

August 31, 2021

Auditing Standards Board  
American Institute of Certified Public Accountants

Via email: [CommentLetters@aicpa-cima.com](mailto:CommentLetters@aicpa-cima.com)

**RE: February 4, 2021 Exposure Drafts – Quality Management**

Dear Members of the AICPA Auditing Standards Board:

Plante & Moran, PLLC is pleased to offer comments on The American Institute of Certified Public Accountants (AICPA) Auditing Standards Board's (ASB) Exposure Drafts, *Proposed Statements on Quality Management Standards (SQMS), A Firm's System of Quality Management (SQMS 1), SQMS, 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)*.

We support the efforts of the AICPA and ASB to improve audit quality and are generally supportive of SQMS 1, SQMS 2, and QM SAS. We believe the implementation of SQMS 1 will be particularly challenging for many firms to achieve the objectives of the standard, the AICPA and ASB should provide implementation support, guidance, and application materials

We've included our detailed responses in the template that is attached to this letter.

Thank you again for the opportunity to comment on the exposure drafts. We would be happy to respond to any follow-up questions you have about these comments. Please direct any questions to Christina Moser at [Christina.Moser@plantemoran.com](mailto:Christina.Moser@plantemoran.com) or at (248)603-5188.

Very truly yours,

*Plante & Moran, PLLC*  
Plante & Moran, PLLC

## **PART 1: SQMS No. 1**

**1a.** Which of the following best describes your view of the proposed SQMS No. 1? Please choose only one.

- We strongly support the proposed SQMS No. 1
- I somewhat support the proposed SQMS No. 1
- I somewhat oppose the proposed SQMS No. 1
- I strongly oppose the proposed SQMS No. 1

Please provide additional details regarding your response.

**1b.** The fundamental aspects of proposed SQMS No. 1 are summarized in pages 8-14 of the Explanatory Memorandum. Please provide your views on (any or all) the fundamental aspects.

*The risk-based approach of the standard should allow firms to scale and customize the system of quality management. Each component has clearly defined objectives for which firms must adhere to; however, since firms will establish their own risks to meeting those objectives, the risks and subsequent processes and controls can vary from firm to firm to meet the individual needs of the firm, creating stronger systems of quality management*

*Additionally, many of the required components of the System of Quality Management are consistent with QC section 10, so while there are new aspects, such as Risk Assessment and Information and Communication, the overall objective of the standard is not significantly different.*

*Regarding the risk assessment component, additional guidance on the approach and documentation requirements should be provided to ensure a consistent approach across firms.*

*Regarding the monitoring and remediation component, while the requirements are designed to emphasize factors for the firm to consider and guidance was provided on engagement level monitoring, firms should also be provided with guidance as to what a peer review inspection will include, at least at a high level. The firm can take those factors into consideration when designing the firm monitoring system including documentation protocols.*

**1c.** Are the requirements in SQMS No. 1 clear and understandable? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, identify any requirements you find not clear or helpful.

*The requirements at a high level are clear and understandable; however, additional guidance on implementation would be helpful to understand some of the more detailed requirements and/or expectations. For example, firm documentation requirements are not clear throughout the standard.*

**1d.** Is the application material in SQMS No. 1 helpful in supporting the application of the requirements? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, identify additional application material that would be helpful.

*While the current material is helpful, additional application material should also be provided, particularly to aid smaller firms. For example, while the concept of the risk assessment is explained, firms could take varying approaches with their risk assessment processes, resulting in inconsistent application of the standard. Some firms may be too granular here, while others are too broad.*

*Additionally, application materials for firms to better understand overall documentation and review expectations. For example, paragraph 31a defines a requirement for partners to be “sufficiently and appropriately involved throughout the engagement” and paragraph 31b defines a requirement that the “nature, timing, and extent of direction and supervision of engagement teams and review of work is appropriate based on the nature and circumstances of the engagements.” What are the documentation expectations for meeting these objectives? Subsequently, what would the monitoring expectations be? Would KPIs or other metrics need to be established to monitor to the objectives, or should these be reviewed from a reasonableness standpoint? What would the expectations be for peer review for these types of objectives?*

**1e.** Do you have any other comments on proposed SQMS No. 1?

*We believe that the standard will strengthen the overall system of quality at firms; however, additional guidance and implementation materials should be provided to ensure consistent application of the standard and effective and efficient use of firm resources.*

## **PART 2: Scalability of SQMS No. 1**

**2a.** Is the new quality management approach in SQMS 1 scalable? Please answer yes or no.

Yes

**2b.** Would additional application material regarding scalability be helpful? Please answer yes or no.

Yes

**2c.** Please provide additional details regarding your responses to 2a and 2b. If applicable, identify any requirements in proposed SQMS No. 1 that may inhibit scalability or requirements for which additional application material regarding scalability would be helpful.

*Additional application material regarding scalability would be helpful for smaller firms. For example, materials to aid in completing the risk assessment, including potential risks and applicable controls for small firms of different sizes. Additionally, workaids for each component for small firms to work through to assist with meeting documentation expectations.*

## PART 3: SQMS No. 2

**3a.** Which of the following best describes your view of the proposed SQMS No. 2? Please choose only one.

- I strongly support the proposed SQMS No. 2
- We somewhat support the proposed SQMS No. 2
- I somewhat oppose the proposed SQMS No. 2
- I strongly oppose the proposed SQMS No. 2

Please provide additional details regarding your response.

*Implementation of the proposed standard should achieve the objective of consistent performance of quality engagements. While the proposed standard is very comprehensive, we believe it can be implemented in a way that is scalable based on the characteristics of a firm's assurance practice.*

*We support the proposal, however, the change from QC Section 10 to require the engagement quality review to be completed prior to dating the report may result in added complexity to end of engagement coordination to obtain management representation letters and certain other documentation, without commensurate benefit. We suggest allowing the use of judgment by the engagement quality reviewer to consider the extent and significance of engagement quality review matters that remain open in determining when to provide the engagement partner with the approval to date the report.*

**3b.** Are the requirements in SQMS No. 2 clear and understandable? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, identify any requirements you find not clear or helpful.

*We think the proposed standard could benefit from reconsideration of the report dating guidance as described above.*

**3c.** Is the application material in SQMS No. 2 helpful in supporting the application of the requirements? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, identify additional application material that would be helpful.

**3d.** Do you have any other comments on proposed SQMS No. 2?

No

## PART 4: QM SAS

**4a.** Which of the following best describes your view of the proposed QM SAS? Please choose only one.

- We strongly support the proposed QM SAS
- I somewhat support the proposed QM SAS
- I somewhat oppose the proposed QM SAS
- I strongly oppose the proposed QM SAS

Please provide additional details regarding your response.

**4b.** Are the requirements in QM SAS clear and understandable? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, identify any requirements you find not clear or helpful.

## PART 5. Effective Dates and Implementation Period

**5.** Are the effective dates clear? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, describe what is not clear.

N/A

**6.** Is an 18-month implementation period appropriate? Please answer yes or no.

Yes

Please provide additional details regarding your response, and, if applicable, explain what implementation period would be more appropriate.

*An 18-month implementation is appropriate if implementation guidance and tools are provided at the start of the implementation period. More specifically, guidance and tools for smaller firms that are not currently working towards the ISQM1 implementation.*

## PART 6. Other Issues for Consideration

**7.** Please indicate your level of agreement that inspection of completed engagements by those involved in the engagements should be precluded to enhance audit quality. Please choose only one.

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

Please provide additional details regarding your response, and if applicable, provide examples of safeguards that could lower the self-review threat to an acceptable level.

*We support this requirement.*

**8a.** Should a cooling-off period should be required before a former engagement partner can serve as an engagement quality reviewer on that engagement? Please answer yes or no.

*Yes*

**8b.** If you answered YES to 8a, what is the appropriate length of the required cooling-off period? Two years, one year, or a different length?

*We believe that the cooling off period should be the period covered by the financial statements. For example, if they are single year financial statements, the cooling off period would be one year and if they are comparative financial statements, the cooling off period would be two years.*

**8c.** If you answered NO to 8a, please provide additional details regarding your response and provide examples of safeguards that could lower the objectivity threat to an acceptable level. Dated, rather than before the report is released? Please answer yes or no

**9a.** Should the engagement quality review should be required to be completed before the report is dated?

*We believe the engagement quality review should be performed and all significant comments or questions arising from that review addressed before the report is dated, however, we think the engagement quality reviewer should be able to use judgment about when to provide permission to the engagement partner to date the report. For example, if there are insignificant open questions or comments that will be addressed before report release, we don't think dating the report should be delayed until those insignificant matters are addressed.*

Please provide additional details regarding your response. [Note that the ASB is interested in hearing whether your firm currently requires that the engagement quality review be completed before the report is dated.]

*The firm has engagement quality review requirements, for engagements in which a review is required, the engagement quality review is performed before the report is dated. However, insignificant open items from that review do not prevent dating the report but do prevent release of the report.*

*We believe additional guidance on the term "completed" in this context, should be provided. Would the review be considered complete if the review was performed and there are no significant matters open? Or would complete mean that all comments/questions, regardless of significance, are addressed by the engagement team and cleared by the engagement quality reviewer?*

## **PART 7. Demographic Data**

Name: Christina Moser

Organization Name: Plante & Moran, PLLC

Firm size, if applicable: Regional firm