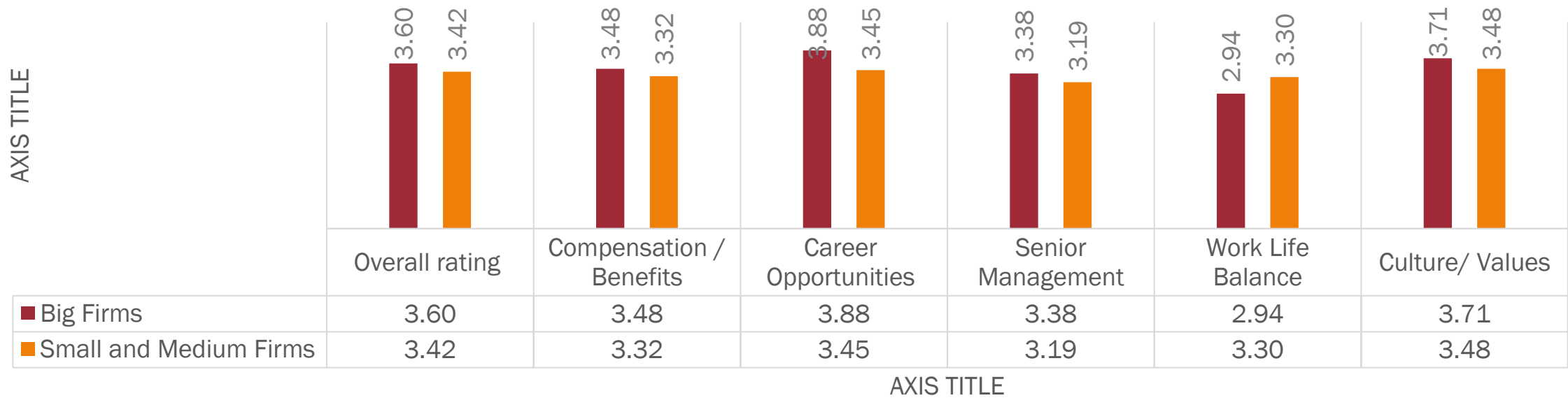
- **Career opportunities, senior management, compensation and benefits, work–life balance, and culture and values.**

3) Is employee satisfaction & work life balance linked with audit quality?

WHAT DO AUDIT EMPLOYEES THINK OF THEIR EMPLOYERS?



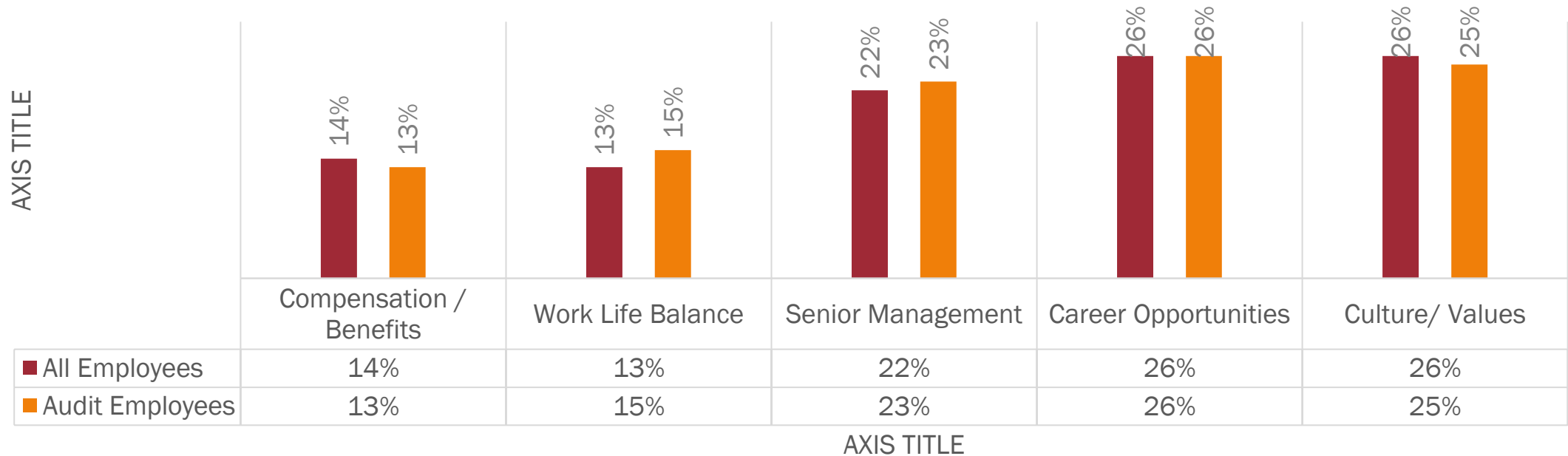
FIVE STAR RATINGS -





WHAT DETERMINES EMPLOYEE SATISFACTION IN THE AUDIT FIRMS?

EXPLORING OVERALL SATISFACTION





IS EMPLOYEE SATISFACTION & WORK LIFE BALANCE LINKED WITH AUDIT QUALITY?

Work – Life Balance for Auditors

Higher Audit Quality



Work–life balance is as important as compensation in determining the overall satisfaction of accounting-firm employees.

Even highly satisfied employees cannot produce high quality outputs when they are overworked, work–life balance can play an important role in positively affecting audit quality.



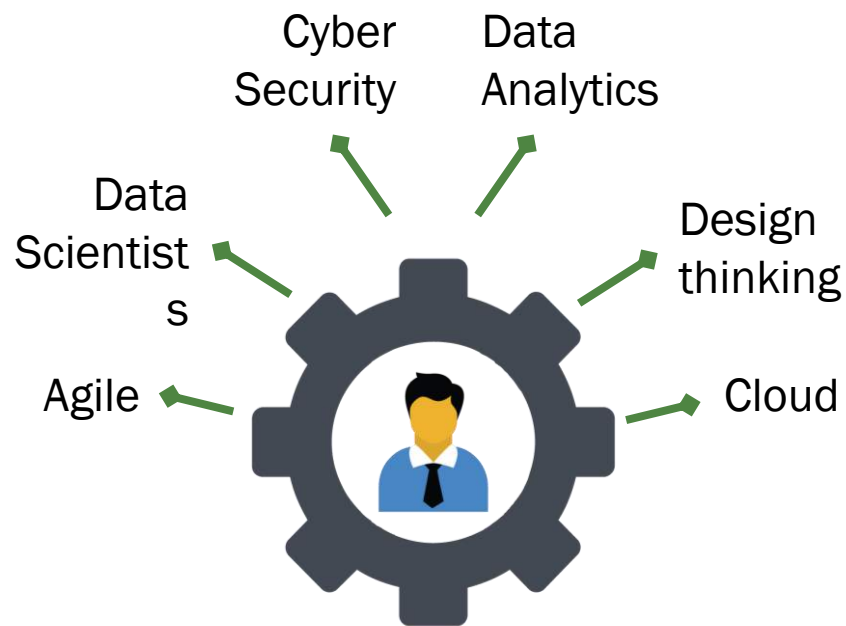
CAPABILITIES FOR AUDITING EMERGING TECH

TRAINING



Technical &
Soft skills

Continuous
training upskill



NEW SKILLS

ROTATION



Teams to
rotate to the
business

Business to
rotate to
Audit - 360
degree

Section 2 – Human Resource Management



Evaluation Criteria	Max Scores
2.1. Resource Planning & Monitoring as per firm's policy	28
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
Total of Section 2.	240



2. Human Resource Management

2.1 Resource Planning & monitoring as per the firm's policy – 28/240

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

(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. Human Resource Management

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 Utilization & Realization 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



Reference of Ratio of Partners to Staff

The ratio of partners to staff is calculated by dividing the number of a firm's employees by the number of its members. For 2017 - the most recently available comparable information - these figures (for the UK's 'Big 6' firms) are as follows;

- PWC 24.6
- Grant Thornton 23.8
- KPMG 23.7
- EY 21
- Deloitte 20.1
- BDO: 18.4

[Survey: Professional Services Firms' Partner to Staff ratios – BDO](#) – Source and Credit



2. Human Resource Management

2.2 Employee Training and development - 44/240

(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. Human Resource Management

2.2 Employee training & Development

(iii) Employees are equipped with technological skill sets – AI, Blockchain, Audit & Data analytical tools, etc. and sponsored by the firm to develop the same:

1. Knowledge of technological skill sets will be more relevant for large audits (Audit Engagements of Listed entity, Banks other than co-operative banks (except multi-state co-operative banks) and Insurance Companies). Hence, the question should be relevant only for such audit engagements.
2. The audit Teams should be aware of Data Analytics Tools and comprehend the results of the tools to adjust the audit strategy.
3. Technologies like AI and blockchain may be considered as an incremental factor for differentiation purposes, if the firms are scored at the same level.



Use of Analytical Tools for the listed entity, Banks other than co-operative banks (except multi-state co-operative banks) and Insurance Companies audit engagements:
For Yes – 8 Points
For No – 0 Point / NA
Max score=8



2. Human Resource Management

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. Human Resource Management

2.3 Resource Turnover & Compensation Management – 104/240

(i) Does the Firm evaluate a team composition overall to build the Team Strength - say, Number of Managers, Assistant Managers, Paid Assistants, Article Assistants, Other Degree holders?

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

(ii) Does the firm maintain and monitor the employee turnover ratio and identify measures to keep it minimal?

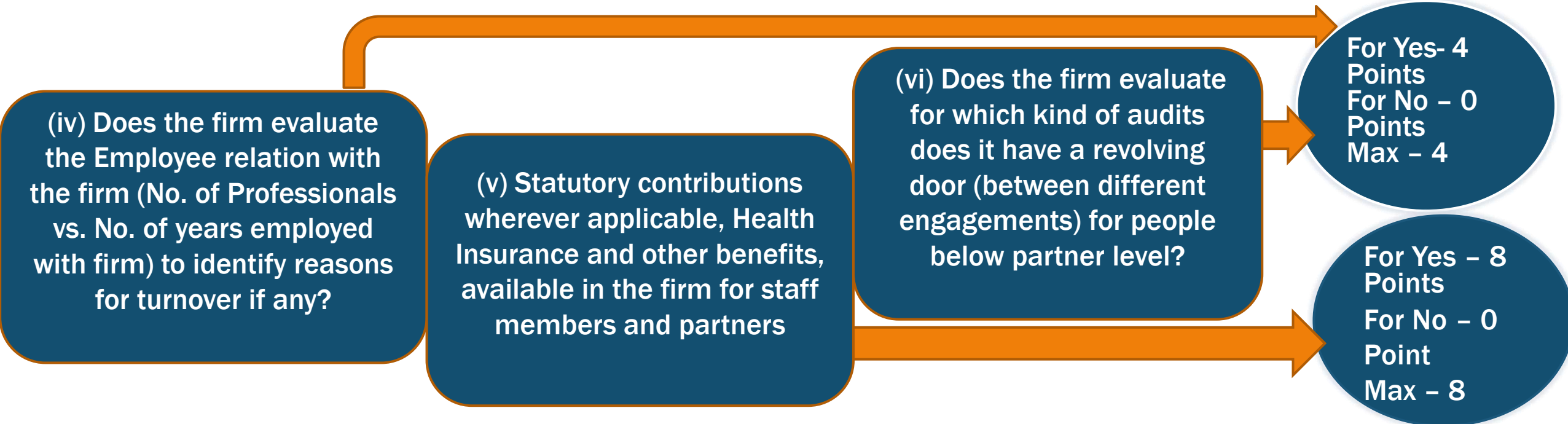
(iii) Qualified professionals retained by the firm (resources available to a partner)

10 and above – 20 Points
8 to 9 – 16 Points
6 to 7 – 12 Points
4 to 5 – 8 Points



2. Human Resource Management

2.3 Resource Turnover & Compensation Management





2. Human Resource Management

2.3 Resource Turnover & Compensation Management

(vii) Progress of people through an established framework and time commitment of Managers and Partners – Engagement level review and overall performance evaluation and rewards mechanism for differentiated performance levels.

(viii) Access and use of technology, infrastructure, methodology for better enablement of day-to-day work / including favorable remote working policies

(ix) Coaching and mentoring program investment, especially for women colleagues to enhance the diversity of audit leaders in the profession.

For Yes – 8 Points, For No – 0 Point , Max – 8



2. Human Resource Management

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. Human Resource Management

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. Human Resource Management

2.4 Qualification Skill Set of employees and use of Experts- 32/240

(i) Number of Professionally qualified members – ACA/FCA

If evaluation is being done for a firm that primarily offers Statutory and Tax Audit Services then only ACA / FCA should be considered for evaluation purposes.

Upto 30% – 4 Points
More than 30% to 50% – 8 Points
Above 50% – 12 Points

(ii) Post Qualification Certifications obtained from professional bodies or similar organisations (DISA, IP, etc.)

DISA and IP are courses that are required in Information System Audits.

If qualified resource is not available in the firm, whether the services of expert are taken?
Whether all partners have complied with CPE requirements of ICAI?

If Applicable -8 Points
If Not Applicable - 0 Point

2. Human Resource Management



2.4 Qualification Skill Set of employees and use of Experts – 32/240

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



Upto 30% – 4
Points

30% to 50% – 8
Points

Above 50% – 12
Points



2. Human Resource Management

2.5 Performance evaluation measures carried out by the firm (KPI's) – 32/240

(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.

(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.

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



2. Human Resource Management

2.1 Resource Planning & monitoring as per the firm's policy – 28/240

(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. Human Resource Management

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. Human Resource Management

2.2 Employee Training and development - 44/240

(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. Human Resource Management

2.2 Employee training & Development

(iii) Employees are equipped with technological skill sets – AI, Blockchain, Audit & Data analytical tools, etc. and sponsored by the firm to develop the same:

1. Knowledge of technological skill sets will be more relevant for large audits (Audit Engagements of Listed entity, Banks other than co-operative banks (except multi-state co-operative banks) and Insurance Companies). Hence, the question should be relevant only for such audit engagements.
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Use of Analytical Tools for the listed entity, Banks other than co-operative banks (except multi-state co-operative banks) and Insurance Companies audit engagements:
For Yes – 8 Points
For No – 0 Point / NA
Max score=8



2. Human Resource Management

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. Human Resource Management

2.3 Resource Turnover & Compensation Management – 104/240

(i) Does the Firm evaluate a team composition overall to build the Team Strength - say, Number of Managers, Assistant Managers, Paid Assistants, Article Assistants, Other Degree holders?

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

(ii) Does the firm maintain and monitor the employee turnover ratio and identify measures to keep it minimal?

(iii) Qualified professionals retained by the firm (resources available to a partner)

10 and above - 20 Points
8 to 9 - 16 Points
6 to 7 - 12 Points
4 to 5 - 8 Points



2. Human Resource Management

2.3 Resource Turnover & Compensation Management

(iv) Does the firm evaluate the Employee relation with the firm (No. of Professionals vs. No. of years employed with firm) to identify reasons for turnover if any?

(v) Statutory contributions wherever applicable, Health Insurance and other benefits, available in the firm for staff members and partners

(vi) Does the firm evaluate for which kind of audits does it have a revolving door (between different engagements) for people below partner level?

For Yes- 4
Points
For No - 0
Points
Max - 4

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



2. Human Resource Management

2.3 Resource Turnover & Compensation Management

(vii) Progress of people through an established framework and time commitment of Managers and Partners – Engagement level review and overall performance evaluation and rewards mechanism for differentiated performance levels.

(viii) Access and use of technology, infrastructure, methodology for better enablement of day-to-day work / including favorable remote working policies

(ix) Coaching and mentoring program investment, especially for women colleagues to enhance the diversity of audit leaders in the profession.

For Yes – 8 Points, For No – 0 Point , Max – 8



2. Human Resource Management

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. Human Resource Management

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. Human Resource Management

2.4 Qualification Skill Set of employees and use of Experts- 32/240

(i) Number of Professionally qualified members – ACA/FCA

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Whether all partners have complied with CPE requirements of ICAI?

If Applicable - 8 Points
If Not Applicable - 0 Point



2. Human Resource Management

2.4 Qualification Skill Set of employees and use of Experts – 32/240

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



Upto 30% – 4 Points

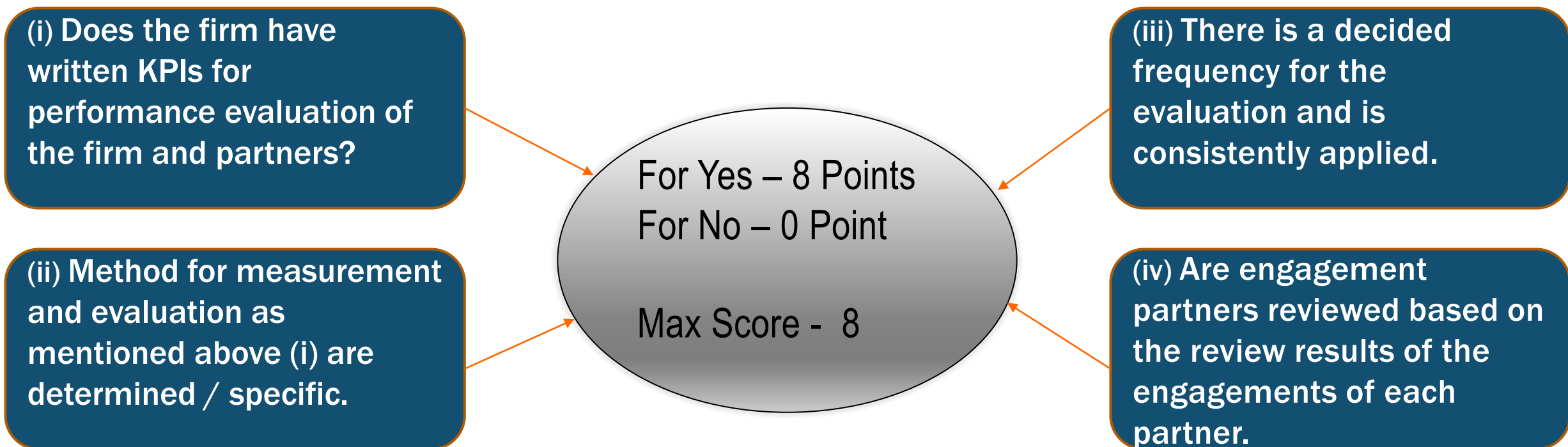
30% to 50% – 8 Points

Above 50% – 12 Points

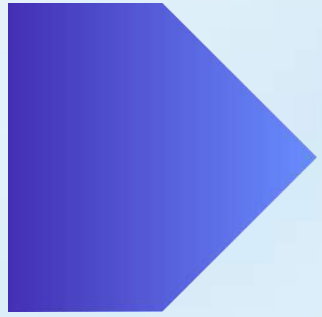


2. Human Resource Management

2.5 Performance evaluation measures carried out by the firm (KPI's) – 32/240



Q&A



3: Practice Management - Strategic/Functional





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

(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

(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

(iv) Are there adequate DA 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

(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. Practice Management – Strategic/Functional

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



3. Practice Management – Strategic/Functional

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



3. Practice Management – Strategic/Functional

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. Practice Management – Strategic/Functional

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. Practice Management – Strategic/Functional

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. Practice Management – Strategic/Functional

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

A close-up, perspective view of a clock face. The clock is white with black tick marks and a black outer rim. The text "Time for Action is" is written in black, sans-serif font, following the curve of the clock. The word "NOW" is written in large, bold, red, sans-serif font, also following the curve. A thick black hand is visible, pointing towards the "NOW" text. The background is a plain, light gray.

Time for Action is

NOW

Make your mark

Q&A

Thank You!

Centre for Audit Quality

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STAY SAFE. STAY HEALTHY. STAY ACCOUNTABLE



The Institute of Chartered Accountants of India