



# Questions and Answers:

Comparing issues identified in peer reviews  
and firm systems of quality management

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AICPA Peer Review Program

## Comparing Issues Identified in Peer Reviews and in Firm Systems of Quality Management

### Background

The new Quality Management (QM) standards represent a significant change in how CPA firms will approach audit and attestation quality in the future, moving from a policies-based approach to a risk-based approach. Key changes resulting from the new QM standards include a risk-based approach driving a focus on quality management that is tailored to a firm’s circumstances; revised components of the system of quality management; more robust leadership and governance requirements; enhanced monitoring and remediation processes, and new requirements for networks and service providers. Implementation of these new standards is required by Dec. 15, 2025, so peer reviewers and reviewed firms are strongly encouraged to act now! The final suite of standards and resources are available on the [Quality Management page](#) of aicpa-cima.com.

To assist peer reviewers and reviewed firms with bridging terminology used in the QM standards (SQMS) and in the clarified peer review standards (PR-C), the Peer Review Board (PRB) and AICPA staff have developed the following comparison to describe the nature of issues that may be encountered in a system of quality management, versus those identified as part peer reviews that are currently designed to evaluate a firm’s system of quality control according to Statements on Quality Control Standards (SQCS).

Issue	Peer Review Standards (par. .11 of PR-C section 100)	Quality Management Standards (par. .17 of SQMS No. 1)
<i>Matter</i>	<ul style="list-style-type: none"> <li>• <i>One or more “no” answers to questions in peer review checklists that a reviewer concludes warrant further consideration in the evaluation of a firm’s system of quality control. A peer reviewer documents matters on a matter for further consideration (MFC) form, which is communicated to the reviewed firm.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Not defined.</i></li> </ul>
<i>Finding</i>	<ul style="list-style-type: none"> <li>• <i>One or more related matters that result from a condition in the reviewed firm’s system of quality control or compliance with the system such that there is more than a remote possibility that the reviewed firm would not perform or report in conformity with the requirements of applicable professional standards. A peer reviewer documents findings on a finding for further consideration (FFC) form, which is communicated to the reviewed firm.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Information about the design, implementation, and operation of the system of quality management that has been accumulated from the performance of monitoring activities, external inspections, and other relevant sources, which indicates that one or more deficiencies may exist.</i></li> </ul>

<i>Deficiency</i>	<ul style="list-style-type: none"> <li>When evaluating the reviewed firm’s system of quality control taken as a whole, one or more matters that the team captain has concluded could create a situation in which the reviewed firm would not have reasonable assurance of performing or reporting in conformity with the requirements of applicable professional standards in one or more important respects.</li> </ul>	<ul style="list-style-type: none"> <li>A quality objective required to achieve the objective of the system of quality management is not established;</li> <li>A quality risk, or combination of quality risks, is not identified or properly assessed;</li> <li>A response, or combination of responses, does not reduce to an acceptably low level the likelihood of a related quality risk occurring because the responses are not properly designed, implemented, or operating effectively; or</li> <li>Another aspect of the system of quality management is absent, or not properly designed, implemented, or operating effectively, such that a requirement of SQMS has not been addressed.</li> </ul>
<i>Significant Deficiency</i>	<ul style="list-style-type: none"> <li>One or more matters that the reviewer has concluded create a situation in which the reviewed firm’s system of quality control does not provide the reviewed firm with reasonable assurance of performing or reporting in conformity with the requirements of applicable professional standards in all material respects.</li> </ul>	<ul style="list-style-type: none"> <li>Not defined.</li> </ul>

**Objectives of a System of Quality Management**

A system of quality management is defined by SQMS No. 1 as a system designed, implemented, and operated by a firm to provide the firm with reasonable assurance that:

- The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm are appropriate in the circumstances.

While the objectives set forth in SQMS are similar to those of extant SQCS, it is important for reviewed firms and peer reviewers to remember the importance of establishing and monitoring a system that is designed to meet the stated objectives of the applicable standards.

**Questions and Answers for Peer Reviewers and Reviewed Firms**

Recognizing that the terminologies vary, the PRB developed the following questions and answers for peer reviewers and reviewed firms to consider when assessing the results of issues identified according to the peer review standards and the QM standards:

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**(Q1) Question.** If a firm has designed and implemented a system of quality management according to SQMS, has the firm's quality control system complied with the requirements of SQCS and vice versa?

**(A1) Answer.** Yes and no. Because the requirements of quality management standards are additive to those already required by quality control standards, an appropriately designed and implemented system of quality management would comply with requirements of SQCS. However, a system of quality control that complies with the requirements of the SQCS wouldn't necessarily comply with the requirements of the SQMS.

**(Q2) Question.** How are issues identified in a firm's peer review considered when a firm is implementing a system of quality management?

**(A2) Answer.** Issues identified in a firm's peer review will be communicated to the reviewed firm as matters, findings, deficiencies, or significant deficiencies according to the clarified peer review standards; such results would likely be accumulated as one or more findings by the reviewed firm with other information from the performance of monitoring activities, external inspections, and other relevant sources. The assessment of the firm's monitoring activities can also be affected by items identified by the firm's peer review when such items are not detected by the firm's own monitoring activities.

**(Q3) Question.** Would a deficiency according to SQMS be treated as a deficiency in a firm's peer review, even though the peer review is intended to evaluate its system of quality control?

**(A3) Answer.** It depends on the peer reviewer's judgment. While a particular issue may meet the definition of a deficiency according to SQMS, for peer review purposes, a peer reviewer will continue to assess whether the issue indicates the firm's system of quality control is not suitably designed and complied with to perform and report in conformity with applicable professional standards in all material respects. Factors that could be considered during the reviewer's assessment of a SQMS deficiency include its nature, timing, and extent or pervasiveness.

### **Transition Period**

The PRB recognizes that some firms may be required to comply with international quality management or PCAOB quality control standards before the effective date of the QM standards in 2025. However, because the QM standards are additive to the requirements of SQCS, the PRB believes it is most effective and appropriate for the peer review program to continue with its objective to evaluate reviewed firms' systems of quality control according to SQCS until the QM standards are effective. In the intervening period, the PRB and AICPA staff will propose revisions to various PR-C sections so that the peer review standards are written with the objective of evaluating a firm's system of quality management when the new QM standards are effective for all firms.