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Ms. Sherry Hazel  
[Sherry.Hazel@aicpa-cima.com](mailto:Sherry.Hazel@aicpa-cima.com)  
AICPA Auditing Standards Board

Via e-mail to: [CommentLetters@aicpa-cima.com](mailto:CommentLetters@aicpa-cima.com)

Re: Proposed Statement on Quality Management Standards, *A Firm's System of Quality Management and Engagement Quality Reviews*; Proposed Statement on Auditing Standards *Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards*

Dear Ms. Hazel:

Crowe LLP appreciates the opportunity to comment on the Exposure Draft of the Proposed Statements on Quality Management Standards - *A Firm's System of Quality Management* (SQMS 1) and *Engagement Quality Reviews* (SQMS 2) and Proposed Statement on Auditing Standards - *Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards* (QM SAS) (collectively, "Proposed QM Standards") prepared by the AICPA Auditing Standards Board ("ASB").

We support the ASB's continued efforts to improve audit quality and achieve harmonization with international quality management and auditing standards. We support the overall concept of applying an integrated, risk-based, proactive approach to quality management systems within firms through the Proposed QM Standards and agree they provide convergence with the International Auditing and Assurance Standards Board's (IAASB) International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, ISQM 2, *Engagement Quality Reviews*, and International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements* (collectively, "IAASB Quality Management Standards") which were issued in December 2020.

Our observations regarding the requests for comment posed in the Proposed QM Standards Exposure Draft Explanatory Memorandum and other observations are presented in **Appendix A**.

Please contact James A. Dolinar at (630) 574-1649 or [jim.dolinar@crowe.com](mailto:jim.dolinar@crowe.com) or Angie Lewis at (614) 280-5273 or [angie.lewis@crowe.com](mailto:angie.lewis@crowe.com) should you have any questions regarding this subject.

Sincerely,

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, slightly stylized font.

Crowe LLP

## Appendix A

**Request for comment 1: Respondents are asked to provide their views on the preceding changes. In addition, the ASB is seeking respondents' views on whether the requirements in proposed SQMS 1 are clear and understandable and whether the application material is helpful in supporting the application of those requirements.**

We support the proposed changes and believe they will drive a proactive approach to quality management which will allow firms to focus on risks impacting engagement quality. Further, it is critical that the proposed SQMS 1 is scalable providing firms the ability to customize the design, implementation, and operation of the firm's system of quality management to fit the risk profile of the firm and the engagements it performs. We believe this aligns with the public interest and current environment within the industry.

Overall, the proposed requirements of SQMS 1 are clear and understandable and the application material supports the application of those requirements. We concur with the proposed language changes from the IAASB standards that tailor the Proposed QM Standards for the United States environment. We believe that these changes will not create a substantive difference in application between the IAASB Standards and the Proposed QM Standards.

In general, we believe additional implementation guidance relevant to firms of all sizes would be helpful to assist firms with the implementation of SQMS 1, including examples as it relates to each of the quality objectives.

**Request for comment 2: Respondents are asked to provide their views on the scalability of the new quality management approach. In addition, the ASB is seeking respondents' views on specific requirements in proposed SQMS 1 that may inhibit scalability and requirements for which additional application material regarding scalability would be helpful.**

We support the intent of SQMS 1 to provide scalability based upon the unique circumstances of each firm and the engagements it performs. We agree it is important that firms tailor their system of quality management to focus on customized areas of risk. We find the application guidance containing examples of scalability to be informative and appropriate. We further support the Board's intent to provide nonauthoritative guidance to assist firms in implementing the final quality management standards. While scalability is a key concept of SQMS 1 that provides adaptability, additional guidance would be helpful specifically related to establishing quality objectives for smaller firms.

**Request for comment 3: Respondents are asked to provide their views on the preceding changes. In addition, the ASB is seeking respondents' views on whether the requirements in proposed SQMS 2 are clear and understandable, and whether the application material is helpful in supporting the application of those requirements.**

We agree that a separate standard for engagement quality reviews achieves the benefits outlined in proposed SQMS 2. We believe the guidance outlining the objective of the standards, the appointment and eligibility of reviewers, and the performance and documentation of the Engagement Quality Review is clear and understandable.

**Request for comment 4: Respondents are asked to provide their views on the preceding changes. In addition, the ASB is seeking respondents' views on whether the requirements in the proposed QM SAS are clear and understandable, and whether the application material is helpful in supporting the application of those requirements.**

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.

**Request for comment 5: Respondents are asked to provide their views on whether the effective dates are clear.**

We believe the effective dates of the Proposed QM Standards are clear and we find the related timeline of effective dates which outlines actions to be taken under the Proposed QM Standards to be helpful.

**Request for comment 6: Respondents are asked to provide their views on whether an 18-month implementation period is appropriate. If that period is not appropriate, please explain why and what implementation period would be appropriate.**

We support the proposed 18-month implementation period. We concur that it is in the public interest for the Proposed QM Standards to be effective as soon as possible; however, this should be balanced with appropriate time to effectively implement the Proposed QM Standards. As such, we agree that a minimum of 18 months between the issuance of the final standards and their effective dates is appropriate.

**Request for comment 7: Respondents are asked whether they agree that inspection of completed engagements by those involved in the engagements should be precluded in order to enhance audit quality. If not, please explain why and provide examples of safeguards that could lower the self-review threat to an acceptable level.**

We agree with the proposed SQMS 1 language that prohibits inspection by engagement team members or the engagement quality reviewer of an engagement from performing any inspection of that engagement due to the lack of safeguards that could lower the self-review threat to an acceptable level. While we understand there may be additional costs to implement this requirement, particularly for smaller firms, we believe this change is necessary to align with the overall enhancements to audit quality that the Proposed QM Standards will provide.

**Request for comment 8: Respondents are asked for their views on whether a cooling-off period should be required before a former engagement partner can serve as an engagement quality reviewer on that engagement, and (a) if so, the appropriate length of the required cooling-off period, or (b) if not, please explain why and provide examples of safeguards that could lower the objectivity threat to an acceptable level.**

We believe the importance of maintaining objectivity in performing an evaluation of the significant judgments made by the engagement team warrants a required cooling-off period before a former engagement partner can serve as an engagement quality reviewer on that engagement. We do not believe there are safeguards that would lower the objectivity threat to an acceptable level. In addition, we do not believe the burden to meet this requirement is so onerous that it supports divergence from ISQM 2, and therefore we support a two-year cooling off period.

**Request for comment 9: Respondents are asked for their views on whether the engagement quality review should be required to be completed before the report is dated, rather than before the report is released.**

We support full convergence of SQMS 2 and QM SAS with the IAASB Quality Management Standards that require an engagement quality review to be completed before the report is dated on the basis that circumstances in the United States do not warrant divergence. However, we recommend clarifying guidance in circumstances when an engagement quality reviewer (EQR) is assigned to an engagement after the report has been dated and/or issued due to a subsequent event or transaction. For example, a firm may have a quality process to assign an EQR should the client enter a transaction requiring inclusion of the previously issued financial statements in a public filing. Application guidance addressing this type of situation would be helpful to acknowledge engagement quality reviews may take place after the report is dated in certain circumstances.

**Other Observations:**

We noted the ASB has replaced the term “engagement quality control review” with “engagement quality review.” Thus, we recommend updating paragraph A145 in Proposed SQMS 1 to replace the use of the phrase “engagement quality control review” with “engagement quality review” to align with the convergence terminology.

In addition, we noted that paragraph A51 within SQMS 1 could replace the term “inaction” with the word “inactions” to be consistent with terminology used throughout SQMS 1.