

Respondent	Hierarchical Name	Coded Text
074	Q04a QM SAS Overall	The Tennessee Comptroller of the Treasury, Department of Audit, primarily follows quality management standards promulgated by the GAO in Government Auditing Standards. Thus, the proposed changes will not greatly affect our government audit organization. We agree the proposed changes are reasonable, and the language is clear, understandable, and helpful. The application material provided is also sufficient to explain how to apply the requirements in practice.
083	Q04a QM SAS Overall	We believe the requirements are clear and understandable and that the application material is helpful in supporting the application of the requirements. Specific guidance, via examples or hypothetical questions with answers, would be beneficial for implementing the standard.
090	Q04a QM SAS Overall	We agree with the proposed changes to the existing standard, believe the requirements are clear and understandable, and determine that the application material is helpful.
110	Q04a QM SAS Overall	We are generally supportive of the changes proposed in the QM SAS. However, due to the stand-back requirement being new, we request the Board provides greater clarification and develop practice aids to assist the engagement partner and firm in adhering to the stand back requirement.
116	Q04a QM SAS Overall	We acknowledge agreement and support of the QM SAS.
121	Q04a QM SAS Overall	4a. We strongly support the proposed QM SAS. We agree that the engagement partner needs to be sufficiently and appropriately involved throughout the engagement to achieve high quality audits and agree with the proposed requirements.
123	Q04a QM SAS Overall	We generally agree with the ED and with the proposed effective date. As a state audit organization, our comments are limited to the proposed statement on auditing standard and do not extend to the proposed statements on quality management standards, which do not apply to government audit organizations. Our comments on the ED are as follows:
124	Q04a QM SAS Overall	To the extent the requirements mirror the quality control standards mentioned above, the committee has the same concerns with the application of the SAS.
128	Q04a QM SAS Overall	We support the proposed QM SAS and believe the proposed requirements are clear and understandable. We further believe that the application material supports the requirements and makes clear that the engagement partner has overall responsibility for managing and achieving quality and is ultimately accountable for compliance with the requirements of the proposed QM SAS.

Agenda Item 2D – Excerpt of comment letters received by the ASB on the proposed QM SAS

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130	Q04a QM SAS Overall	We believe the requirements are generally understandable, however, we believe more information is necessary to fully appreciate the new stand back requirement and the engagement resources requirement.
134	Q04a QM SAS Overall	<p>Group audits</p> <p>We are concerned that the extent of the requirements and the resulting responsibilities that lay directly with the engagement partner could make this standard too onerous to apply to large single-entity engagements or large multinational engagements. We would recommend that the application of the requirements in these circumstances be considered as part of the QM SAS. While we appreciate that, from a group audit perspective, the IAASB and ASB have indicated that the responsibilities of the group engagement partner will be considered in their respective projects on group audits, there will probably be a period of time when QM SAS is effective, but the revisions to AU-C section 600 will still be in development. We are concerned that this would be detrimental to audit quality. As a result, if these requirements are to remain in a revised standard, we recommend that the ASB provide guidance on how to apply these requirements to large single-entity engagements or multinational engagements when the revised standard is approved. If these requirements are not considered as part of the QM SAS, we would recommend that the effective dates of the QM SAS and a revised AU-C section 600 be aligned.</p>
145	Q04a QM SAS Overall	<p>For our membership, our typical engagement team consists of 2 to 5 team members (including the engagement partner). The partners are significantly involved in all phases of an engagement from planning (including the selection of and intimately knowledge of the engagement staff) to engagement wrap-up. We are of the opinion that this already gives us an advantage because the engagement partner, as team leader, fulfills his or her leadership responsibilities. This includes taking actions to</p> <p>create an environment for the engagement that emphasizes the firm’s culture and the expected behavior of engagement team members; assigning procedures, tasks, or actions to other members of the engagement team; and supporting engagement performance, including taking responsibility for the nature, timing, and extent of the direction, supervision, and review of the work performed. However, for those firms that would be affected by this proposed SQMS, the requirements in proposed QM SAS are clear and understandable, and the application materials would be helpful. Additionally, we are of the opinion the proposed changes would not be scalable for our membership because the added cost and burden of implementation and maintenance would result in placing our firms at a competitive disadvantage.</p>
006	Q04a QM SAS Overall\1 Strongly support	We strongly support the majority of the new SQMs
040	Q04a QM SAS Overall\1 Strongly support	We support the ASB’s efforts to clarify and strengthen the key elements of quality management and the related specific responsibilities of the engagement partner and auditor at the engagement level for an audit of financial statements. In general, we believe that the requirements in the proposed QM SAS are clear and understandable and that the application material is helpful.

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055	Q04a QM SAS Overall\1 Strongly support	The Committee members agreed that the requirements in the proposed QM SAS are clear and understandable. This exposure draft has made explicit what was inherently assumed, and hence makes it easier to understand and implement. The application material is useful and has sufficient examples to illustrate the requirements.
061	Q04a QM SAS Overall\1 Strongly support	CRI supports the changes outlined in proposed QM SAS. The proposed QM SAS has clarified the role and responsibilities of the engagement partner from the existing guidance in AU-C Section 220, Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards. The application material is helpful in supporting the application of those responsibilities.
065	Q04a QM SAS Overall\1 Strongly support	X I strongly support the proposed QM SAS
077	Q04a QM SAS Overall\1 Strongly support	We agree with the proposed QM SAS which clarifies the engagement partner's overall responsibility for managing and achieving audit quality which includes creating an environment that emphasizes the firm's culture and expected behavior of engagement team members. This extends to the engagement partner's involvement throughout the engagement which is inclusive of the engagement partner's leadership responsibility, stand back responsibility, and the direction, supervision and review of the engagement team.
093	Q04a QM SAS Overall\1 Strongly support	We agree with the language in the proposed auditing standard that requires the engagement partner to take ultimate responsibility for ensuring the overall quality of the engagement.
135	Q04a QM SAS Overall\1 Strongly support	We acknowledge agreement and support of the QM SAS.
138	Q04a QM SAS Overall\1 Strongly support	We strongly support the proposed QM SAS
144	Q04a QM SAS Overall\1 Strongly support	I strongly support the proposed QM SAS.
158	Q04a QM SAS Overall\1 Strongly support	We strongly support the proposed QM SAS and its requirements are clear and understandable. The application material in the proposed QM SAS is helpful in supporting the requirements.

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Respondent	Hierarchical Name	Coded Text
159	Q04a QM SAS Overall\1 Strongly support	strongly support the proposed QM SAS
162	Q04a QM SAS Overall\1 Strongly support	I strongly support the proposed QM SAS
163	Q04a QM SAS Overall\1 Strongly support	We agree with the language in the proposed auditing standard that requires the engagement partner to take ultimate responsibility for ensuring the overall quality of the engagement.
167	Q04a QM SAS Overall\1 Strongly support	We agree with the requirements outlined in this standard regarding engagement partner responsibilities.
047	Q04a QM SAS Overall\2 Somewhat support	We understand that requirements in the proposed QM SAS represent a shift from a more standardize quality control approach to a risk-assessment approach at the firm level, which will require significant effort to implement. In concept, we agree that risk-assessment approach is in the public interest. In practice, many firms rely on templated resources to help consider and document quality management, therefore, the shift to a more “free form,” risk-based approach will likely be a heavy burden. NASBA suggests robust implementation guidance be available to help guide firms through the process.
100	Q04a QM SAS Overall\2 Somewhat support	As noted throughout this letter, TIC strongly supports the enhancement of quality throughout all types of engagements; however, we have concerns with some aspects of the QM SAS, but somewhat support the proposed SAS.
147	Q04a QM SAS Overall\2 Somewhat support	<p>Overall, we support the proposed QM SAS and believe the requirements are generally clear and understandable, effectively addressing the engagement partner’s ultimate responsibility for ensuring the overall quality of the engagement. The proposed QM SAS appears consistent with and logically linked to the proposed SQMS standards.</p> <p>However, the Committee does request clarification regarding the extent of the engagement partner’s responsibility in relation to members of a component auditor’s engagement team outside of the partner’s own firm.</p> <p>The QM SAS application material, specifically paragraphs A23 - 24, discuss considerations of the engagement partner in relation to members of an engagement team outside of the partner’s firm.</p>

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156	Q04a QM SAS Overall\2 Somewhat support	I support the proposed QM SAS
164	Q04a QM SAS Overall\2 Somewhat support	We somewhat support the proposed QM SAS.
168	Q04a QM SAS Overall\2 Somewhat support	I somewhat support the proposed QM
076	Q04a QM SAS Overall\3 Somewhat oppose	I somewhat oppose the proposed QM SAS
130	Q04a QM SAS Overall\3 Somewhat oppose	We somewhat oppose the proposed QM SAS
134	Q04a QM SAS Overall\3 Somewhat oppose	<p>We agree that to take overall responsibility for managing and achieving quality on the audit engagement, the involvement of the engagement partner needs to be both sufficient and appropriate. However, there is a level of prescription to these proposed requirements that is not consistent with a principles-based approach. We further believe there are areas where additional clarity is necessary in order to make the QM SAS sufficiently operational, particularly for group audits.</p> <p>For example, we note that paragraph 13 of the QM SAS requires the engagement partner to determine that the engagement partner has taken overall responsibility for managing and achieving quality on the audit engagement. There is little guidance on how the engagement partner evidences the basis for the conclusion reached. We would recommend the incorporation of additional guidance on the documentation expected to demonstrate compliance with this requirement.</p>
146	Q04a QM SAS Overall\3 Somewhat oppose	We somewhat oppose the proposed QM SAS as it applies to smaller firms as discussed above.
161	Q04a QM SAS Overall\3 Somewhat oppose	We support the intent of the revisions, which is to promote consideration of risks to quality at the engagement level, and support many of the proposed revisions. We agree that the engagement partner needs to be sufficiently and appropriately involved throughout the audit to be able to take overall responsibility for the quality of the engagement.

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However, in building a framework that best supports audit quality, it is important that the requirements in the QM SAS are grounded in a risk-based approach, and are sufficiently principles-based so that they can be appropriately applied across a variety of engagement team structures in a scalable manner, commensurate with the size and complexity of the entity being audited. We are concerned that the proposed SAS is not capable of being effectively implemented in light of the variety of audit delivery models that exist today and how such models (and the technology that supports them) are likely to evolve in the future. New audit delivery models, through which quality is often reinforced through quality control procedures embedded in their design, are typically governed by a firm’s System of Quality Management (SoQM); engagement partners should be able to rely on these firm-level controls to support the execution of quality audits. It is important that the SAS reflect the changing nature of audits and not introduce prescriptive requirements that may impede, rather than support, audit quality. In revising AU-C section 220, the ASB should establish principles-based requirements that promote appropriate review and supervision, and develop accompanying material to support the application of those requirements in various circumstances.

We support the assignment of responsibility to others to assist the engagement partner in fulfilling their quality responsibilities. In principle, we believe that the engagement partner should assign responsibility for aspects of quality to those most qualified to deliver on it. In our view, the engagement partner can retain overall responsibility for the engagement while delegating elements of execution that support that responsibility. It is also important to acknowledge that the firm’s policies and procedures are applied to specific engagements or structures based on their assessed risks; not all engagements have the same risks and therefore different responses may be appropriate in order to achieve the same quality objective.

Paragraph 8 of the proposed QM SAS acknowledges that, in an audit of an entity whose nature and circumstances are more complex, the engagement partner may assign the design or performance of some procedures, tasks, or actions to other members of the engagement team. In our view, paragraph 4 of PCAOB AS 1201, Supervision of the Audit Engagement, better articulates the concept of additional engagement team members who assist the engagement partner with supervision of the work of other engagement team members and promotes greater accountability by those to which such work is assigned or delegated. We note this concept was similarly articulated in paragraph 6 of extant AU-C section 220, which specifies that “The engagement partner may use the assistance of other members of the engagement team or other personnel within the firm in meeting the requirements of this section.” This terminology acknowledges that the engagement partner remains ultimately responsible for quality on the engagement, but also recognizes other suitably qualified members of the engagement team may perform a significant role with respect to direction, supervision, and review in order to achieve audit quality in the context of the specific engagement. We believe this concept should be explicitly retained in the ASB’s standards; moving away from it could result in a significant change in practice without a commensurate increase in audit quality and creates an unnecessary divergence from PCAOB standards.

In our view, the proposed SAS needs to be revised to better reflect the principle of shared accountability for aspects of

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		<p>quality, and what would practically be achievable by the engagement partner. Although the application material provides examples of how the requirements can be applied in certain situations, we are concerned with the overall shift in the proposed QM SAS from the context in extant AU-C section 220 of the engagement partner being satisfied regarding certain matters to more robust requirements for the engagement partner to “determine” and “review” a broader range of matters. In these cases, we do not believe the application material can be used to overcome the prescriptive nature of the revised requirements. Particularly as it relates to large and complex engagements, it may not be feasible for the engagement partner to “determine” or “review” in accordance with all of the requirements outlined in the proposed QM SAS, as further discussed in our response to Question 4. Imposing these requirements on the engagement partner, rather than permitting such conclusions to be drawn by other suitability qualified members of the engagement team, may otherwise serve to detract from audit quality.</p> <p>Paragraph A10 of the proposed SAS acknowledges that ordinarily the engagement team may depend on the firm’s policies and procedures to comply with the requirements of the proposed SAS. Paragraph 9 notes that the engagement partner may need to obtain information from the firm or other members of the engagement team to be able to fulfill particular responsibilities set forth in the proposed SAS. We believe these concepts should be made more prominent in the proposed SAS, and potentially implementation guidance, to assist auditors in understanding how the proposed SAS can be applied to various structures that have become more common. In particular, we are concerned with how the requirements of the proposed SAS interact with AU-C section 600, and believe the ASB needs to consider this before finalizing the proposed SAS to ensure it can be practically applied.</p>
099	Q04a QM SAS Overall\4 Strongly oppose	I strongly oppose the proposed QM SAS
065	Q04a QM SAS Overall\Specific comments	My former firm has extensive policies and procedures in place for addressing the management of quality at the engagement level, emphasizing the importance of the exercise of professional skepticism, enhancing the documentation of the auditor’s judgments, and robust communications during the engagement.
075	Q04a QM SAS Overall\Specific comments	If the engagement partner does not have the appropriate expertise, experience and level of involvement in the conduct of the engagement, it is highly unlikely that a quality engagement will be performed. Therefore, we strongly support the provisions of the ED related to the engagement partner’s responsibility for managing quality, including the “stand-back” requirement.
076	Q04a QM SAS Overall\Specific comments	I do not think this is an big issue in small firms as audit partners are already more involved throughout the entire audit process. Seems more of a large firm issue.

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095	Q04a QM SAS Overall\Specific comments	The committees think that the preceding changes, with exception of those noted in previous comments, are beneficial to the goal of continued audit quality. The requirements are clear and understandable, and the application materials are somewhat helpful.
098	Q04a QM SAS Overall\Specific comments	We agree with the language in the proposed auditing standard that requires the engagement partner to take ultimate responsibility for ensuring the overall quality of the engagement.
103	Q04a QM SAS Overall\Specific comments	<p>Overall, the application material is helpful in supporting the application of the proposed QM SAS. Some of the areas where we recommend additional guidance include:</p> <p>“Stand back” requirement – The requirement to assess the sufficiency and appropriateness of the partner’s involvement in an engagement has been inherent in the quality management system of a firm prior to the proposed QM SAS. We recommend expanding on this guidance to establish a framework by which partners and firms may make an assessment.</p> <p>Scalability (paragraph A29 of the proposed QM SAS) – We recommend providing additional guidance on the level of formality of the communication among the engagement team.</p>
109	Q04a QM SAS Overall\Specific comments	<p>Engagement Partner's Overall Responsibility for Managing Quality on Audits, Including Engagement Performance and Stand Back</p> <p>The Committee agrees with the proposed changes in an engagement partner's overall responsibility for managing quality on audits. The timely review of documentation at appropriate stages, as discussed in Par. 30-31 and A91, provides excellent guidance on ensuring that review of documentation should occur throughout the engagement rather than at the end to better facilitate the report date being as close to the end of fieldwork as possible. Adding the Stand Back requirement Par. 40, properly adds emphasis to the engagement partner taking responsibility for an audit engagement. The Stand Bank requirement will help prevent the engagement partner from passing this responsibility to a manager or director unless it is documented that the partner has passed the engagement partner responsibility to someone who has the experience and knowledge to perform this responsibility.</p> <p>Engagement Resources</p> <p>The Committee has the most concern about maintaining the necessary human and intellectual resources for engagements performed by smaller firms. The public accounting industry is dealing with more and more areas requiring the use of resources while the pool of human and intellectual resources has been reducing. This lack of responsibility could cause difficulty finding and training enough CPAs to fulfill the requirements of the new standards.</p> <p>Other New Requirements</p> <p>The Committee feels the clarification added on what the engagement partner needs to review will help focus</p>

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		<p>engagement partners on the things that matter at that level of review. With the reduced availability of staff, the engagement partner needs to be as efficient as possible in reviewing the most valuable sections of the audit versus looking over every workpaper.</p> <p>The Committee feels the requirements in the proposed QM SAS are clear and understandable. The application material is helpful; however, we believe significant implementation guidance will need to be provided, especially to smaller firms.</p>
130	Q04a QM SAS Overall\Specific comments	We believe the requirements are generally understandable, however, we believe more information is necessary to fully appreciate the new stand back requirement and the engagement resources requirement.
134	Q04a QM SAS Overall\Specific comments	<p>Group audits</p> <p>We are concerned that the extent of the requirements and the resulting responsibilities that lay directly with the engagement partner could make this standard too onerous to apply to large single-entity engagements or large multinational engagements. We would recommend that the application of the requirements in these circumstances be considered as part of the QM SAS. While we appreciate that, from a group audit perspective, the IAASB and ASB have indicated that the responsibilities of the group engagement partner will be considered in their respective projects on group audits, there will probably be a period of time when QM SAS is effective, but the revisions to AU-C section 600 will still be in development. We are concerned that this would be detrimental to audit quality. As a result, if these requirements are to remain in a revised standard, we recommend that the ASB provide guidance on how to apply these requirements to large single-entity engagements or multinational engagements when the revised standard is approved. If these requirements are not considered as part of the QM SAS, we would recommend that the effective dates of the QM SAS and a revised AU-C section 600 be aligned.</p>
139	Q04a QM SAS Overall\Specific comments	We have the same issues with the proposed Statement on Auditing Standards as it does with the proposed Statement on Quality Management.
150	Q04a QM SAS Overall\Specific comments	<p>Our views on the QM SAS as we understand it is, we are for the overall concept of encouraging proactive management of quality at the engagement level, emphasizing the importance of the exercise of professional skepticism and the need for robust communication during the audit. We are not in favor of additional documentation requirements enhancing the documentation of auditor's judgements.</p> <p>The application material is helpful in supporting the application of the requirements.</p> <p>In the small firm context, nothing has changed. The engagement partner already has those responsibilities and requiring more documentation does nothing to improve the quality of the audit. It may provide some protection for an inadequate attestation engagement, however, it really is just another cost incurred that makes it difficult for small firms performing attestation engagements. As stated previously, there is a real need for attestation engagements that regional and</p>

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		national firms have no interest in. However, the public interest in the smaller engagement arena is still and will always be relevant and the cost of providing those service keeps rising without a reasonable expectation that the entities in need can afford the services. It's not rocket science, there needs to be a vehicle for local firms to provide attestation services competitively without undue and unrealistic requirements.
151	Q04a QM SAS Overall\Specific comments	For our firm, our typical engagement team consists of 2 to 5 team members (including the engagement partner). The partners are significantly involved in all phases of an engagement from planning (including the selection of and intimately knowledge of the engagement staff) to engagement wrap-up. We are of the opinion this gives us the advantage of having the engagement partner as team leader to fulfill their leadership responsibilities, including taking actions to create an environment for the engagement that emphasizes the firm's culture and the expected behavior of engagement team members, and assigning procedures, tasks, or actions to other members of the engagement team and supporting engagement performance, including taking responsibility for the nature, timing, and extent of the direction, supervision, and review of the work performed. However, for those firms that would be affected by this proposed SQMS, the requirements in proposed QM SAS are clear and understandable, and the application materials would be helpful.
155	Q04a QM SAS Overall\Specific comments	We believe that the preceding changes discussed and in the proposed QM SAS were clear and understandable. The application material is helpful and supports the application of the requirements.
161	Q04a QM SAS Overall\Specific comments	<p>Overview</p> <p>As noted in our cover letter, we support the intent of the revisions to promote consideration of risks to quality at the engagement level and support many of the revised requirements in the proposed SAS. We agree that the engagement partner needs to be sufficiently and appropriately involved throughout the audit to be able to take overall responsibility for the quality of the engagement. However, as audits become more complex and audit delivery models to support quality audits evolve, it is often necessary to involve others to assist the engagement partner in directing, supervising, and reviewing the engagement. The concept of other partners assisting the engagement partner is contemplated in the definition of an "audit partner" in Rule 2-01 of Regulation S-X, which addresses not only requirements for the lead partner, but also other audit engagement team partners (including those who serve as the lead partner in connection with an audit of subsidiaries of an issuer) who have responsibility for decision-making on significant auditing, accounting, and reporting matters that affect the financial statements. PCAOB AS 1201, Supervision of the Audit Engagement, clearly articulates the concept of other engagement team members who assist the engagement partner with supervision of the work of other engagement team members. In practice, these "auxiliary partners" are an essential part of bringing quality to engagements of varying sizes and complexities, including in the case of group audits. In our experience, using auxiliary partners to assist the (lead) engagement partner is necessary in light of the volume of work to be reviewed - we believe that having other suitably qualified individuals involved in directing, supervising, and reviewing elements of the overall engagement supports enhanced quality, and does not diminish the (lead) engagement partner's responsibility for the engagement as a whole. While we understand that the IAASB's project on ISA 220 is intended to be responsive to</p>

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concerns from regulators outside the US that the engagement partner may not always be appropriately involved in the audit, we do not believe there are similar concerns in the US that would merit a significant overhaul of extant AU-C section 220.

We believe that, as drafted, the level of prescription regarding the lead engagement partner’s responsibilities in some of the proposed new requirements is in conflict with the premise in paragraph 8 that the engagement partner may need to assign the design or performance of some procedures, tasks, or actions to other members of the engagement team, especially in an audit of an entity whose nature and circumstances are more complex. In our view, it is generally not possible or practicable for the lead engagement partner to satisfy all of the requirements of the QM SAS by themselves. Although the application material provides examples of how the requirements can be applied in certain situations, we are concerned with how the proposed QM SAS seems to shift from extant AU-C section 220’s requirements for the engagement partner to be satisfied regarding certain matters to a more robust requirements for the engagement partner to “determine” and “review” a broader range of matters. We do not believe the application material overcomes the prescriptive nature of the revised requirements. Further, we believe that use of the terms “determine” and “review” is not clear in the context of the requirement outlined in paragraph 9 of the proposed QM SAS. We believe that the lack of specificity as to what it means to “determine” or “review” may result in varied interpretations in practice as to how such requirements are performed and documented within the audit file.

We therefore believe the proposed SAS should more clearly describe the concept of assignment of responsibility to others to assist the engagement partner in fulfilling their quality responsibilities, and take steps to further highlight how the requirements within the standard would be applied in various circumstances (e.g., through additional application material or implementation guidance). In principle, we believe that the engagement partner should be able to assign responsibility for aspects of quality to those most qualified to deliver on it. In addition, many audit delivery models have been put in place to specifically reinforce quality through quality control procedures embedded in their design, including firm policies and procedures. Accountability for different aspects of audit quality in an engagement can, in our view, be shared with others when all participants understand their role and how it is interrelated with those of others. Firm policies and procedures are best suited to address such roles and responsibilities.

In building a framework that best supports audit quality, it is important that the requirements in the proposed QM SAS are grounded in a risk-based approach, and are sufficiently principles-based so that they can be appropriately applied across a variety of engagement team structures in a scalable manner. We offer more specific concerns about circumstances in which the proposed QM SAS will be applied and recommendations to alleviate these concerns below.

Recognizing the evolving nature of how audits are conducted

Today’s audits are being performed with increasingly diverse and distributed delivery models that leverage technology, other tools, and working practices to increase the efficiency and effectiveness of audit work. Further, the impact of the

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COVID-19 pandemic continues to highlight the need for different structures to bring quality to an engagement, including flexibility in how the principles of adequate direction, supervision, and review can be achieved. So it is timely that the ASB considers how to acknowledge these changing structures in the proposed QM SAS, as we expect to continue to see an increase in engagements using Centers of Excellence, service delivery centers, staff augmentation models, and other audit delivery models across the profession. The primary objective of these audit delivery models is to drive higher quality through consistent performance. While paragraph A15 appropriately acknowledges that engagement team members may be located together or across different geographic locations and may be organized in groups by the activity they are performing, our view is that the proposed SAS downplays the importance of shared accountability for quality by establishing unduly prescriptive requirements for the engagement partner to individually perform and misses an opportunity to further modernize the standards in light of current developments.

In our experience, these newer audit team structures rely on robust policies and procedures established at the firm level and are designed to mitigate perceived risks of the engagement partner delegating responsibilities for direction, supervision, and review. For example, these policies and procedures ordinarily set out responsibilities for interactions between the engagement partner (or an auxiliary partner) and partners and others with supervisory responsibilities using various audit delivery models, as well as specify what audit documentation is to be reviewed by whom, including what should be reviewed by the engagement partner and how such review should be evidenced. These new and evolving models also leverage technology to facilitate direction, supervision, and review, which is also addressed by the firm's policies and procedures through its SoQM. Consistent with the proposed SAS, the engagement partner remains ultimately responsible for quality at the engagement level, but quality is brought to bear by the appropriate involvement of others.

Challenges with how the concepts have been articulated in the proposed SAS and suggestions for further clarity

We are concerned that the proposed SAS may not be capable of being effectively implemented in light of the various audit delivery models that may exist today and how such models (and the technology that supports their functioning) are likely to evolve in the future. It is important that the proposed SAS reflect the changing nature of audits and not introduce prescriptive requirements that may impede, rather than support, audit quality. Specifically, we believe that there are a number of potentially significant unintended consequences of aspects of the proposed changes, as described below. We have identified certain of these concerns in connection with our efforts to commence implementation of ISA 220, and are aware of the IAASB's plans to develop further implementation guidance in relation to practical considerations that were raised in the development of ISA 220. We believe the ASB should seek to address these concerns before finalizing the proposed QM SAS, with a view to avoiding unnecessary differences with the PCAOB's standards. Similarly, it is important the ASB fully considers the impact that the proposed QM SAS will have on group audits and its planned efforts to revise AU-C section 600 once the IAASB finalizes its project.

As noted above, paragraph 8 of the proposed SAS acknowledges that, when an audit is not carried out entirely by the

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engagement partner or in an audit of an entity whose nature and circumstances are more complex, the engagement partner may assign the design or performance of some procedures, tasks, or actions to other members of the engagement team. This is placed under the heading of “Scalability” but this is an essential point that needs to be better articulated and carried throughout the standard. Quality is often best achieved through the assignment and delegation of direction, supervision, and review responsibilities, which are broader than the concept of assigning procedures, tasks, or actions explained in paragraph 9 of the proposed SAS. We do not believe paragraph 9 is sufficiently clear in this regard, nor are the expectations relating to documentation.

In our view, paragraph 4 of PCAOB AS 1201 better articulates the concept of other engagement team members who assist the engagement partner with supervision of the work of other engagement team members. This terminology acknowledges that the engagement partner remains ultimately responsible for quality on the engagement, but that other qualified members of the engagement team often perform significant roles associated with achieving audit quality (in particular in relation to direction, supervision, and review). Accordingly, we believe the proposed SAS needs to be revised to better reflect the principle of shared accountability for aspects of quality, and what is practically achievable by the engagement partner. Within Appendix 2, we have provided drafting suggestions to underscore the importance of firm policies and procedures on the nature, timing, and extent of the engagement partner’s direction, supervision, and review, better clarify the engagement partner’s responsibilities in other alternative audit delivery models, and further highlight the interaction with group audits (see paragraphs 8, 9, and 9A).

Given the evolving audit environment, we believe that it is important that the standard recognizes that various ways exist to direct, supervise, and review audit engagements, and encourages the use of professional judgment in making this determination. We believe that the requirements in the proposed SAS are potentially overly prescriptive, considering the increasingly dynamic engagement team structures to which the proposed SAS will be applied.

Paragraph A10 of the proposed SAS acknowledges that ordinarily, the engagement team may depend on the firm’s policies and procedures in complying with the requirements of the proposed SAS, and paragraph 9 notes the engagement partner may need to obtain information from or assign certain procedures or tasks to other suitably experienced members of the engagement team to be able to fulfill particular responsibilities set forth in the proposed SAS. We believe these concepts should be made more prominent in the proposed SAS, and potentially implementation guidance, to assist auditors in understanding how the proposed SAS can be applied to various structures. We provide drafting suggestions in Appendix 2 to this letter.

In particular, we believe there will likely be practical challenges arising from how the requirements in the following paragraphs have been drafted, or possible inconsistencies in how such requirements are applied in different audit structures (including group audits, as described in more detail below) given the inference that these tasks are to be solely performed by the engagement partner:

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		<p>Paragraph 25: requires the engagement partner to determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the team in a timely manner</p> <p>Paragraph 26: requires the engagement partner to determine that members of the engagement team and others collectively have the appropriate competence and capabilities, including sufficient time, to perform the engagement</p> <p>Paragraph 30: requires the engagement partner to determine that the nature, timing, and extent of direction, supervision, and review is planned and performed in accordance with the firm’s policies or procedures, professional standards, and applicable legal and regulatory requirements, and are responsive to the nature and circumstances of the audit engagement and the resources assigned or made available to the engagement team by the firm</p> <p>Paragraph 31: requires the engagement partner to review audit documentation related to significant matters, significant judgments, and other matters</p> <p>Paragraph 35: requires the engagement partner to determine that consultations have been appropriately undertaken, and conclusions agreed and implemented</p> <p>Paragraph 38: requires the engagement partner to determine that conclusions related to differences of opinion are documented and implemented</p> <p>Paragraph 39: requires the engagement partner to determine the relevance and effect on the audit engagement of information from the firm’s monitoring and remediation process, including, as applicable, information from the monitoring and remediation process of the network and across the network firms</p> <p>The ASB should evaluate whether changes to the requirements or additional application material is necessary to clarify how the engagement partner would comply with the objective of these requirements when other suitability qualified members of the engagement team are significantly involved in direction, supervision, and review, as well as the important interaction with the firm’s quality responses, including its policies and procedures with which its personnel are expected to comply.</p>
161	Q04a QM SAS Overall\Specific comments	<p>Seeking assistance from the component partner and other component engagement team members</p> <p>In order to take responsibility at the group engagement level, the (group) engagement partner will need to rely on actions being taken by the engagement partner at the component as well as the component firm’s policies and procedures. Our experience suggests that the group engagement team member needs assistance from the partner in charge of the component team to comply with a number of requirements, particularly in relation to relevant ethical requirements, engagement resources, and monitoring and remediation. We believe this is appropriate and in the best interests of</p>

Respondent	Hierarchical Name	Coded Text
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quality, as the presumption would be that the partner would be an appropriately skilled or suitably experienced member, with visibility into the firm's policies and procedures that govern the component team's work.

In practice, we believe the group engagement partner is able to "take responsibility" or make "determinations" contemplated by the proposed QM SAS based on review of the component auditor's written acknowledgment of the group audit instructions and the component auditor's overall summary memorandum or report describing the work performed and the results thereof, supplemented with two-way communication throughout the audit as any issues may arise. The policies and procedures at both the group engagement team's firm and the component auditor's firm also play a significant role, in particular when both firms are members of the same network with a common methodology. On the other hand, when the component auditor is from a non-network firm, without additional guidance, it is difficult to envisage how certain of the requirements can be practically undertaken by the group engagement partner, for example understanding results of monitoring and remediation of a non-network firm (paragraph 39 of the proposed QM SAS). In such circumstances, we believe there may be conflicts with national laws or regulations governing confidentiality and potential limitations on what can reasonably be expected to be shared with the engagement leader, in particular about another firm's SoQM.

As another example, paragraph 35 of the proposed SAS requires the engagement partner to determine that members of the engagement team have undertaken appropriate consultation during the audit engagement and that conclusions have been agreed and implemented. It is not practicable to expect that the group engagement partner would be aware of how the component auditor's firm sets out consultation requirements nor whether individuals within the component audit team have followed those requirements and appropriately executed the consultation. In a complex group audit, this could extend to a number of matters. Rather, the principle of shared accountability would suggest that the component partner make an assertion to this effect (i.e., thereby providing information to the group engagement partner to be used in making this determination). We have similar concerns with paragraph 38 in relation to differences of opinion at the component level. We are concerned that without additional implementation guidance suggesting how such requirements can be practically implemented, auditors may become unduly focused on less important matters at the expense of audit quality.

Definition of engagement team

We understand that, in the context of a group audit, the revised definition of engagement team is intended to scope in all individuals involved in performing work at components of the group (i.e., component auditor teams, which would include individuals from network and non-network component auditors). We believe this has significant implications for the expectations of a group engagement partner that we do not believe have been sufficiently evaluated.

Other matters

Respondent	Hierarchical Name	Coded Text
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Discussion of significant judgments

We agree that the engagement partner would ordinarily review the most critical areas of judgment related to a specific audit engagement, including those relating to difficult or contentious matters, understanding that firm policies and procedures may allow auxiliary partners to perform detailed reviews of significant judgments (including at components). We agree with the guidance in paragraph A92 of the proposed SAS that the firm’s policies or procedures may specify certain matters that are commonly expected to be significant judgments - this is often the case to drive consistency in execution. Paragraph A92 also appropriately recognizes that the engagement partner exercises professional judgment in identifying the areas of significant judgment made by the engagement team. It is important that the proposed SAS notes that whether or not the examples in paragraph A92 are significant judgments will also depend on the facts and circumstances of the engagement. See drafting suggestions in Appendix 2. This flexibility will also be important from the perspective of engagement quality reviews as described in our response to Question 3.

Documentation

We believe there is a significant risk of confusion and inconsistent application of the requirements due to the use of the term “determine” within the requirements. In certain cases, the “determination” appears to be a “stand back requirement” or a “final consideration.” From the use of this terminology, the extent of documentation required to support the engagement partner’s determination, and how that should be evidenced within the audit workpapers, is unclear. We believe that additional application guidance in relation to specific requirements would be helpful as to how the engagement partner or the engagement team more broadly may be reasonably expected to evidence their determination within the audit file on these key matters. We are concerned that the use of terminology like “determine” or “evaluate” will result in an expectation that detailed documentation will be included, which may not improve quality. This concern is not specific to the proposed SAS, and suggests the ASB may need to more fundamentally revisit how documentation requirements are explained in the AU-Cs, as this has been highlighted as a concern from a scalability perspective.

To illustrate, paragraph 4 requires the engagement team to determine whether to design and implement responses at the engagement level beyond those in the firm’s policies and procedures. As currently worded, such a determination may imply that the engagement partner documents a specific conclusion that no additional responses beyond the firm’s policies and procedures are necessary. For example, in accordance with paragraph 36:

Where an engagement quality review is required, is there an expectation that the determination that an engagement quality reviewer has been appointed include a specific requirement for the engagement partner to document the rationale for the appointment, rather than relying on the firm’s policies and procedures alone?

Correspondingly, if an engagement does not meet the firm’s criteria for an engagement quality review, the requirements in paragraph 4 may suggest that the engagement partner would need to explicitly document the factors taken into

Respondent	Hierarchical Name	Coded Text
		<p>account in considering whether to request an engagement quality reviewer be assigned.</p> <p>We also suggest more guidance is needed to clarify what evidence would need to be documented to support the engagement partner's determination in accordance with paragraph 40 that the engagement partner's involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement, and the nature and circumstances of the audit engagement, any changes thereto, and the firm's related policies or procedures have been taken into account in complying with the requirements of the proposed SAS. We believe the audit file itself will support this determination and the purpose of the requirement is for the engagement partner to reflect before issuing the audit report, rather than to perform a comprehensive assessment of the engagement or drive additional documentation. The ASB could consider specifically addressing this in paragraph A118 of the proposed QM SAS.</p>
162	Q04a QM SAS Overall\Specific comments	We support the development of the proposed quality management standards, including the QM SAS, and believe the proposed standards may serve the public interest.
040	Q04b QM SAS requirements	<p>We suggest the following items to QM SAS Definitions in paragraph 12:</p> <p>Include the full definition of "network" as defined in the AICPA Code of Professional Conduct.</p> <p>Define the term "remediation."</p> <p>Include and define "inspections." There are several references to inspections in the application guidance. It is our view that inspections should be defined in the definition section to enhance the clarity and ability of the auditor to implement the standard.</p>
065	Q04b QM SAS requirements	The ED information is consistent with my former Firm's policies and procedures.
065	Q04b QM SAS requirements	Yes
069	Q04b QM SAS requirements	We agree with the language in the proposed auditing standard that requires the engagement partner to take ultimate responsibility for ensuring the overall quality of the engagement.
076	Q04b QM SAS requirements	We do not feel the proposed "stand back" requirement is needed in a small firm setting. Audit partners are highly involved with the entire audit process in a small firm setting and therefore already have a high level of involvement. This would be an unnecessary additional requirement that is not needed.

Respondent	Hierarchical Name	Coded Text
077	Q04b QM SAS requirements	<p>We agree with the requirement in proposed QM SAS that an engagement partner is responsible for compliance with relevant ethical requirements.</p> <p>We agree with the requirements in proposed QM SAS that an engagement partner is responsible for resources used on an engagement, including technological, intellectual, and human resources. We would like the Board to provide guidance on the use of new technology within audits, specifically the engagement partner’s understanding of new technology as approved by the firm and other technical bodies. As with any technology, the engagement team or others within the firm may be more knowledgeable regarding certain systems or methods, for example data analysis processes and procedures, firm-wide industry data and other emerging audit techniques. In certain cases, the specific expertise may not rest with the engagement partner. In these cases, we recommend guidance for understanding the technology used in the audit and a method for the engagement partner to document the understanding and its use within the engagement.</p> <p>We agree with the specific items which require engagementpartner review. We also recognize that significant matters and judgments will be different for each engagement. The formal written communications to management and those charged with governance are considered reasonable.</p>
086	Q04b QM SAS requirements	<p>This new requirement seems overly theoretical, and it is not clear how it differs from concluding on the engagement and adding a check mark on a checklist. If this requirement is retained, the committees request that the requirement be clarified.</p>
089	Q04b QM SAS requirements	<p>Requirements and application material are generally clear, but we have concerns about the indication that “take responsibility for” means that the engagement partner is permitted to assign these responsibilities to another appropriately skilled or suitably experienced member of the engagement team. We believe that certain responsibilities that appear to be permitted to be “assigned” should not be. Examples of such provisions are noted below.</p> <p>Section 14: establishing and communicating the firm’s commitment to quality and the expected behavior of engagement team members</p> <p>Section 17: making engagement team members aware of relevant ethical requirements that are applicable given the nature and circumstances of the audit engagement, and the firm’s related policies or procedures, including identifying, evaluating and addressing threats to compliance with independence</p> <p>Section 35: undertaking consultation on difficult or contentious matters and matters on which the firm’s policies and procedures require consultation</p> <p>Section 37: resolving differences of opinion in accordance with the firm’s policies or procedures</p>

Agenda Item 2D – Excerpt of comment letters received by the ASB on the proposed QM SAS

Respondent	Hierarchical Name	Coded Text
		We agree the engagement partner may need to leverage others in the firm to fulfill all of his/her responsibilities, but the standard should be very clear that the engagement partner has ultimate responsibility for seeing that all of these are carried out on their engagements.
097	Q04b QM SAS requirements	the stand back position insinuates that engagement partners are too involved in the engagement and therefore can't be impartial in evaluating the engagement. And that the engagement partners have been not living up to their responsibilities relative to the existing auditing standards and to the existing QC standards. Maybe the ASB should stop indicting the members of the profession and take the perception that perhaps most of the members do better than a decent job in performing audits and reviews and other attest type of engagements.
100	TIC Q04b QM SAS requirements	The requirements in the QM SAS are clear and understandable; however, TIC believes that they may be difficult for some firms to implement.
119	Q04b QM SAS requirements	This new requirement seems overly theoretical, and it is not clear how it differs from concluding on the engagement and adding a check mark on a checklist. If this requirement is retained, we request that the requirement be clarified.
121	Q04b QM SAS requirements	4b. Yes, the requirements in the proposed QM SAS are clear and understandable. We would encourage the ASB to provide implementation and other nonauthoritative guidance, specifically as it relates to the "stand-back" requirement, including determining that the involvement of the engagement partner in the audit has been sufficient and appropriate throughout the engagement. The examples provided in the proposed QM SAS application material are clear but may have the unintended consequence of limiting the qualitative and quantitative methods/measures used or result in boilerplate responses. Implementation and other nonauthoritative guidance could address the definition of timely review – is it by actual date of sign-off or number of hours invested in each phase of the audit? Such guidance may include an emphasis on the importance of a one size does not fit all, attributes of partner involvement should be risk-based and scalable to the nature and size of the audit engagement. Without further guidance, we believe there will be inconsistency in practice and audit quality will not be enhanced as intended.
130	Q04b QM SAS requirements	The Exposure Draft references 'Other New Requirements' which apparently clarifies what an engagement partner needs to review and which are significant judgments and significant matters. We believe that generally the engagement partner is closer to the specifics of an audit engagement and is able to use his or her experience and judgment in determining what items need to be reviewed by the partner more so than the standard setters. This is true in general and especially relevant in smaller, less complex engagements handled by smaller firms.
138	Q04b QM SAS requirements	Yes
143	Q04b QM SAS requirements	D&T has recommended a number of changes to the proposed QM standards related to engagements conducted in accordance with GAS (refer Appendix 1, responses to question 1 - paragraph 5, and question 3 – paragraphs 2 and A48).

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Respondent	Hierarchical Name	Coded Text
		In addition to considering the specific edits we are recommending in Appendix 1, we believe that the ASB should holistically revisit all requirement and guidance paragraphs in the proposed QM standards that address GAS in order to review that the appropriate terminology and references are consistently used. In addition, such requirements and terminology should align with the GAS 2018 Revision, inclusive of the Technical Update April 2021, as issued by the Comptroller General of the United States.
146	Q04b QM SAS requirements	Yes, the materials are clear and understandable to us, but we have a concern that they will not be clear to smaller firms.
155	Q04b QM SAS requirements	However, while we acknowledge the concept of the “stand-back” requirement reflected in paragraph .40, it is not clear to us how this evaluation is expected to be documented. In the absence of application material with such guidance, we expect this will evolve to be little more than one or more steps in an engagement checklist. If the Board has specific documentation expectations for this requirement, we recommend including additional related application material.
156	Q04b QM SAS requirements	Yes, based on our initial reading of QM SAS, although our review has not been extensive.
162	Q04b QM SAS requirements	Yes, we believe the requirements in the QM SAS are overall clear and understandable
164	Q04b QM SAS requirements	Yes, the requirements are clear and understandable. 4c. Yes, the application material is helpful.
166	Q04b QM SAS requirements	Is the “stand back” requirement in this section, the responsibility of the engagement partner, or is this fulfilled by another partner outside of the engagement? I read this to mean that the engagement partner is required to self-reflect on the adequacy of his/her involvement on the audit.
010	Q04c QM SAS AM	<p>Paragraph A38 uses the term “listed entities” when it states “For example, certain requirements related to independence may be applicable only when performing audits of listed entities”. Use of this term does not align with the AICPA Code of Conduct and its inclusion is inconsistent with other areas of the proposed standards where similar references were deleted for jurisdictional purposes.</p> <p>Paragraph A44 deletes the example from the IESBA Code contained in the international quality management standard. We believe this is an opportunity to reference the conceptual frameworks embedded in the AICPA Code of Conduct as an alternative example that is relevant to practitioners in the US. There are a number of examples in the AICPA Code of Conduct that could be provided, such as those in section 1.295 Non-attest Services which highlights several “safeguards” that are required.</p> <p>Paragraph A45 provides reference to SQMS No. 1 regarding the establishment of policies and procedures for breaches</p>

Respondent	Hierarchical Name	Coded Text
		<p>of relevant ethical requirements. Section 1.298 Breach of an Independence Interpretation of the AICPA Code of Conduct also contains specific requirements regarding appropriate response to breaches of independence. We believe it would be helpful to include reference to the relevant AICPA Code of Conduct requirements.</p> <p>Paragraph A48 could be interpreted to imply that government audit organizations are exempt from relevant ethical requirements and may, instead, take a threats and safeguards approach. We believe the intent is that there is an expectation that government audit organizations comply with the relevant ethical requirements except in certain limited circumstances. We suggest clarifying the language to reflect this intent as follows.</p> <p>A48. Government audit organizations are expected to comply with the relevant independence requirements of the AICPA Code of Conduct except in certain limited circumstances. Law or regulation may provide require safeguards for the independence of governmental audit organizations and the auditors they employ. However, in the absence of law or regulation, governmental audit organizations may establish supplemental safeguards to assist the auditor or audit organization in maintaining independence. Additionally, when law or regulation does</p> <p>Appendix Page 3</p> <p>not permit withdrawal from the engagement, the auditor may disclose in the auditor’s report the circumstances affecting the auditor’s independence.</p>
040	Q04c QM SAS AM	In proposed QM SAS paragraph A85, item 2, refer to paragraph A35 instead of paragraph A34.
040	Q04c QM SAS AM	We also suggest clarifying the difference between unconscious and conscious auditor biases in QM SAS paragraph A35.
065	Q04c QM SAS AM	The ED information is consistent with my former Firm’s policies and procedures.
065	Q04c QM SAS AM	Yes
071	Q04c QM SAS AM	The Group is neither agrees or disagrees with the changes described in – Proposed QM SAS - Overall Matters. It is unclear on how the application material for No. 1 links to the requirement in AU-C Section 700. Overall, it is difficult to find the application material that relates to the changes in the Proposed QM SAS related to this question. Cross references would be helpful when asking about the application material.
076	Q04c QM SAS AM	NO
102	Q04c QM SAS AM	QM SAS is clear and understandable.
121	Q04c QM SAS AM	4c. Yes, the application material in proposed QM SAS is helpful in supporting the application of the requirements. See the response to 4b. above for a recommendation with respect to implementation and other nonauthoritative guidance.

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Respondent	Hierarchical Name	Coded Text
123 MI AG	Q04c QM SAS AM	Given the exclusion of government audit organization from applying statements on quality management standards, we appreciate paragraph 2's specific inclusion of this standard to audits conducted by government audit organizations that perform financial audits in accordance with generally accepted auditing standards.
143	Q04c QM SAS AM	D&T believes the edit to paragraph A116 to consider firm policies and procedures that [may] set forth required actions, is not correct. In such circumstances the engagement partner takes into account the firm policies and procedures and responds accordingly. The use of the term "considering" implies that the engagement partner has flexibility and in doing so may, or may not, consider the policies and procedures, including the related requirements. A116. ... In addition to considering taking account of firm policies or procedures that may set forth the required actions to be taken in such circumstances, appropriate actions that the engagement partner may take, include, for example....
143	Q04c QM SAS AM	Paragraphs A25, A91, and A107 It is recommended that the wording in paragraph A25 of proposed QM SAS revert to that of paragraphs A25, A91, and A107 in ISA 220 (Revised). Paragraph A99 D&T notes the inclusion of the phrase "such as those that required significant auditor attention" (which is not in ISA 220 (Revised)) to further describe circumstances when consultation may be required relating to significant risks. We believe that, by their nature, significant risks require the focused attention of the auditor; therefore, this phrase does not add any further clarity to the application material. D&T recommends that the phrase be deleted. Paragraph A115 D&T believes that the changes to paragraph A115 of proposed QM SAS when compared with ISA 220 (Revised) are unnecessary and are not the result of circumstances that are unique to the United States environment. Consequently, these should be reversed.
146	Q04c QM SAS AM	Yes, the application material is helpful.
156	Q04c QM SAS AM	Yes, based on our initial reading of QM SAS.
162	Q04c QM SAS AM	Yes, we believe the overall application material in the QM SAS are overall clear and understandable.
065	Q04d QM SAS Other	Yes. The proposed QM SAS clarifies that the engagement partner needs to review-significant matters and significant judgments, and formal written communications to management and those charged with governance. The AS should consider also requiring the engagement partner to review engagement planning on a timely basis (i.e., completed prior to the start of substantial audit work). Engagement quality is most effectively built into the engagement at its start, during planning, not at the end of the engagement.
083	Q04d QM SAS Other	We suggest the Board provide clarification within the QM SAS that government audit organizations are subject to the quality control and assurance requirements of Government Auditing Standards. This is stated in paragraph 5 of the

Respondent	Hierarchical Name	Coded Text
		introduction to the proposed SQMS No. 1, but incorporating the language into the proposed QM SAS would provide additional clarity.
147	Q04d QM SAS Other	In addition, the proposed amendment to AU-C section 600, Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors) adds language to AU-C 600.05 indicating that the audit engagement partner is responsible for “supervision of members of the group engagement team” to the extant language. Taken together, the application material and AU-C 600.05 revision could imply that an engagement partner may need to gain comfort with every member of a component auditor’s engagement team – a possibly impractical and unnecessary step. The Committee requests ASB clarify the expectation of the extent of an engagement partner’s supervision and comfort with a component auditor’s engagement team members.
161	Q04d QM SAS Other	[Consideration should also be given to adding an example specific to group audits, to explain how the group engagement partner needs to seek assistance from the component partner and describe the role the component audit firm’s policies and procedures play. We are not proposing a suggestion here as such guidance will depend on how ISA 600 is drafted, including how the concepts such as the component auditor’s written acknowledgment of the group audit instructions and the component auditor’s overall summary memorandum or report describing the work performed and the results thereof are articulated.]
161	Q04d QM SAS Other	<p>Impact of the proposed QM SAS on group audits</p> <p>Paragraph A1 of the proposed QM SAS explains that AU-C section 600 provides guidance on how to adapt and apply the requirements of the proposed QM SAS in an audit of group financial statements involving component auditors. Similar to our concerns with how direction, supervision, and review may be applied when an audit delivery model is used, we are concerned that the prescriptive nature of certain of the requirements in the proposed SAS may make it difficult to apply in a group audit. We recommend that an assessment of all requirements in the proposed QM SAS be performed to determine whether they are capable of being applied in the context of a group audit. We understand that the ASB is closely monitoring the IAASB’s ongoing project to revise ISA 600 and intends to consider changes to AU-C section 600 as a result. It will be necessary for the ASB to also be satisfied as to how the requirements in the proposed QM SAS interact with the additional requirements and application material related to the group engagement as set out in AU-C section 600. We do not believe the proposed QM SAS should be finalized before revisions to AU-C section 600 are considered; we believe these two standards should be finalized in tandem and become effective at the same time.</p> <p>As an example, we believe it will be important to make clear in AU-C section 600 that the requirement in paragraph 31 of the proposed QM SAS for the engagement partner to review significant matters and significant judgments relates to matters at the group engagement level. It is neither necessary nor practicable to require the engagement partner to review such matters at the component level. As acknowledged in paragraph A91 of the proposed SAS, the engagement</p>

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Respondent	Hierarchical Name	Coded Text
		partner exercises professional judgment in determining the extent of documentation to be reviewed, for example, when determining the nature and extent of the review of component auditor documentation in a group audit.
006	Q04a QM SAS Overall	We strongly support the majority of the new SQMs
040	Q04a QM SAS Overall	We support the ASB's efforts to clarify and strengthen the key elements of quality management and the related specific responsibilities of the engagement partner and auditor at the engagement level for an audit of financial statements. In general, we believe that the requirements in the proposed QM SAS are clear and understandable and that the application material is helpful.
047	Q04a QM SAS Overall	We understand that requirements in the proposed QM SAS represent a shift from a more standardize quality control approach to a risk-assessment approach at the firm level, which will require significant effort to implement. In concept, we agree that risk-assessment approach is in the public interest. In practice, many firms rely on templated resources to help consider and document quality management, therefore, the shift to a more "free form," risk-based approach will likely be a heavy burden. NASBA suggests robust implementation guidance be available to help guide firms through the process.
055	Q04a QM SAS Overall	The Committee members agreed that the requirements in the proposed QM SAS are clear and understandable. This exposure draft has made explicit what was inherently assumed, and hence makes it easier to understand and implement. The application material is useful and has sufficient examples to illustrate the requirements.
061	Q04a QM SAS Overall	CRI supports the changes outlined in proposed QM SAS. The proposed QM SAS has clarified the role and responsibilities of the engagement partner from the existing guidance in AU-C Section 220, Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards. The application material is helpful in supporting the application of those responsibilities.
065	Q04a QM SAS Overall	My former firm has extensive policies and procedures in place for addressing the management of quality at the engagement level, emphasizing the importance of the exercise of professional skepticism, enhancing the documentation of the auditor's judgments, and robust communications during the engagement.
065	Q04a QM SAS Overall	X I strongly support the proposed QM SAS
074	Q04a QM SAS Overall	The Tennessee Comptroller of the Treasury, Department of Audit, primarily follows quality management standards promulgated by the GAO in Government Auditing Standards. Thus, the proposed changes will not greatly affect our government audit organization. We agree the proposed changes are reasonable, and the language is clear, understandable, and helpful. The application material provided is also sufficient to explain how to apply the requirements in practice.
075	Q04a QM SAS Overall	If the engagement partner does not have the appropriate expertise, experience and level of involvement in the conduct of the engagement, it is highly unlikely that a quality engagement will be performed. Therefore, we strongly support the provisions of the ED related to the engagement partner's responsibility for managing quality, including the "stand-back" requirement.
076	Q04a QM SAS Overall	I do not think this is an big issue in small firms as audit partners are already more involved throughout the entire audit process. Seems more of a large firm issue.

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Respondent	Hierarchical Name	Coded Text
076	Q04a QM SAS Overall	I somewhat oppose the proposed QM SAS
077	Q04a QM SAS Overall	We agree with the proposed QM SAS which clarifies the engagement partner's overall responsibility for managing and achieving audit quality which includes creating an environment that emphasizes the firm's culture and expected behavior of engagement team members. This extends to the engagement partner's involvement throughout the engagement which is inclusive of the engagement partner's leadership responsibility, stand back responsibility, and the direction, supervision and review of the engagement team.
083	Q04a QM SAS Overall	We believe the requirements are clear and understandable and that the application material is helpful in supporting the application of the requirements. Specific guidance, via examples or hypothetical questions with answers, would be beneficial for implementing the standard.
090	Q04a QM SAS Overall	We agree with the proposed changes to the existing standard, believe the requirements are clear and understandable, and determine that the application material is helpful.
093	Q04a QM SAS Overall	We agree with the language in the proposed auditing standard that requires the engagement partner to take ultimate responsibility for ensuring the overall quality of the engagement.
095	Q04a QM SAS Overall	The committees think that the preceding changes, with exception of those noted in previous comments, are beneficial to the goal of continued audit quality. The requirements are clear and understandable, and the application materials are somewhat helpful.
098	Q04a QM SAS Overall	We agree with the language in the proposed auditing standard that requires the engagement partner to take ultimate responsibility for ensuring the overall quality of the engagement.
099	Q04a QM SAS Overall	I strongly oppose the proposed QM SAS
100	Q04a QM SAS Overall	As noted throughout this letter, TIC strongly supports the enhancement of quality throughout all types of engagements; however, we have concerns with some aspects of the QM SAS, but somewhat support the proposed SAS.
103	Q04a QM SAS Overall	Overall, the application material is helpful in supporting the application of the proposed QM SAS. Some of the areas where we recommend additional guidance include: "Stand back" requirement – The requirement to assess the sufficiency and appropriateness of the partner's involvement in an engagement has been inherent in the quality management system of a firm prior to the proposed QM SAS. We recommend expanding on this guidance to establish a framework by which partners and firms may make an assessment. Scalability (paragraph A29 of the proposed QM SAS) – We recommend providing additional guidance on the level of formality of the communication among the engagement team.
109	Q04a QM SAS Overall	Engagement Partner's Overall Responsibility for Managing Quality on Audits, Including Engagement Performance and Stand Back The Committee agrees with the proposed changes in an engagement partner's overall responsibility for managing quality on audits. The timely review of documentation at appropriate stages, as discussed in Par. 30-31 and A91, provides excellent guidance on ensuring that review of documentation should occur throughout the engagement rather

Respondent	Hierarchical Name	Coded Text
		<p>than at the end to better facilitate the report date being as close to the end of fieldwork as possible. Adding the Stand Back requirement Par. 40, properly adds emphasis to the engagement partner taking responsibility for an audit engagement. The Stand Bank requirement will help prevent the engagement partner from passing this responsibility to a manager or director unless it is documented that the partner has passed the engagement partner responsibility to someone who has the experience and knowledge to perform this responsibility.</p> <p>Engagement Resources The Committee has the most concern about maintaining the necessary human and intellectual resources for engagements performed by smaller firms. The public accounting industry is dealing with more and more areas requiring the use of resources while the pool of human and intellectual resources has been reducing. This lack of responsibility could cause difficulty finding and training enough CPAs to fulfill the requirements of the new standards.</p> <p>Other New Requirements The Committee feels the clarification added on what the engagement partner needs to review will help focus engagement partners on the things that matter at that level of review. With the reduced availability of staff, the engagement partner needs to be as efficient as possible in reviewing the most valuable sections of the audit versus looking over every workpaper.</p> <p>The Committee feels the requirements in the proposed QM SAS are clear and understandable. The application material is helpful; however, we believe significant implementation guidance will need to be provided, especially to smaller firms.</p>
110	Q04a QM SAS Overall	We are generally supportive of the changes proposed in the QM SAS. However, due to the stand-back requirement being new, we request the Board provides greater clarification and develop practice aids to assist the engagement partner and firm in adhering to the stand back requirement.
116	Q04a QM SAS Overall	We acknowledge agreement and support of the QM SAS.
121	Q04a QM SAS Overall	4a. We strongly support the proposed QM SAS. We agree that the engagement partner needs to be sufficiently and appropriately involved throughout the engagement to achieve high quality audits and agree with the proposed requirements.
123	Q04a QM SAS Overall	We generally agree with the ED and with the proposed effective date. As a state audit organization, our comments are limited to the proposed statement on auditing standard and do not extend to the proposed statements on quality management standards, which do not apply to government audit organizations. Our comments on the ED are as follows:
124	Q04a QM SAS Overall	To the extent the requirements mirror the quality control standards mentioned above, the committee has the same concerns with the application of the SAS.
128	Q04a QM SAS Overall	We support the proposed QM SAS and believe the proposed requirements are clear and understandable. We further believe that the application material supports the requirements and makes clear that the engagement partner has overall responsibility for managing and achieving quality and is ultimately accountable for compliance with the requirements of the proposed QM SAS.

Agenda Item 2D – Excerpt of comment letters received by the ASB on the proposed QM SAS

Respondent	Hierarchical Name	Coded Text
130	Q04a QM SAS Overall	We believe the requirements are generally understandable, however, we believe more information is necessary to fully appreciate the new stand back requirement and the engagement resources requirement.
130	Q04a QM SAS Overall	We somewhat oppose the proposed QM SAS
134	Q04a QM SAS Overall	<p>Group audits</p> <p>We are concerned that the extent of the requirements and the resulting responsibilities that lay directly with the engagement partner could make this standard too onerous to apply to large single-entity engagements or large multinational engagements. We would recommend that the application of the requirements in these circumstances be considered as part of the QM SAS. While we appreciate that, from a group audit perspective, the IAASB and ASB have indicated that the responsibilities of the group engagement partner will be considered in their respective projects on group audits, there will probably be a period of time when QM SAS is effective, but the revisions to AU-C section 600 will still be in development. We are concerned that this would be detrimental to audit quality. As a result, if these requirements are to remain in a revised standard, we recommend that the ASB provide guidance on how to apply these requirements to large single-entity engagements or multinational engagements when the revised standard is approved. If these requirements are not considered as part of the QM SAS, we would recommend that the effective dates of the QM SAS and a revised AU-C section 600 be aligned.</p>
134	Q04a QM SAS Overall	<p>We agree that to take overall responsibility for managing and achieving quality on the audit engagement, the involvement of the engagement partner needs to be both sufficient and appropriate. However, there is a level of prescription to these proposed requirements that is not consistent with a principles-based approach. We further believe there are areas where additional clarity is necessary in order to make the QM SAS sufficiently operational, particularly for group audits.</p> <p>For example, we note that paragraph 13 of the QM SAS requires the engagement partner to determine that the engagement partner has taken overall responsibility for managing and achieving quality on the audit engagement. There is little guidance on how the engagement partner evidences the basis for the conclusion reached. We would recommend the incorporation of additional guidance on the documentation expected to demonstrate compliance with this requirement.</p>
135	Q04a QM SAS Overall	We acknowledge agreement and support of the QM SAS.
138	Q04a QM SAS Overall	We strongly support the proposed QM SAS
139	Q04a QM SAS Overall	We have the same issues with the proposed Statement on Auditing Standards as it does with the proposed Statement on Quality Management.
144	Q04a QM SAS Overall	I strongly support the proposed QM SAS.
145	Q04a QM SAS Overall	For our membership, our typical engagement team consists of 2 to 5 team members (including the engagement partner). The partners are significantly involved in all phases of an engagement from planning (including the selection of and intimately knowledge of the engagement staff) to engagement wrap-up. We are of the opinion that this already gives us an advantage because the engagement partner, as team leader, fulfills his or her leadership responsibilities. This includes taking actions to

Respondent	Hierarchical Name	Coded Text
		<p>create an environment for the engagement that emphasizes the firm’s culture and the expected behavior of engagement team members; assigning procedures, tasks, or actions to other members of the engagement team; and supporting engagement performance, including taking responsibility for the nature, timing, and extent of the direction, supervision, and review of the work performed. However, for those firms that would be affected by this proposed SQMS, the requirements in proposed QM SAS are clear and understandable, and the application materials would be helpful. Additionally, we are of the opinion the proposed changes would not be scalable for our membership because the added cost and burden of implementation and maintenance would result in placing our firms at a competitive disadvantage.</p>
146	Q04a QM SAS Overall	<p>We somewhat oppose the proposed QM SAS as it applies to smaller firms as discussed above.</p>
147	Q04a QM SAS Overall	<p>Overall, we support the proposed QM SAS and believe the requirements are generally clear and understandable, effectively addressing the engagement partner’s ultimate responsibility for ensuring the overall quality of the engagement. The proposed QM SAS appears consistent with and logically linked to the proposed SQMS standards.</p> <p>However, the Committee does request clarification regarding the extent of the engagement partner’s responsibility in relation to members of a component auditor’s engagement team outside of the partner’s own firm.</p> <p>The QM SAS application material, specifically paragraphs A23 - 24, discuss considerations of the engagement partner in relation to members of an engagement team outside of the partner’s firm.</p>
150	Q04a QM SAS Overall	<p>Our views on the QM SAS as we understand it is, we are for the overall concept of encouraging proactive management of quality at the engagement level, emphasizing the importance of the exercise of professional skepticism and the need for robust communication during the audit. We are not in favor of additional documentation requirements enhancing the documentation of auditor’s judgements.</p> <p>The application material is helpful in supporting the application of the requirements.</p> <p>In the small firm context, nothing has changed. The engagement partner already has those responsibilities and requiring more documentation does nothing to improve the quality of the audit. It may provide some protection for an inadequate attestation engagement, however, it really is just another cost incurred that makes it difficult for small firms performing attestation engagements. As stated previously, there is a real need for attestation engagements that regional and national firms have no interest in. However, the public interest in the smaller engagement arena is still and will always be relevant and the cost of providing those service keeps rising without a reasonable expectation that the entities in need can afford the services. It’s not rocket science, there needs to be a vehicle for local firms to provide attestation services competitively without undue and unrealistic requirements.</p>
151	Q04a QM SAS Overall	<p>For our firm, our typical engagement team consists of 2 to 5 team members (including the engagement partner). The partners are significantly involved in all phases of an engagement from planning (including the selection of and intimately knowledge of the engagement staff) to engagement wrap-up. We are of the opinion this gives us the advantage of having the engagement partner as team leader to fulfill their leadership responsibilities, including taking actions to create an environment for the engagement that emphasizes the firm’s culture and the expected behavior of engagement team members, and assigning procedures, tasks, or actions to other members of the engagement team and supporting engagement performance, including taking responsibility for the nature, timing, and extent of the direction, supervision,</p>

Respondent	Hierarchical Name	Coded Text
		and review of the work performed. However, for those firms that would be affected by this proposed SQMS, the requirements in proposed QM SAS are clear and understandable, and the application materials would be helpful.
155	Q04a QM SAS Overall	We believe that the preceding changes discussed and in the proposed QM SAS were clear and understandable. The application material is helpful and supports the application of the requirements.
156	Q04a QM SAS Overall	I support the proposed QM SAS
158	Q04a QM SAS Overall	We strongly support the proposed QM SAS and its requirements are clear and understandable. The application material in the proposed QM SAS is helpful in supporting the requirements.
159	Q04a QM SAS Overall	strongly support the proposed QM SAS
161	Q04a QM SAS Overall	We support the intent of the revisions, which is to promote consideration of risks to quality at the engagement level, and support many of the proposed revisions. We agree that the engagement partner needs to be sufficiently and appropriately involved throughout the audit to be able to take overall responsibility for the quality of the engagement.

However, in building a framework that best supports audit quality, it is important that the requirements in the QM SAS are grounded in a risk-based approach, and are sufficiently principles-based so that they can be appropriately applied across a variety of engagement team structures in a scalable manner, commensurate with the size and complexity of the entity being audited. We are concerned that the proposed SAS is not capable of being effectively implemented in light of the variety of audit delivery models that exist today and how such models (and the technology that supports them) are likely to evolve in the future. New audit delivery models, through which quality is often reinforced through quality control procedures embedded in their design, are typically governed by a firm’s System of Quality Management (SoQM); engagement partners should be able to rely on these firm-level controls to support the execution of quality audits. It is important that the SAS reflect the changing nature of audits and not introduce prescriptive requirements that may impede, rather than support, audit quality. In revising AU-C section 220, the ASB should establish principles-based requirements that promote appropriate review and supervision, and develop accompanying material to support the application of those requirements in various circumstances.

We support the assignment of responsibility to others to assist the engagement partner in fulfilling their quality responsibilities. In principle, we believe that the engagement partner should assign responsibility for aspects of quality to those most qualified to deliver on it. In our view, the engagement partner can retain overall responsibility for the engagement while delegating elements of execution that support that responsibility. It is also important to acknowledge that the firm’s policies and procedures are applied to specific engagements or structures based on their assessed risks; not all engagements have the same risks and therefore different responses may be appropriate in order to achieve the same quality objective.

Paragraph 8 of the proposed QM SAS acknowledges that, in an audit of an entity whose nature and circumstances are more complex, the engagement partner may assign the design or performance of some procedures, tasks, or actions to other members of the engagement team. In our view, paragraph 4 of PCAOB AS 1201, Supervision of the Audit Engagement, better articulates the concept of additional engagement team members who assist the engagement partner with supervision of the work of other engagement team members and promotes greater accountability by those

Respondent	Hierarchical Name	Coded Text
		<p>to which such work is assigned or delegated. We note this concept was similarly articulated in paragraph 6 of extant AU-C section 220, which specifies that “The engagement partner may use the assistance of other members of the engagement team or other personnel within the firm in meeting the requirements of this section.” This terminology acknowledges that the engagement partner remains ultimately responsible for quality on the engagement, but also recognizes other suitably qualified members of the engagement team may perform a significant role with respect to direction, supervision, and review in order to achieve audit quality in the context of the specific engagement. We believe this concept should be explicitly retained in the ASB’s standards; moving away from it could result in a significant change in practice without a commensurate increase in audit quality and creates an unnecessary divergence from PCAOB standards.</p> <p>In our view, the proposed SAS needs to be revised to better reflect the principle of shared accountability for aspects of quality, and what would practically be achievable by the engagement partner. Although the application material provides examples of how the requirements can be applied in certain situations, we are concerned with the overall shift in the proposed QM SAS from the context in extant AU-C section 220 of the engagement partner being satisfied regarding certain matters to more robust requirements for the engagement partner to “determine” and “review” a broader range of matters. In these cases, we do not believe the application material can be used to overcome the prescriptive nature of the revised requirements. Particularly as it relates to large and complex engagements, it may not be feasible for the engagement partner to “determine” or “review” in accordance with all of the requirements outlined in the proposed QM SAS, as further discussed in our response to Question 4. Imposing these requirements on the engagement partner, rather than permitting such conclusions to be drawn by other suitability qualified members of the engagement team, may otherwise serve to detract from audit quality.</p> <p>Paragraph A10 of the proposed SAS acknowledges that ordinarily the engagement team may depend on the firm’s policies and procedures to comply with the requirements of the proposed SAS. Paragraph 9 notes that the engagement partner may need to obtain information from the firm or other members of the engagement team to be able to fulfill particular responsibilities set forth in the proposed SAS. We believe these concepts should be made more prominent in the proposed SAS, and potentially implementation guidance, to assist auditors in understanding how the proposed SAS can be applied to various structures that have become more common. In particular, we are concerned with how the requirements of the proposed SAS interact with AU-C section 600, and believe the ASB needs to consider this before finalizing the proposed SAS to ensure it can be practically applied.</p>
161	Q04a QM SAS Overall	<p>Overview</p> <p>As noted in our cover letter, we support the intent of the revisions to promote consideration of risks to quality at the engagement level and support many of the revised requirements in the proposed SAS. We agree that the engagement partner needs to be sufficiently and appropriately involved throughout the audit to be able to take overall responsibility for the quality of the engagement. However, as audits become more complex and audit delivery models to support quality audits evolve, it is often necessary to involve others to assist the engagement partner in directing, supervising, and reviewing the engagement. The concept of other partners assisting the engagement partner is contemplated in the definition of an “audit partner” in Rule 2-01 of Regulation S-X, which addresses not only requirements for the lead partner, but also other audit engagement team partners (including those who serve as the lead partner in connection</p>

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with an audit of subsidiaries of an issuer) who have responsibility for decision-making on significant auditing, accounting, and reporting matters that affect the financial statements. PCAOB AS 1201, Supervision of the Audit Engagement, clearly articulates the concept of other engagement team members who assist the engagement partner with supervision of the work of other engagement team members. In practice, these “auxiliary partners” are an essential part of bringing quality to engagements of varying sizes and complexities, including in the case of group audits. In our experience, using auxiliary partners to assist the (lead) engagement partner is necessary in light of the volume of work to be reviewed - we believe that having other suitably qualified individuals involved in directing, supervising, and reviewing elements of the overall engagement supports enhanced quality, and does not diminish the (lead) engagement partner’s responsibility for the engagement as a whole. While we understand that the IAASB’s project on ISA 220 is intended to be responsive to concerns from regulators outside the US that the engagement partner may not always be appropriately involved in the audit, we do not believe there are similar concerns in the US that would merit a significant overhaul of extant AU-C section 220.

We believe that, as drafted, the level of prescription regarding the lead engagement partner’s responsibilities in some of the proposed new requirements is in conflict with the premise in paragraph 8 that the engagement partner may need to assign the design or performance of some procedures, tasks, or actions to other members of the engagement team, especially in an audit of an entity whose nature and circumstances are more complex. In our view, it is generally not possible or practicable for the lead engagement partner to satisfy all of the requirements of the QM SAS by themselves. Although the application material provides examples of how the requirements can be applied in certain situations, we are concerned with how the proposed QM SAS seems to shift from extant AU-C section 220’s requirements for the engagement partner to be satisfied regarding certain matters to a more robust requirements for the engagement partner to “determine” and “review” a broader range of matters. We do not believe the application material overcomes the prescriptive nature of the revised requirements. Further, we believe that use of the terms “determine” and “review” is not clear in the context of the requirement outlined in paragraph 9 of the proposed QM SAS. We believe that the lack of specificity as to what it means to “determine” or “review” may result in varied interpretations in practice as to how such requirements are performed and documented within the audit file.

We therefore believe the proposed SAS should more clearly describe the concept of assignment of responsibility to others to assist the engagement partner in fulfilling their quality responsibilities, and take steps to further highlight how the requirements within the standard would be applied in various circumstances (e.g., through additional application material or implementation guidance). In principle, we believe that the engagement partner should be able to assign responsibility for aspects of quality to those most qualified to deliver on it. In addition, many audit delivery models have been put in place to specifically reinforce quality through quality control procedures embedded in their design, including firm policies and procedures. Accountability for different aspects of audit quality in an engagement can, in our view, be shared with others when all participants understand their role and how it is interrelated with those of others. Firm policies and procedures are best suited to address such roles and responsibilities.

In building a framework that best supports audit quality, it is important that the requirements in the proposed QM SAS are grounded in a risk-based approach, and are sufficiently principles-based so that they can be appropriately applied across a variety of engagement team structures in a scalable manner. We offer more specific concerns about

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circumstances in which the proposed QM SAS will be applied and recommendations to alleviate these concerns below.

Recognizing the evolving nature of how audits are conducted

Today’s audits are being performed with increasingly diverse and distributed delivery models that leverage technology, other tools, and working practices to increase the efficiency and effectiveness of audit work. Further, the impact of the COVID-19 pandemic continues to highlight the need for different structures to bring quality to an engagement, including flexibility in how the principles of adequate direction, supervision, and review can be achieved. So it is timely that the ASB considers how to acknowledge these changing structures in the proposed QM SAS, as we expect to continue to see an increase in engagements using Centers of Excellence, service delivery centers, staff augmentation models, and other audit delivery models across the profession. The primary objective of these audit delivery models is to drive higher quality through consistent performance. While paragraph A15 appropriately acknowledges that engagement team members may be located together or across different geographic locations and may be organized in groups by the activity they are performing, our view is that the proposed SAS downplays the importance of shared accountability for quality by establishing unduly prescriptive requirements for the engagement partner to individually perform and misses an opportunity to further modernize the standards in light of current developments.

In our experience, these newer audit team structures rely on robust policies and procedures established at the firm level and are designed to mitigate perceived risks of the engagement partner delegating responsibilities for direction, supervision, and review. For example, these policies and procedures ordinarily set out responsibilities for interactions between the engagement partner (or an auxiliary partner) and partners and others with supervisory responsibilities using various audit delivery models, as well as specify what audit documentation is to be reviewed by whom, including what should be reviewed by the engagement partner and how such review should be evidenced. These new and evolving models also leverage technology to facilitate direction, supervision, and review, which is also addressed by the firm’s policies and procedures through its SoQM. Consistent with the proposed SAS, the engagement partner remains ultimately responsible for quality at the engagement level, but quality is brought to bear by the appropriate involvement of others.

Challenges with how the concepts have been articulated in the proposed SAS and suggestions for further clarity

We are concerned that the proposed SAS may not be capable of being effectively implemented in light of the various audit delivery models that may exist today and how such models (and the technology that supports their functioning) are likely to evolve in the future. It is important that the proposed SAS reflect the changing nature of audits and not introduce prescriptive requirements that may impede, rather than support, audit quality. Specifically, we believe that there are a number of potentially significant unintended consequences of aspects of the proposed changes, as described below. We have identified certain of these concerns in connection with our efforts to commence implementation of ISA 220, and are aware of the IAASB’s plans to develop further implementation guidance in relation to practical considerations that were raised in the development of ISA 220. We believe the ASB should seek to address these concerns before finalizing the proposed QM SAS, with a view to avoiding unnecessary differences with the PCAOB’s standards. Similarly, it is important the ASB fully considers the impact that the proposed QM SAS will have on group audits and its planned efforts

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to revise AU-C section 600 once the IAASB finalizes its project.

As noted above, paragraph 8 of the proposed SAS acknowledges that, when an audit is not carried out entirely by the engagement partner or in an audit of an entity whose nature and circumstances are more complex, the engagement partner may assign the design or performance of some procedures, tasks, or actions to other members of the engagement team. This is placed under the heading of “Scalability” but this is an essential point that needs to be better articulated and carried throughout the standard. Quality is often best achieved through the assignment and delegation of direction, supervision, and review responsibilities, which are broader than the concept of assigning procedures, tasks, or actions explained in paragraph 9 of the proposed SAS. We do not believe paragraph 9 is sufficiently clear in this regard, nor are the expectations relating to documentation.

In our view, paragraph 4 of PCAOB AS 1201 better articulates the concept of other engagement team members who assist the engagement partner with supervision of the work of other engagement team members. This terminology acknowledges that the engagement partner remains ultimately responsible for quality on the engagement, but that other qualified members of the engagement team often perform significant roles associated with achieving audit quality (in particular in relation to direction, supervision, and review). Accordingly, we believe the proposed SAS needs to be revised to better reflect the principle of shared accountability for aspects of quality, and what is practically achievable by the engagement partner. Within Appendix 2, we have provided drafting suggestions to underscore the importance of firm policies and procedures on the nature, timing, and extent of the engagement partner’s direction, supervision, and review, better clarify the engagement partner’s responsibilities in other alternative audit delivery models, and further highlight the interaction with group audits (see paragraphs 8, 9, and 9A).

Given the evolving audit environment, we believe that it is important that the standard recognizes that various ways exist to direct, supervise, and review audit engagements, and encourages the use of professional judgment in making this determination. We believe that the requirements in the proposed SAS are potentially overly prescriptive, considering the increasingly dynamic engagement team structures to which the proposed SAS will be applied.

Paragraph A10 of the proposed SAS acknowledges that ordinarily, the engagement team may depend on the firm’s policies and procedures in complying with the requirements of the proposed SAS, and paragraph 9 notes the engagement partner may need to obtain information from or assign certain procedures or tasks to other suitably experienced members of the engagement team to be able to fulfill particular responsibilities set forth in the proposed SAS. We believe these concepts should be made more prominent in the proposed SAS, and potentially implementation guidance, to assist auditors in understanding how the proposed SAS can be applied to various structures. We provide drafting suggestions in Appendix 2 to this letter.

In particular, we believe there will likely be practical challenges arising from how the requirements in the following paragraphs have been drafted, or possible inconsistencies in how such requirements are applied in different audit structures (including group audits, as described in more detail below) given the inference that these tasks are to be solely performed by the engagement partner:

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		<p>Paragraph 25: requires the engagement partner to determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the team in a timely manner</p> <p>Paragraph 26: requires the engagement partner to determine that members of the engagement team and others collectively have the appropriate competence and capabilities, including sufficient time, to perform the engagement</p> <p>Paragraph 30: requires the engagement partner to determine that the nature, timing, and extent of direction, supervision, and review is planned and performed in accordance with the firm’s policies or procedures, professional standards, and applicable legal and regulatory requirements, and are responsive to the nature and circumstances of the audit engagement and the resources assigned or made available to the engagement team by the firm</p> <p>Paragraph 31: requires the engagement partner to review audit documentation related to significant matters, significant judgments, and other matters</p> <p>Paragraph 35: requires the engagement partner to determine that consultations have been appropriately undertaken, and conclusions agreed and implemented</p> <p>Paragraph 38: requires the engagement partner to determine that conclusions related to differences of opinion are documented and implemented</p> <p>Paragraph 39: requires the engagement partner to determine the relevance and effect on the audit engagement of information from the firm’s monitoring and remediation process, including, as applicable, information from the monitoring and remediation process of the network and across the network firms</p> <p>The ASB should evaluate whether changes to the requirements or additional application material is necessary to clarify how the engagement partner would comply with the objective of these requirements when other suitability qualified members of the engagement team are significantly involved in direction, supervision, and review, as well as the important interaction with the firm’s quality responses, including its policies and procedures with which its personnel are expected to comply.</p>
161	Q04a QM SAS Overall	<p>Seeking assistance from the component partner and other component engagement team members</p> <p>In order to take responsibility at the group engagement level, the (group) engagement partner will need to rely on actions being taken by the engagement partner at the component as well as the component firm’s policies and procedures. Our experience suggests that the group engagement team member needs assistance from the partner in charge of the component team to comply with a number of requirements, particularly in relation to relevant ethical requirements, engagement resources, and monitoring and remediation. We believe this is appropriate and in the best interests of quality, as the presumption would be that the partner would be an appropriately skilled or suitably experienced member, with visibility into the firm’s policies and procedures that govern the component team’s work.</p>

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In practice, we believe the group engagement partner is able to “take responsibility” or make “determinations” contemplated by the proposed QM SAS based on review of the component auditor’s written acknowledgment of the group audit instructions and the component auditor’s overall summary memorandum or report describing the work performed and the results thereof, supplemented with two-way communication throughout the audit as any issues may arise. The policies and procedures at both the group engagement team’s firm and the component auditor’s firm also play a significant role, in particular when both firms are members of the same network with a common methodology. On the other hand, when the component auditor is from a non-network firm, without additional guidance, it is difficult to envisage how certain of the requirements can be practically undertaken by the group engagement partner, for example understanding results of monitoring and remediation of a non-network firm (paragraph 39 of the proposed QM SAS). In such circumstances, we believe there may be conflicts with national laws or regulations governing confidentiality and potential limitations on what can reasonably be expected to be shared with the engagement leader, in particular about another firm’s SoQM.

As another example, paragraph 35 of the proposed SAS requires the engagement partner to determine that members of the engagement team have undertaken appropriate consultation during the audit engagement and that conclusions have been agreed and implemented. It is not practicable to expect that the group engagement partner would be aware of how the component auditor’s firm sets out consultation requirements nor whether individuals within the component audit team have followed those requirements and appropriately executed the consultation. In a complex group audit, this could extend to a number of matters. Rather, the principle of shared accountability would suggest that the component partner make an assertion to this effect (i.e., thereby providing information to the group engagement partner to be used in making this determination). We have similar concerns with paragraph 38 in relation to differences of opinion at the component level. We are concerned that without additional implementation guidance suggesting how such requirements can be practically implemented, auditors may become unduly focused on less important matters at the expense of audit quality.

Definition of engagement team

We understand that, in the context of a group audit, the revised definition of engagement team is intended to scope in all individuals involved in performing work at components of the group (i.e., component auditor teams, which would include individuals from network and non-network component auditors). We believe this has significant implications for the expectations of a group engagement partner that we do not believe have been sufficiently evaluated.

Other matters

Discussion of significant judgments

We agree that the engagement partner would ordinarily review the most critical areas of judgment related to a specific audit engagement, including those relating to difficult or contentious matters, understanding that firm policies and procedures may allow auxiliary partners to perform detailed reviews of significant judgments (including at components). We agree with the guidance in paragraph A92 of the proposed SAS that the firm’s policies or procedures may specify

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certain matters that are commonly expected to be significant judgments - this is often the case to drive consistency in execution. Paragraph A92 also appropriately recognizes that the engagement partner exercises professional judgment in identifying the areas of significant judgment made by the engagement team. It is important that the proposed SAS notes that whether or not the examples in paragraph A92 are significant judgments will also depend on the facts and circumstances of the engagement. See drafting suggestions in Appendix 2. This flexibility will also be important from the perspective of engagement quality reviews as described in our response to Question 3.

Documentation

We believe there is a significant risk of confusion and inconsistent application of the requirements due to the use of the term “determine” within the requirements. In certain cases, the “determination” appears to be a “stand back requirement” or a “final consideration.” From the use of this terminology, the extent of documentation required to support the engagement partner’s determination, and how that should be evidenced within the audit workpapers, is unclear. We believe that additional application guidance in relation to specific requirements would be helpful as to how the engagement partner or the engagement team more broadly may be reasonably expected to evidence their determination within the audit file on these key matters. We are concerned that the use of terminology like “determine” or “evaluate” will result in an expectation that detailed documentation will be included, which may not improve quality. This concern is not specific to the proposed SAS, and suggests the ASB may need to more fundamentally revisit how documentation requirements are explained in the AU-Cs, as this has been highlighted as a concern from a scalability perspective.

To illustrate, paragraph 4 requires the engagement team to determine whether to design and implement responses at the engagement level beyond those in the firm’s policies and procedures. As currently worded, such a determination may imply that the engagement partner documents a specific conclusion that no additional responses beyond the firm’s policies and procedures are necessary. For example, in accordance with paragraph 36:

Where an engagement quality review is required, is there an expectation that the determination that an engagement quality reviewer has been appointed include a specific requirement for the engagement partner to document the rationale for the appointment, rather than relying on the firm’s policies and procedures alone?

Correspondingly, if an engagement does not meet the firm’s criteria for an engagement quality review, the requirements in paragraph 4 may suggest that the engagement partner would need to explicitly document the factors taken into account in considering whether to request an engagement quality reviewer be assigned.

We also suggest more guidance is needed to clarify what evidence would need to be documented to support the engagement partner’s determination in accordance with paragraph 40 that the engagement partner’s involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement, and the nature and circumstances of the audit engagement, any changes thereto, and the firm’s related policies or procedures have been taken into account in complying with the requirements of the proposed SAS. We believe the audit file itself will support this determination and the purpose of the requirement is for

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		the engagement partner to reflect before issuing the audit report, rather than to perform a comprehensive assessment of the engagement or drive additional documentation. The ASB could consider specifically addressing this in paragraph A118 of the proposed QM SAS.
162	Q04a QM SAS Overall	I strongly support the proposed QM SAS
162	Q04a QM SAS Overall	We support the development of the proposed quality management standards, including the QM SAS, and believe the proposed standards may serve the public interest.
163	Q04a QM SAS Overall	We agree with the language in the proposed auditing standard that requires the engagement partner to take ultimate responsibility for ensuring the overall quality of the engagement.
164	Q04a QM SAS Overall	We somewhat support the proposed QM SAS.
167	Q04a QM SAS Overall	We agree with the requirements outlined in this standard regarding engagement partner responsibilities.
168	Q04a QM SAS Overall	I somewhat support the proposed QM
006	Q04a QM SAS Overall\1 Strongly support	We strongly support the majority of the new SQMs
040	Q04a QM SAS Overall\1 Strongly support	We support the ASB's efforts to clarify and strengthen the key elements of quality management and the related specific responsibilities of the engagement partner and auditor at the engagement level for an audit of financial statements. In general, we believe that the requirements in the proposed QM SAS are clear and understandable and that the application material is helpful.
055	Q04a QM SAS Overall\1 Strongly support	The Committee members agreed that the requirements in the proposed QM SAS are clear and understandable. This exposure draft has made explicit what was inherently assumed, and hence makes it easier to understand and implement. The application material is useful and has sufficient examples to illustrate the requirements.
061	Q04a QM SAS Overall\1 Strongly support	CRI supports the changes outlined in proposed QM SAS. The proposed QM SAS has clarified the role and responsibilities of the engagement partner from the existing guidance in AU-C Section 220, Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards. The application material is helpful in supporting the application of those responsibilities.
065	Q04a QM SAS Overall\1 Strongly support	X I strongly support the proposed QM SAS
077	Q04a QM SAS Overall\1 Strongly support	We agree with the proposed QM SAS which clarifies the engagement partner's overall responsibility for managing and achieving audit quality which includes creating an environment that emphasizes the firm's culture and expected behavior of engagement team members. This extends to the engagement partner's involvement throughout the engagement which is inclusive of the engagement partner's leadership responsibility, stand back responsibility, and the direction, supervision and review of the engagement team.

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Respondent	Hierarchical Name	Coded Text
093	Q04a QM SAS Overall\1 Strongly support	We agree with the language in the proposed auditing standard that requires the engagement partner to take ultimate responsibility for ensuring the overall quality of the engagement.
135	Q04a QM SAS Overall\1 Strongly support	We acknowledge agreement and support of the QM SAS.
138	Q04a QM SAS Overall\1 Strongly support	We strongly support the proposed QM SAS
144	Q04a QM SAS Overall\1 Strongly support	I strongly support the proposed QM SAS.
158	Q04a QM SAS Overall\1 Strongly support	We strongly support the proposed QM SAS and its requirements are clear and understandable. The application material in the proposed QM SAS is helpful in supporting the requirements.
159	Q04a QM SAS Overall\1 Strongly support	strongly support the proposed QM SAS
162	Q04a QM SAS Overall\1 Strongly support	I strongly support the proposed QM SAS
163	Q04a QM SAS Overall\1 Strongly support	We agree with the language in the proposed auditing standard that requires the engagement partner to take ultimate responsibility for ensuring the overall quality of the engagement.
167	Q04a QM SAS Overall\1 Strongly support	We agree with the requirements outlined in this standard regarding engagement partner responsibilities.
047	Q04a QM SAS Overall\2 Somewhat support	We understand that requirements in the proposed QM SAS represent a shift from a more standardize quality control approach to a risk-assessment approach at the firm level, which will require significant effort to implement. In concept, we agree that risk-assessment approach is in the public interest. In practice, many firms rely on templated resources to help consider and document quality management, therefore, the shift to a more “free form,” risk-based approach will likely be a heavy burden. NASBA suggests robust implementation guidance be available to help guide firms through the process.
100 TIC	Q04a QM SAS Overall\2 Somewhat support	As noted throughout this letter, TIC strongly supports the enhancement of quality throughout all types of engagements; however, we have concerns with some aspects of the QM SAS, but somewhat support the proposed SAS.

Agenda Item 2D – Excerpt of comment letters received by the ASB on the proposed QM SAS

Respondent	Hierarchical Name	Coded Text
147	Q04a QM SAS Overall\2 Somewhat support	<p>Overall, we support the proposed QM SAS and believe the requirements are generally clear and understandable, effectively addressing the engagement partner’s ultimate responsibility for ensuring the overall quality of the engagement. The proposed QM SAS appears consistent with and logically linked to the proposed SQMS standards.</p> <p>However, the Committee does request clarification regarding the extent of the engagement partner’s responsibility in relation to members of a component auditor’s engagement team outside of the partner’s own firm.</p> <p>The QM SAS application material, specifically paragraphs A23 - 24, discuss considerations of the engagement partner in relation to members of an engagement team outside of the partner’s firm.</p>
156	Q04a QM SAS Overall\2 Somewhat support	I support the proposed QM SAS
164	Q04a QM SAS Overall\2 Somewhat support	We somewhat support the proposed QM SAS.
168	Q04a QM SAS Overall\2 Somewhat support	I somewhat support the proposed QM
076	Q04a QM SAS Overall\3 Somewhat oppose	I somewhat oppose the proposed QM SAS
130	Q04a QM SAS Overall\3 Somewhat oppose	We somewhat oppose the proposed QM SAS
134	Q04a QM SAS Overall\3 Somewhat oppose	<p>We agree that to take overall responsibility for managing and achieving quality on the audit engagement, the involvement of the engagement partner needs to be both sufficient and appropriate. However, there is a level of prescription to these proposed requirements that is not consistent with a principles-based approach. We further believe there are areas where additional clarity is necessary in order to make the QM SAS sufficiently operational, particularly for group audits.</p> <p>For example, we note that paragraph 13 of the QM SAS requires the engagement partner to determine that the engagement partner has taken overall responsibility for managing and achieving quality on the audit engagement. There is little guidance on how the engagement partner evidences the basis for the conclusion reached. We would recommend the incorporation of additional guidance on the documentation expected to demonstrate compliance with this requirement.</p>
146	Q04a QM SAS Overall\3 Somewhat oppose	We somewhat oppose the proposed QM SAS as it applies to smaller firms as discussed above.

Respondent	Hierarchical Name	Coded Text
161	Q04a QM SAS Overall\3 Somewhat oppose	<p>We support the intent of the revisions, which is to promote consideration of risks to quality at the engagement level, and support many of the proposed revisions. We agree that the engagement partner needs to be sufficiently and appropriately involved throughout the audit to be able to take overall responsibility for the quality of the engagement.</p> <p>However, in building a framework that best supports audit quality, it is important that the requirements in the QM SAS are grounded in a risk-based approach, and are sufficiently principles-based so that they can be appropriately applied across a variety of engagement team structures in a scalable manner, commensurate with the size and complexity of the entity being audited. We are concerned that the proposed SAS is not capable of being effectively implemented in light of the variety of audit delivery models that exist today and how such models (and the technology that supports them) are likely to evolve in the future. New audit delivery models, through which quality is often reinforced through quality control procedures embedded in their design, are typically governed by a firm’s System of Quality Management (SoQM); engagement partners should be able to rely on these firm-level controls to support the execution of quality audits. It is important that the SAS reflect the changing nature of audits and not introduce prescriptive requirements that may impede, rather than support, audit quality. In revising AU-C section 220, the ASB should establish principles-based requirements that promote appropriate review and supervision, and develop accompanying material to support the application of those requirements in various circumstances.</p> <p>We support the assignment of responsibility to others to assist the engagement partner in fulfilling their quality responsibilities. In principle, we believe that the engagement partner should assign responsibility for aspects of quality to those most qualified to deliver on it. In our view, the engagement partner can retain overall responsibility for the engagement while delegating elements of execution that support that responsibility. It is also important to acknowledge that the firm’s policies and procedures are applied to specific engagements or structures based on their assessed risks; not all engagements have the same risks and therefore different responses may be appropriate in order to achieve the same quality objective.</p> <p>Paragraph 8 of the proposed QM SAS acknowledges that, in an audit of an entity whose nature and circumstances are more complex, the engagement partner may assign the design or performance of some procedures, tasks, or actions to other members of the engagement team. In our view, paragraph 4 of PCAOB AS 1201, Supervision of the Audit Engagement, better articulates the concept of additional engagement team members who assist the engagement partner with supervision of the work of other engagement team members and promotes greater accountability by those to which such work is assigned or delegated. We note this concept was similarly articulated in paragraph 6 of extant AU-C section 220, which specifies that “The engagement partner may use the assistance of other members of the engagement team or other personnel within the firm in meeting the requirements of this section.” This terminology acknowledges that the engagement partner remains ultimately responsible for quality on the engagement, but also recognizes other suitably qualified members of the engagement team may perform a significant role with respect to direction, supervision, and review in order to achieve audit quality in the context of the specific engagement. We believe this concept should be explicitly retained in the ASB’s standards; moving away from it could result in a significant change in practice without a commensurate increase in audit quality and creates an unnecessary divergence from PCAOB standards.</p>

Respondent	Hierarchical Name	Coded Text
		<p>In our view, the proposed SAS needs to be revised to better reflect the principle of shared accountability for aspects of quality, and what would practically be achievable by the engagement partner. Although the application material provides examples of how the requirements can be applied in certain situations, we are concerned with the overall shift in the proposed QM SAS from the context in extant AU-C section 220 of the engagement partner being satisfied regarding certain matters to more robust requirements for the engagement partner to “determine” and “review” a broader range of matters. In these cases, we do not believe the application material can be used to overcome the prescriptive nature of the revised requirements. Particularly as it relates to large and complex engagements, it may not be feasible for the engagement partner to “determine” or “review” in accordance with all of the requirements outlined in the proposed QM SAS, as further discussed in our response to Question 4. Imposing these requirements on the engagement partner, rather than permitting such conclusions to be drawn by other suitability qualified members of the engagement team, may otherwise serve to detract from audit quality.</p> <p>Paragraph A10 of the proposed SAS acknowledges that ordinarily the engagement team may depend on the firm’s policies and procedures to comply with the requirements of the proposed SAS. Paragraph 9 notes that the engagement partner may need to obtain information from the firm or other members of the engagement team to be able to fulfill particular responsibilities set forth in the proposed SAS. We believe these concepts should be made more prominent in the proposed SAS, and potentially implementation guidance, to assist auditors in understanding how the proposed SAS can be applied to various structures that have become more common. In particular, we are concerned with how the requirements of the proposed SAS interact with AU-C section 600, and believe the ASB needs to consider this before finalizing the proposed SAS to ensure it can be practically applied.</p>
099	Q04a QM SAS Overall\4 Strongly oppose	I strongly oppose the proposed QM SAS
065	Q04a QM SAS Overall\Specific comments	My former firm has extensive policies and procedures in place for addressing the management of quality at the engagement level, emphasizing the importance of the exercise of professional skepticism, enhancing the documentation of the auditor’s judgments, and robust communications during the engagement.
075	Q04a QM SAS Overall\Specific comments	If the engagement partner does not have the appropriate expertise, experience and level of involvement in the conduct of the engagement, it is highly unlikely that a quality engagement will be performed. Therefore, we strongly support the provisions of the ED related to the engagement partner’s responsibility for managing quality, including the “stand-back” requirement.
076	Q04a QM SAS Overall\Specific comments	I do not think this is an big issue in small firms as audit partners are already more involved throughout the entire audit process. Seems more of a large firm issue.
095	Q04a QM SAS Overall\Specific comments	The committees think that the preceding changes, with exception of those noted in previous comments, are beneficial to the goal of continued audit quality. The requirements are clear and understandable, and the application materials are somewhat helpful.

Agenda Item 2D – Excerpt of comment letters received by the ASB on the proposed QM SAS

Respondent	Hierarchical Name	Coded Text
098	Q04a QM SAS Overall\Specific comments	We agree with the language in the proposed auditing standard that requires the engagement partner to take ultimate responsibility for ensuring the overall quality of the engagement.
103	Q04a QM SAS Overall\Specific comments	<p>Overall, the application material is helpful in supporting the application of the proposed QM SAS. Some of the areas where we recommend additional guidance include:</p> <p>“Stand back” requirement – The requirement to assess the sufficiency and appropriateness of the partner’s involvement in an engagement has been inherent in the quality management system of a firm prior to the proposed QM SAS. We recommend expanding on this guidance to establish a framework by which partners and firms may make an assessment.</p> <p>Scalability (paragraph A29 of the proposed QM SAS) – We recommend providing additional guidance on the level of formality of the communication among the engagement team.</p>
109	Q04a QM SAS Overall\Specific comments	<p>Engagement Partner's Overall Responsibility for Managing Quality on Audits, Including Engagement Performance and Stand Back</p> <p>The Committee agrees with the proposed changes in an engagement partner's overall responsibility for managing quality on audits. The timely review of documentation at appropriate stages, as discussed in Par. 30-31 and A91, provides excellent guidance on ensuring that review of documentation should occur throughout the engagement rather than at the end to better facilitate the report date being as close to the end of fieldwork as possible. Adding the Stand Back requirement Par. 40, properly adds emphasis to the engagement partner taking responsibility for an audit engagement. The Stand Bank requirement will help prevent the engagement partner from passing this responsibility to a manager or director unless it is documented that the partner has passed the engagement partner responsibility to someone who has the experience and knowledge to perform this responsibility.</p> <p>Engagement Resources</p> <p>The Committee has the most concern about maintaining the necessary human and intellectual resources for engagements performed by smaller firms. The public accounting industry is dealing with more and more areas requiring the use of resources while the pool of human and intellectual resources has been reducing. This lack of responsibility could cause difficulty finding and training enough CPAs to fulfill the requirements of the new standards.</p> <p>Other New Requirements</p> <p>The Committee feels the clarification added on what the engagement partner needs to review will help focus engagement partners on the things that matter at that level of review. With the reduced availability of staff, the engagement partner needs to be as efficient as possible in reviewing the most valuable sections of the audit versus looking over every workpaper.</p> <p>The Committee feels the requirements in the proposed QM SAS are clear and understandable. The application material is helpful; however, we believe significant implementation guidance will need to be provided, especially to smaller firms.</p>
130	Q04a QM SAS Overall\Specific comments	We believe the requirements are generally understandable, however, we believe more information is necessary to fully appreciate the new stand back requirement and the engagement resources requirement.

Respondent	Hierarchical Name	Coded Text
134	Q04a QM SAS Overall\Specific comments	<p>Group audits</p> <p>We are concerned that the extent of the requirements and the resulting responsibilities that lay directly with the engagement partner could make this standard too onerous to apply to large single-entity engagements or large multinational engagements. We would recommend that the application of the requirements in these circumstances be considered as part of the QM SAS. While we appreciate that, from a group audit perspective, the IAASB and ASB have indicated that the responsibilities of the group engagement partner will be considered in their respective projects on group audits, there will probably be a period of time when QM SAS is effective, but the revisions to AU-C section 600 will still be in development. We are concerned that this would be detrimental to audit quality. As a result, if these requirements are to remain in a revised standard, we recommend that the ASB provide guidance on how to apply these requirements to large single-entity engagements or multinational engagements when the revised standard is approved. If these requirements are not considered as part of the QM SAS, we would recommend that the effective dates of the QM SAS and a revised AU-C section 600 be aligned.</p>
139	Q04a QM SAS Overall\Specific comments	<p>We have the same issues with the proposed Statement on Auditing Standards as it does with the proposed Statement on Quality Management.</p>
150	Q04a QM SAS Overall\Specific comments	<p>Our views on the QM SAS as we understand it is, we are for the overall concept of encouraging proactive management of quality at the engagement level, emphasizing the importance of the exercise of professional skepticism and the need for robust communication during the audit. We are not in favor of additional documentation requirements enhancing the documentation of auditor's judgements.</p> <p>The application material is helpful in supporting the application of the requirements.</p> <p>In the small firm context, nothing has changed. The engagement partner already has those responsibilities and requiring more documentation does nothing to improve the quality of the audit. It may provide some protection for an inadequate attestation engagement, however, it really is just another cost incurred that makes it difficult for small firms performing attestation engagements. As stated previously, there is a real need for attestation engagements that regional and national firms have no interest in. However, the public interest in the smaller engagement arena is still and will always be relevant and the cost of providing those service keeps rising without a reasonable expectation that the entities in need can afford the services. It's not rocket science, there needs to be a vehicle for local firms to provide attestation services competitively without undue and unrealistic requirements.</p>
151	Q04a QM SAS Overall\Specific comments	<p>For our firm, our typical engagement team consists of 2 to 5 team members (including the engagement partner). The partners are significantly involved in all phases of an engagement from planning (including the selection of and intimately knowledge of the engagement staff) to engagement wrap-up. We are of the opinion this gives us the advantage of having the engagement partner as team leader to fulfill their leadership responsibilities, including taking actions to create an environment for the engagement that emphasizes the firm's culture and the expected behavior of engagement team members, and assigning procedures, tasks, or actions to other members of the engagement team and supporting engagement performance, including taking responsibility for the nature, timing, and extent of the direction, supervision, and review of the work performed. However, for those firms that would be affected by this proposed SQMS, the requirements in proposed QM SAS are clear and understandable, and the application materials would be helpful.</p>

Respondent	Hierarchical Name	Coded Text
155	Q04a QM SAS Overall\Specific comments	We believe that the preceding changes discussed and in the proposed QM SAS were clear and understandable. The application material is helpful and supports the application of the requirements.
161	Q04a QM SAS Overall\Specific comments	<p>Overview</p> <p>As noted in our cover letter, we support the intent of the revisions to promote consideration of risks to quality at the engagement level and support many of the revised requirements in the proposed SAS. We agree that the engagement partner needs to be sufficiently and appropriately involved throughout the audit to be able to take overall responsibility for the quality of the engagement. However, as audits become more complex and audit delivery models to support quality audits evolve, it is often necessary to involve others to assist the engagement partner in directing, supervising, and reviewing the engagement. The concept of other partners assisting the engagement partner is contemplated in the definition of an “audit partner” in Rule 2-01 of Regulation S-X, which addresses not only requirements for the lead partner, but also other audit engagement team partners (including those who serve as the lead partner in connection with an audit of subsidiaries of an issuer) who have responsibility for decision-making on significant auditing, accounting, and reporting matters that affect the financial statements. PCAOB AS 1201, Supervision of the Audit Engagement, clearly articulates the concept of other engagement team members who assist the engagement partner with supervision of the work of other engagement team members. In practice, these “auxiliary partners” are an essential part of bringing quality to engagements of varying sizes and complexities, including in the case of group audits. In our experience, using auxiliary partners to assist the (lead) engagement partner is necessary in light of the volume of work to be reviewed - we believe that having other suitably qualified individuals involved in directing, supervising, and reviewing elements of the overall engagement supports enhanced quality, and does not diminish the (lead) engagement partner’s responsibility for the engagement as a whole. While we understand that the IAASB’s project on ISA 220 is intended to be responsive to concerns from regulators outside the US that the engagement partner may not always be appropriately involved in the audit, we do not believe there are similar concerns in the US that would merit a significant overhaul of extant AU-C section 220.</p> <p>We believe that, as drafted, the level of prescription regarding the lead engagement partner’s responsibilities in some of the proposed new requirements is in conflict with the premise in paragraph 8 that the engagement partner may need to assign the design or performance of some procedures, tasks, or actions to other members of the engagement team, especially in an audit of an entity whose nature and circumstances are more complex. In our view, it is generally not possible or practicable for the lead engagement partner to satisfy all of the requirements of the QM SAS by themselves. Although the application material provides examples of how the requirements can be applied in certain situations, we are concerned with how the proposed QM SAS seems to shift from extant AU-C section 220’s requirements for the engagement partner to be satisfied regarding certain matters to a more robust requirements for the engagement partner to “determine” and “review” a broader range of matters. We do not believe the application material overcomes the prescriptive nature of the revised requirements. Further, we believe that use of the terms “determine” and “review” is not clear in the context of the requirement outlined in paragraph 9 of the proposed QM SAS. We believe that the lack of specificity as to what it means to “determine” or “review” may result in varied interpretations in practice as to how such requirements are performed and documented within the audit file.</p>

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We therefore believe the proposed SAS should more clearly describe the concept of assignment of responsibility to others to assist the engagement partner in fulfilling their quality responsibilities, and take steps to further highlight how the requirements within the standard would be applied in various circumstances (e.g., through additional application material or implementation guidance). In principle, we believe that the engagement partner should be able to assign responsibility for aspects of quality to those most qualified to deliver on it. In addition, many audit delivery models have been put in place to specifically reinforce quality through quality control procedures embedded in their design, including firm policies and procedures. Accountability for different aspects of audit quality in an engagement can, in our view, be shared with others when all participants understand their role and how it is interrelated with those of others. Firm policies and procedures are best suited to address such roles and responsibilities.

In building a framework that best supports audit quality, it is important that the requirements in the proposed QM SAS are grounded in a risk-based approach, and are sufficiently principles-based so that they can be appropriately applied across a variety of engagement team structures in a scalable manner. We offer more specific concerns about circumstances in which the proposed QM SAS will be applied and recommendations to alleviate these concerns below.

Recognizing the evolving nature of how audits are conducted

Today's audits are being performed with increasingly diverse and distributed delivery models that leverage technology, other tools, and working practices to increase the efficiency and effectiveness of audit work. Further, the impact of the COVID-19 pandemic continues to highlight the need for different structures to bring quality to an engagement, including flexibility in how the principles of adequate direction, supervision, and review can be achieved. So it is timely that the ASB considers how to acknowledge these changing structures in the proposed QM SAS, as we expect to continue to see an increase in engagements using Centers of Excellence, service delivery centers, staff augmentation models, and other audit delivery models across the profession. The primary objective of these audit delivery models is to drive higher quality through consistent performance. While paragraph A15 appropriately acknowledges that engagement team members may be located together or across different geographic locations and may be organized in groups by the activity they are performing, our view is that the proposed SAS downplays the importance of shared accountability for quality by establishing unduly prescriptive requirements for the engagement partner to individually perform and misses an opportunity to further modernize the standards in light of current developments.

In our experience, these newer audit team structures rely on robust policies and procedures established at the firm level and are designed to mitigate perceived risks of the engagement partner delegating responsibilities for direction, supervision, and review. For example, these policies and procedures ordinarily set out responsibilities for interactions between the engagement partner (or an auxiliary partner) and partners and others with supervisory responsibilities using various audit delivery models, as well as specify what audit documentation is to be reviewed by whom, including what should be reviewed by the engagement partner and how such review should be evidenced. These new and evolving models also leverage technology to facilitate direction, supervision, and review, which is also addressed by the firm's policies and procedures through its SoQM. Consistent with the proposed SAS, the engagement partner remains ultimately responsible for quality at the engagement level, but quality is brought to bear by the appropriate involvement of others.

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Challenges with how the concepts have been articulated in the proposed SAS and suggestions for further clarity

We are concerned that the proposed SAS may not be capable of being effectively implemented in light of the various audit delivery models that may exist today and how such models (and the technology that supports their functioning) are likely to evolve in the future. It is important that the proposed SAS reflect the changing nature of audits and not introduce prescriptive requirements that may impede, rather than support, audit quality. Specifically, we believe that there are a number of potentially significant unintended consequences of aspects of the proposed changes, as described below. We have identified certain of these concerns in connection with our efforts to commence implementation of ISA 220, and are aware of the IAASB’s plans to develop further implementation guidance in relation to practical considerations that were raised in the development of ISA 220. We believe the ASB should seek to address these concerns before finalizing the proposed QM SAS, with a view to avoiding unnecessary differences with the PCAOB’s standards. Similarly, it is important the ASB fully considers the impact that the proposed QM SAS will have on group audits and its planned efforts to revise AU-C section 600 once the IAASB finalizes its project.

As noted above, paragraph 8 of the proposed SAS acknowledges that, when an audit is not carried out entirely by the engagement partner or in an audit of an entity whose nature and circumstances are more complex, the engagement partner may assign the design or performance of some procedures, tasks, or actions to other members of the engagement team. This is placed under the heading of “Scalability” but this is an essential point that needs to be better articulated and carried throughout the standard. Quality is often best achieved through the assignment and delegation of direction, supervision, and review responsibilities, which are broader than the concept of assigning procedures, tasks, or actions explained in paragraph 9 of the proposed SAS. We do not believe paragraph 9 is sufficiently clear in this regard, nor are the expectations relating to documentation.

In our view, paragraph 4 of PCAOB AS 1201 better articulates the concept of other engagement team members who assist the engagement partner with supervision of the work of other engagement team members. This terminology acknowledges that the engagement partner remains ultimately responsible for quality on the engagement, but that other qualified members of the engagement team often perform significant roles associated with achieving audit quality (in particular in relation to direction, supervision, and review). Accordingly, we believe the proposed SAS needs to be revised to better reflect the principle of shared accountability for aspects of quality, and what is practically achievable by the engagement partner. Within Appendix 2, we have provided drafting suggestions to underscore the importance of firm policies and procedures on the nature, timing, and extent of the engagement partner’s direction, supervision, and review, better clarify the engagement partner’s responsibilities in other alternative audit delivery models, and further highlight the interaction with group audits (see paragraphs 8, 9, and 9A).

Given the evolving audit environment, we believe that it is important that the standard recognizes that various ways exist to direct, supervise, and review audit engagements, and encourages the use of professional judgment in making this determination. We believe that the requirements in the proposed SAS are potentially overly prescriptive, considering the increasingly dynamic engagement team structures to which the proposed SAS will be applied.

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Paragraph A10 of the proposed SAS acknowledges that ordinarily, the engagement team may depend on the firm’s policies and procedures in complying with the requirements of the proposed SAS, and paragraph 9 notes the engagement partner may need to obtain information from or assign certain procedures or tasks to other suitably experienced members of the engagement team to be able to fulfill particular responsibilities set forth in the proposed SAS. We believe these concepts should be made more prominent in the proposed SAS, and potentially implementation guidance, to assist auditors in understanding how the proposed SAS can be applied to various structures. We provide drafting suggestions in Appendix 2 to this letter.

In particular, we believe there will likely be practical challenges arising from how the requirements in the following paragraphs have been drafted, or possible inconsistencies in how such requirements are applied in different audit structures (including group audits, as described in more detail below) given the inference that these tasks are to be solely performed by the engagement partner:

Paragraph 25: requires the engagement partner to determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the team in a timely manner

Paragraph 26: requires the engagement partner to determine that members of the engagement team and others collectively have the appropriate competence and capabilities, including sufficient time, to perform the engagement

Paragraph 30: requires the engagement partner to determine that the nature, timing, and extent of direction, supervision, and review is planned and performed in accordance with the firm’s policies or procedures, professional standards, and applicable legal and regulatory requirements, and are responsive to the nature and circumstances of the audit engagement and the resources assigned or made available to the engagement team by the firm

Paragraph 31: requires the engagement partner to review audit documentation related to significant matters, significant judgments, and other matters

Paragraph 35: requires the engagement partner to determine that consultations have been appropriately undertaken, and conclusions agreed and implemented

Paragraph 38: requires the engagement partner to determine that conclusions related to differences of opinion are documented and implemented

Paragraph 39: requires the engagement partner to determine the relevance and effect on the audit engagement of information from the firm’s monitoring and remediation process, including, as applicable, information from the monitoring and remediation process of the network and across the network firms

The ASB should evaluate whether changes to the requirements or additional application material is necessary to clarify how the engagement partner would comply with the objective of these requirements when other suitability qualified members of the engagement team are significantly involved in direction, supervision, and review, as well as the

Respondent	Hierarchical Name	Coded Text
		important interaction with the firm’s quality responses, including its policies and procedures with which its personnel are expected to comply.
161	Q04a QM SAS Overall\Specific comments	<p>Seeking assistance from the component partner and other component engagement team members</p> <p>In order to take responsibility at the group engagement level, the (group) engagement partner will need to rely on actions being taken by the engagement partner at the component as well as the component firm’s policies and procedures. Our experience suggests that the group engagement team member needs assistance from the partner in charge of the component team to comply with a number of requirements, particularly in relation to relevant ethical requirements, engagement resources, and monitoring and remediation. We believe this is appropriate and in the best interests of quality, as the presumption would be that the partner would be an appropriately skilled or suitably experienced member, with visibility into the firm’s policies and procedures that govern the component team’s work.</p> <p>In practice, we believe the group engagement partner is able to “take responsibility” or make “determinations” contemplated by the proposed QM SAS based on review of the component auditor’s written acknowledgment of the group audit instructions and the component auditor’s overall summary memorandum or report describing the work performed and the results thereof, supplemented with two-way communication throughout the audit as any issues may arise. The policies and procedures at both the group engagement team’s firm and the component auditor’s firm also play a significant role, in particular when both firms are members of the same network with a common methodology. On the other hand, when the component auditor is from a non-network firm, without additional guidance, it is difficult to envisage how certain of the requirements can be practically undertaken by the group engagement partner, for example understanding results of monitoring and remediation of a non-network firm (paragraph 39 of the proposed QM SAS). In such circumstances, we believe there may be conflicts with national laws or regulations governing confidentiality and potential limitations on what can reasonably be expected to be shared with the engagement leader, in particular about another firm’s SoQM.</p> <p>As another example, paragraph 35 of the proposed SAS requires the engagement partner to determine that members of the engagement team have undertaken appropriate consultation during the audit engagement and that conclusions have been agreed and implemented. It is not practicable to expect that the group engagement partner would be aware of how the component auditor’s firm sets out consultation requirements nor whether individuals within the component audit team have followed those requirements and appropriately executed the consultation. In a complex group audit, this could extend to a number of matters. Rather, the principle of shared accountability would suggest that the component partner make an assertion to this effect (i.e., thereby providing information to the group engagement partner to be used in making this determination). We have similar concerns with paragraph 38 in relation to differences of opinion at the component level. We are concerned that without additional implementation guidance suggesting how such requirements can be practically implemented, auditors may become unduly focused on less important matters at the expense of audit quality.</p> <p>Definition of engagement team</p>

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We understand that, in the context of a group audit, the revised definition of engagement team is intended to scope in all individuals involved in performing work at components of the group (i.e., component auditor teams, which would include individuals from network and non-network component auditors). We believe this has significant implications for the expectations of a group engagement partner that we do not believe have been sufficiently evaluated.

Other matters

Discussion of significant judgments

We agree that the engagement partner would ordinarily review the most critical areas of judgment related to a specific audit engagement, including those relating to difficult or contentious matters, understanding that firm policies and procedures may allow auxiliary partners to perform detailed reviews of significant judgments (including at components). We agree with the guidance in paragraph A92 of the proposed SAS that the firm’s policies or procedures may specify certain matters that are commonly expected to be significant judgments - this is often the case to drive consistency in execution. Paragraph A92 also appropriately recognizes that the engagement partner exercises professional judgment in identifying the areas of significant judgment made by the engagement team. It is important that the proposed SAS notes that whether or not the examples in paragraph A92 are significant judgments will also depend on the facts and circumstances of the engagement. See drafting suggestions in Appendix 2. This flexibility will also be important from the perspective of engagement quality reviews as described in our response to Question 3.

Documentation

We believe there is a significant risk of confusion and inconsistent application of the requirements due to the use of the term “determine” within the requirements. In certain cases, the “determination” appears to be a “stand back requirement” or a “final consideration.” From the use of this terminology, the extent of documentation required to support the engagement partner’s determination, and how that should be evidenced within the audit workpapers, is unclear. We believe that additional application guidance in relation to specific requirements would be helpful as to how the engagement partner or the engagement team more broadly may be reasonably expected to evidence their determination within the audit file on these key matters. We are concerned that the use of terminology like “determine” or “evaluate” will result in an expectation that detailed documentation will be included, which may not improve quality. This concern is not specific to the proposed SAS, and suggests the ASB may need to more fundamentally revisit how documentation requirements are explained in the AU-Cs, as this has been highlighted as a concern from a scalability perspective.

To illustrate, paragraph 4 requires the engagement team to determine whether to design and implement responses at the engagement level beyond those in the firm’s policies and procedures. As currently worded, such a determination may imply that the engagement partner documents a specific conclusion that no additional responses beyond the firm’s policies and procedures are necessary. For example, in accordance with paragraph 36:

Where an engagement quality review is required, is there an expectation that the determination that an engagement quality reviewer has been appointed include a specific requirement for the engagement partner to document the

Respondent	Hierarchical Name	Coded Text
		<p>rationale for the appointment, rather than relying on the firm’s policies and procedures alone?</p> <p>Correspondingly, if an engagement does not meet the firm’s criteria for an engagement quality review, the requirements in paragraph 4 may suggest that the engagement partner would need to explicitly document the factors taken into account in considering whether to request an engagement quality reviewer be assigned.</p> <p>We also suggest more guidance is needed to clarify what evidence would need to be documented to support the engagement partner’s determination in accordance with paragraph 40 that the engagement partner’s involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement, and the nature and circumstances of the audit engagement, any changes thereto, and the firm’s related policies or procedures have been taken into account in complying with the requirements of the proposed SAS. We believe the audit file itself will support this determination and the purpose of the requirement is for the engagement partner to reflect before issuing the audit report, rather than to perform a comprehensive assessment of the engagement or drive additional documentation. The ASB could consider specifically addressing this in paragraph A118 of the proposed QM SAS.</p>
162	Q04a QM SAS Overall\Specific comments	We support the development of the proposed quality management standards, including the QM SAS, and believe the proposed standards may serve the public interest.
040	Q04b QM SAS requirements	<p>We suggest the following items to QM SAS Definitions in paragraph 12:</p> <p>Include the full definition of “network” as defined in the AICPA Code of Professional Conduct.</p> <p>Define the term “remediation.”</p> <p>Include and define “inspections.” There are several references to inspections in the application guidance. It is our view that inspections should be defined in the definition section to enhance the clarity and ability of the auditor to implement the standard.</p>
065	Q04b QM SAS requirements	The ED information is consistent with my former Firm’s policies and procedures.
065	Q04b QM SAS requirements	Yes
069	Q04b QM SAS requirements	We agree with the language in the proposed auditing standard that requires the engagement partner to take ultimate responsibility for ensuring the overall quality of the engagement.
076	Q04b QM SAS requirements	We do not feel the proposed "stand back" requirement is needed in a small firm setting. Audit partners are highly involved with the entire audit process in a small firm setting and therefore already have a high level of involvement. This would be an unnecessary additional requirement that is not needed.
077	Q04b QM SAS requirements	<p>We agree with the requirement in proposed QM SAS that an engagement partner is responsible for compliance with relevant ethical requirements.</p> <p>We agree with the requirements in proposed QM SAS that an engagement partner is responsible for resources used on an engagement, including technological, intellectual, and human resources. We would like the Board to provide guidance on the use of new technology within audits, specifically the engagement partner’s understanding of new</p>

Respondent	Hierarchical Name	Coded Text
		<p>technology as approved by the firm and other technical bodies. As with any technology, the engagement team or others within the firm may be more knowledgeable regarding certain systems or methods, for example data analysis processes and procedures, firm-wide industry data and other emerging audit techniques. In certain cases, the specific expertise may not rest with the engagement partner. In these cases, we recommend guidance for understanding the technology used in the audit and a method for the engagement partner to document the understanding and its use within the engagement.</p> <p>We agree with the specific items which require engagement partner review. We also recognize that significant matters and judgments will be different for each engagement. The formal written communications to management and those charged with governance are considered reasonable.</p>
086	Q04b QM SAS requirements	This new requirement seems overly theoretical, and it is not clear how it differs from concluding on the engagement and adding a check mark on a checklist. If this requirement is retained, the committees request that the requirement be clarified.
089	Q04b QM SAS requirements	<p>Requirements and application material are generally clear, but we have concerns about the indication that “take responsibility for” means that the engagement partner is permitted to assign these responsibilities to another appropriately skilled or suitably experienced member of the engagement team. We believe that certain responsibilities that appear to be permitted to be “assigned” should not be. Examples of such provisions are noted below.</p> <p>Section 14: establishing and communicating the firm’s commitment to quality and the expected behavior of engagement team members</p> <p>Section 17: making engagement team members aware of relevant ethical requirements that are applicable given the nature and circumstances of the audit engagement, and the firm’s related policies or procedures, including identifying, evaluating and addressing threats to compliance with independence</p> <p>Section 35: undertaking consultation on difficult or contentious matters and matters on which the firm’s policies and procedures require consultation</p> <p>Section 37: resolving differences of opinion in accordance with the firm’s policies or procedures</p> <p>We agree the engagement partner may need to leverage others in the firm to fulfill all of his/her responsibilities, but the standard should be very clear that the engagement partner has ultimate responsibility for seeing that all of these are carried out on their engagements.</p>
097	Q04b QM SAS requirements	the stand back position insinuates that engagement partners are too involved in the engagement and therefore can’t be impartial in evaluating the engagement. And that the engagement partners have been not living up to their responsibilities relative to the existing auditing standards and to the existing QC standards. Maybe the ASB should stop indicting the members of the profession and take the perception that perhaps most of the members do better than a decent job in performing audits and reviews and other attest type of engagements.
100	TIC Q04b QM SAS requirements	The requirements in the QM SAS are clear and understandable; however, TIC believes that they may be difficult for some firms to implement.

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119	Q04b QM SAS requirements	This new requirement seems overly theoretical, and it is not clear how it differs from concluding on the engagement and adding a check mark on a checklist. If this requirement is retained, we request that the requirement be clarified.
121	Q04b QM SAS requirements	4b. Yes, the requirements in the proposed QM SAS are clear and understandable. We would encourage the ASB to provide implementation and other nonauthoritative guidance, specifically as it relates to the “stand-back” requirement, including determining that the involvement of the engagement partner in the audit has been sufficient and appropriate throughout the engagement. The examples provided in the proposed QM SAS application material are clear but may have the unintended consequence of limiting the qualitative and quantitative methods/measures used or result in boilerplate responses. Implementation and other nonauthoritative guidance could address the definition of timely review – is it by actual date of sign-off or number of hours invested in each phase of the audit? Such guidance may include an emphasis on the importance of a one size does not fit all, attributes of partner involvement should be risk-based and scalable to the nature and size of the audit engagement. Without further guidance, we believe there will be inconsistency in practice and audit quality will not be enhanced as intended.
130	Q04b QM SAS requirements	The Exposure Draft references ‘Other New Requirements’ which apparently clarifies what an engagement partner needs to review and which are significant judgments and significant matters. We believe that generally the engagement partner is closer to the specifics of an audit engagement and is able to use his or her experience and judgment in determining what items need to be reviewed by the partner more so than the standard setters. This is true in general and especially relevant in smaller, less complex engagements handled by smaller firms.
138	Q04b QM SAS requirements	Yes
143	Q04b QM SAS requirements	D&T has recommended a number of changes to the proposed QM standards related to engagements conducted in accordance with GAS (refer Appendix 1, responses to question 1 - paragraph 5, and question 3 – paragraphs 2 and A48). In addition to considering the specific edits we are recommending in Appendix 1, we believe that the ASB should holistically revisit all requirement and guidance paragraphs in the proposed QM standards that address GAS in order to review that the appropriate terminology and references are consistently used. In addition, such requirements and terminology should align with the GAS 2018 Revision, inclusive of the Technical Update April 2021, as issued by the Comptroller General of the United States.
146	Q04b QM SAS requirements	Yes, the materials are clear and understandable to us, but we have a concern that they will not be clear to smaller firms.
155	Q04b QM SAS requirements	However, while we acknowledge the concept of the “stand-back” requirement reflected in paragraph .40, it is not clear to us how this evaluation is expected to be documented. In the absence of application material with such guidance, we expect this will evolve to be little more than one or more steps in an engagement checklist. If the Board has specific documentation expectations for this requirement, we recommend including additional related application material.
156	Q04b QM SAS requirements	Yes, based on our initial reading of QM SAS, although our review has not been extensive.
162	Q04b QM SAS requirements	Yes, we believe the requirements in the QM SAS are overall clear and understandable

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164	Q04b QM SAS requirements	Yes, the requirements are clear and understandable. 4c. Yes, the application material is helpful.
166	Q04b QM SAS requirements	Is the “stand back” requirement in this section, the responsibility of the engagement partner, or is this fulfilled by another partner outside of the engagement? I read this to mean that the engagement partner is required to self-reflect on the adequacy of his/her involvement on the audit.
010	Q04c QM SAS AM	<p>Paragraph A38 uses the term “listed entities” when it states “For example, certain requirements related to independence may be applicable only when performing audits of listed entities”. Use of this term does not align with the AICPA Code of Conduct and its inclusion is inconsistent with other areas of the proposed standards where similar references were deleted for jurisdictional purposes.</p> <p>Paragraph A44 deletes the example from the IESBA Code contained in the international quality management standard. We believe this is an opportunity to reference the conceptual frameworks embedded in the AICPA Code of Conduct as an alternative example that is relevant to practitioners in the US. There are a number of examples in the AICPA Code of Conduct that could be provided, such as those in section 1.295 Non-attest Services which highlights several “safeguards” that are required.</p> <p>Paragraph A45 provides reference to SQMS No. 1 regarding the establishment of policies and procedures for breaches of relevant ethical requirements. Section 1.298 Breach of an Independence Interpretation of the AICPA Code of Conduct also contains specific requirements regarding appropriate response to breaches of independence. We believe it would be helpful to include reference to the relevant AICPA Code of Conduct requirements.</p> <p>Paragraph A48 could be interpreted to imply that government audit organizations are exempt from relevant ethical requirements and may, instead, take a threats and safeguards approach. We believe the intent is that there is an expectation that government audit organizations comply with the relevant ethical requirements except in certain limited circumstances. We suggest clarifying the language to reflect this intent as follows.</p> <p>A48. Government audit organizations are expected to comply with the relevant independence requirements of the AICPA Code of Conduct except in certain limited circumstances. Law or regulation may provide require safeguards for the independence of governmental audit organizations and the auditors they employ. However, in the absence of law or regulation, governmental audit organizations may establish supplemental safeguards to assist the auditor or audit organization in maintaining independence. Additionally, when law or regulation does</p> <p>Appendix Page 3</p> <p>not permit withdrawal from the engagement, the auditor may disclose in the auditor’s report the circumstances affecting the auditor’s independence.</p>
040	Q04c QM SAS AM	In proposed QM SAS paragraph A85, item 2, refer to paragraph A35 instead of paragraph A34.
040	Q04c QM SAS AM	We also suggest clarifying the difference between unconscious and conscious auditor biases in QM SAS paragraph A35.
065	Q04c QM SAS AM	The ED information is consistent with my former Firm’s policies and procedures.

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Respondent	Hierarchical Name	Coded Text
065	Q04c QM SAS AM	Yes
071	Q04c QM SAS AM	The Group is neither agrees or disagrees with the changes described in – Proposed QM SAS - Overall Matters. It is unclear on how the application material for No. 1 links to the requirement in AU-C Section 700. Overall, it is difficult to find the application material that relates to the changes in the Proposed QM SAS related to this question. Cross references would be helpful when asking about the application material.
076	Q04c QM SAS AM	NO
102	Q04c QM SAS AM	QM SAS is clear and understandable.
121	Q04c QM SAS AM	4c. Yes, the application material in proposed QM SAS is helpful in supporting the application of the requirements. See the response to 4b. above for a recommendation with respect to implementation and other nonauthoritative guidance.
123 MI AG	Q04c QM SAS AM	Given the exclusion of government audit organization from applying statements on quality management standards, we appreciate paragraph 2's specific inclusion of this standard to audits conducted by government audit organizations that perform financial audits in accordance with generally accepted auditing standards.
143	Q04c QM SAS AM	D&T believes that the phrase "excluding an auditor's external specialist and internal auditors who provide direct assistance on an engagement" is superfluous when considered in the context of the definition of "engagement team" in paragraph 12 of proposed QM SAS. Further, paragraphs A21 and A72 of proposed QM SAS also include the same guidance. Therefore, we believe this phrase is duplicative guidance and should be deleted. Paragraph A48 and related heading, and heading immediately above paragraph A58 ET section 1.000.02 of the AICPA code references "government auditors within a government audit organization." D&T believes that the heading above paragraph A48 of proposed QM SAS and the terminology used within the paragraph relating to "government audit organization" should be consistent with that used in the AICPA code and with paragraph 2 of proposed QM SAS. D&T recommends the following: Considerations Specific to Governmental Audit Organizations A48. Law or regulation may provide safeguards for the independence of governmental audit organizations and the auditors they employ. However, in the absence of law or regulation, governmental audit organizations may establish supplemental safeguards to assist the auditor or government audit organization in maintaining independence. Additionally, when law or regulation does not permit withdrawal from the engagement, the auditor may disclose in the auditor's report the circumstances affecting the auditor's independence. Considerations Specific to Governmental Audit Organizations A58. ...
143	Q04c QM SAS AM	D&T believes the edit to paragraph A116 to consider firm policies and procedures that [may] set forth required actions, is not correct. In such circumstances the engagement partner takes into account the firm policies and procedures and responds accordingly. The use of the term "considering" implies that the engagement partner has flexibility and in doing so may, or may not, consider the policies and procedures, including the related requirements. A116. ... In addition to considering taking account of firm policies or procedures that may set forth the required actions to be taken in such circumstances, appropriate actions that the engagement partner may take, include, for example....
143	Q04c QM SAS AM	Paragraphs A25, A91, and A107 It is recommended that the wording in paragraph A25 of proposed QM SAS revert to that of paragraphs A25, A91, and A107 in ISA 220 (Revised). Paragraph A99

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Respondent	Hierarchical Name	Coded Text
		<p>D&T notes the inclusion of the phrase “such as those that required significant auditor attention” (which is not in ISA 220 (Revised)) to further describe circumstances when consultation may be required relating to significant risks. We believe that, by their nature, significant risks require the focused attention of the auditor; therefore, this phrase does not add any further clarity to the application material. D&T recommends that the phrase be deleted.</p> <p>Paragraph A115</p> <p>D&T believes that the changes to paragraph A115 of proposed QM SAS when compared with ISA 220 (Revised) are unnecessary and are not the result of circumstances that are unique to the United States environment. Consequently, these should be reversed.</p>
146	Q04c QM SAS AM	Yes, the application material is helpful.
156	Q04c QM SAS AM	Yes, based on our initial reading of QM SAS.
162	Q04c QM SAS AM	Yes, we believe the overall application material in the QM SAS are overall clear and understandable.
010	Q04d QM SAS Other	Paragraph A38 uses the term “listed entities” when it states “For example, certain requirements related to independence may be applicable only when performing audits of listed entities”. Use of this term does not align with the AICPA Code of Conduct and its inclusion is inconsistent with other areas of the proposed standards where similar references were deleted for jurisdictional purposes.
065	Q04d QM SAS Other	Yes. The proposed QM SAS clarifies that the engagement partner needs to review-significant matters and significant judgments, and formal written communications to management and those charged with governance. The AS should consider also requiring the engagement partner to review engagement planning on a timely basis (i.e., completed prior to the start of substantial audit work). Engagement quality is most effectively built into the engagement at its start, during planning, not at the end of the engagement.
083	Q04d QM SAS Other	We suggest the Board provide clarification within the QM SAS that government audit organizations are subject to the quality control and assurance requirements of Government Auditing Standards. This is stated in paragraph 5 of the introduction to the proposed SQMS No. 1, but incorporating the language into the proposed QM SAS would provide additional clarity.
147	Q04d QM SAS Other	In addition, the proposed amendment to AU-C section 600, Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors) adds language to AU-C 600.05 indicating that the audit engagement partner is responsible for “supervision of members of the group engagement team” to the extant language. Taken together, the application material and AU-C 600.05 revision could imply that an engagement partner may need to gain comfort with every member of a component auditor’s engagement team – a possibly impractical and unnecessary step. The Committee requests ASB clarify the expectation of the extent of an engagement partner’s supervision and comfort with a component auditor’s engagement team members.
161	Q04d QM SAS Other	[Consideration should also be given to adding an example specific to group audits, to explain how the group engagement partner needs to seek assistance from the component partner and describe the role the component audit firm’s policies and procedures play. We are not proposing a suggestion here as such guidance will depend on how ISA 600 is drafted, including how the concepts such as the component auditor’s written acknowledgment of the group audit instructions and the component auditor’s overall summary memorandum or report describing the work performed and the results thereof are articulated.]

Respondent	Hierarchical Name	Coded Text
161	Q04d QM SAS Other	<p>Impact of the proposed QM SAS on group audits</p> <p>Paragraph A1 of the proposed QM SAS explains that AU-C section 600 provides guidance on how to adapt and apply the requirements of the proposed QM SAS in an audit of group financial statements involving component auditors. Similar to our concerns with how direction, supervision, and review may be applied when an audit delivery model is used, we are concerned that the prescriptive nature of certain of the requirements in the proposed SAS may make it difficult to apply in a group audit. We recommend that an assessment of all requirements in the proposed QM SAS be performed to determine whether they are capable of being applied in the context of a group audit. We understand that the ASB is closely monitoring the IAASB’s ongoing project to revise ISA 600 and intends to consider changes to AU-C section 600 as a result. It will be necessary for the ASB to also be satisfied as to how the requirements in the proposed QM SAS interact with the additional requirements and application material related to the group engagement as set out in AU-C section 600. We do not believe the proposed QM SAS should be finalized before revisions to AU-C section 600 are considered; we believe these two standards should be finalized in tandem and become effective at the same time.</p> <p>As an example, we believe it will be important to make clear in AU-C section 600 that the requirement in paragraph 31 of the proposed QM SAS for the engagement partner to review significant matters and significant judgments relates to matters at the group engagement level. It is neither necessary nor practicable to require the engagement partner to review such matters at the component level. As acknowledged in paragraph A91 of the proposed SAS, the engagement partner exercises professional judgment in determining the extent of documentation to be reviewed, for example, when determining the nature and extent of the review of component auditor documentation in a group audit.</p>