



**Deloitte & Touche LLP**  
695 E. Main Street  
Stamford, CT 06901-2150  
Tel: +1 203 761 3000  
Fax: +1 203 761 3013  
[www.deloitte.com](http://www.deloitte.com)

August 31, 2021

Ms. Sherry Hazel  
American Institute of Certified Public Accountants  
1345 Avenue of the Americas, 27th Floor  
New York, NY 10105  
USA

**Re: Exposure Draft - Proposed Quality Management Standards**

Dear Ms. Hazel:

Deloitte & Touche LLP (“D&T,” “our,” or “we”) appreciates the opportunity to respond to the request for public comment from the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) on the following proposed standards for quality management (QM) at the firm and engagement levels (collectively, the “proposed QM standards”), and the related conforming amendments:

- Proposed Statement on Quality Management Standards (SQMS), *A Firm’s System of Quality Management* (“proposed SQMS No. 1”).
- Proposed SQMS, *Engagement Quality Reviews* (“proposed SQMS No. 2”).
- Proposed Statement on Auditing Standards (SAS), *Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards* (“proposed QM SAS”).

D&T agrees with the ASB’s perspective that the “quality management foundation is the same in the United States as it is elsewhere, and is the same regardless of the type of clients served.”<sup>1</sup> We are, therefore, fully supportive of the ASB’s proposal to converge with International Standards on Quality Management at the firm and engagement levels (collectively, the “International QM standards”), which were recently issued by the International Audit and Assurance Standards Board (IAASB).<sup>2</sup> In addition, we concur with the ASB that, in certain instances, it is appropriate to modify the language of the IAASB standards in order to address circumstances and requirements specific to the United States and AICPA Professional Standards (for example, wording related to relevant ethical requirements and audits of governmental entities).

D&T, however, would like to draw attention to the comments noted below with respect to the proposed QM standards.

---

<sup>1</sup> Executive Summary – Project Level

<sup>2</sup> International Standard on Quality Management (ISQM) No. 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (ISQM 1)

ISQM No. 2, *Engagement Quality Reviews* (ISQM 2)

International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements* (ISA 220 (Revised))

Conforming Amendments to ISAs and Related Materials Arising from the Quality Management Projects

## Overarching Comments Across the Proposed QM Standards

### *Convergence*

We are strong supporters of the ASB's strategic objective to converge its standards with those of the IAASB, as harmonization promotes consistency in application of auditing standards around the world. In comparing the proposed QM standards with the International QM standards, we have identified differences that we believe should be reconsidered. These differences are categorized within this letter as follows:

- Substantive modifications — The differences have changed the meaning or the intent of the requirements and related application material in the International QM standards, thereby resulting in unintended consequences for practitioners adopting the proposed QM standards. Consequently, we believe the proposed differences should be eliminated (refer Appendix I, responses to questions 1, 3, and 4, as well as edits to certain other professional standards).
- Unnecessary modifications — The differences are not related to circumstances unique to the United States environment; accordingly, the proposed differences are not necessary and cause unneeded reconciliation between the sets of standards (refer Appendix II).

Eliminating these differences will further maximize the AICPA's convergence efforts and facilitate the seamless adoption of quality management standards that are broadly applicable for firms conducting audit and assurance engagements in accordance with professional standards issued by the ASB and the IAASB. Further, differences, even those that may be deemed to be minor, insignificant, or made for readability purposes, may cause confusion when implementing the proposed QM standards, as the rationale for the underlying changes may not be immediately apparent, raising unnecessary questions as to the intent and purpose of the edits.

### *Involvement of the AICPA's Professional Ethics Executive Committee (PEEC)*

Given the significant connection between the proposed QM standards and the AICPA Code of Conduct (the "AICPA code"), D&T believes that it is imperative that PEEC review the wording used in the proposed QM standards, specifically those paragraphs that either (1) refer to the AICPA code, or (2) more broadly relate to relevant ethical requirements, including those that were revised from International QM standards to reflect the provisions of the AICPA code (i.e., instead of the International Code of Ethics for Professional Accountants).

We also recommend that, in addition to their current monitoring of the ASB's activities relating to the proposed QM standards, PEEC undertake a project to review the AICPA code for the impact of changes resulting from proposed SQMS Nos. 1 and 2. Such a project will ensure that the AICPA code and the AICPA's suite of professional standards remain aligned.

Further, in order to provide enhanced transparency across the various AICPA senior committees, we recommend that a representative from the ASB and PEEC, respectively, be present during pertinent discussions on topics of mutual interest when the corresponding senior committee deliberates. This collaboration will enable a more fulsome discussion of issues raised with real-time input from observers with the necessary expertise. Similarly, it will allow for more timely dissemination of information by the members to the respective senior committees for additional discussion and resolution as needed. This recommendation applies not only to the proposed QM standards but to all standards developed by AICPA senior committees.

### *Government Auditing Standards (GAS)*

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.

## Proposed SQMS No. 1 and Proposed SQMS No. 2

### *Types of Engagements*

We believe that the types of engagements managed by the firm’s system of quality management (SOQM) could be more clearly articulated by referring to the professional standards that they are conducted in accordance with, instead of referring to the names of the services performed. D&T understands the need to use the phrase “accounting and auditing practice” throughout the proposed QM standards instead of continually listing all the engagements addressed; however, there may be confusion when referencing certain engagements without providing the necessary context. For example, a reference to “review engagements” may refer to “review engagements conducted in accordance with the *Statements on Standards for Attestation Engagements*” or “review engagements conducted in accordance with the *Statements on Standards for Accounting and Review Services*.” Given the importance of having clearly defined parameters for the engagements to which the firm’s SOQM applies, we believe it is simplest to refer to the professional standards (refer Appendix I, response to question 1 for our recommended edits to the definition of “accounting and auditing practice”).

## Proposed SQMS No. 1 and Proposed QM SAS

### *Changes to Paragraphs Affecting Group Audits*

Although D&T understands the desire to make certain changes to proposed SQMS No. 1 and proposed QM SAS in order to provide additional examples or enhance the clarity of proposed QM SAS relating to group audits, given the current ongoing project to amend ISA 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, and the companion work effort currently being undertaken by the ASB pertaining to AU-C section 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* (AU-C 600), we believe that any related changes to proposed SQMS No. 1 and proposed QM SAS should be considered as conforming amendments when AU-C 600 is exposed for comment. This will allow for the conforming amendments to be considered in the appropriate context and avoid the possibility of multiple updates to group audit-related paragraphs in the proposed QM standards to reflect a finalized AU-C 600.

## Specific Comments

Our responses to the questions and issues posed in the Explanatory Memorandum, specific instances of changes recommended related to convergence or other substantive comments, and editorial suggestions are included in the following appendixes:

- [Appendix I](#) — Request for Comment by the ASB, Substantive Convergence Matters, and other Substantive Comments.
- [Appendix II](#) — Other Convergence Recommendations.
- [Appendix III](#) — Clarification and Understandability Recommendations.

In the appendixes, any recommendations for wording changes are highlighted as follows:

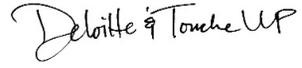
- Additions are noted in **bold underline**.
- Deletions are noted in ~~striketrough~~ text.

The markup of the paragraphs within each Appendix follows the same numerical sequence or ordering of sections as structured in the proposed QM standards. All proposed edits assume the amendments in the proposed QM standards (including conforming amendments) are accepted by the ASB as final.

\* \* \* \* \*

We would be pleased to discuss our letter with you at your convenience. If you have any further questions, please contact Tania Sergott at [tsergott@deloitte.com](mailto:tsergott@deloitte.com) or (203) 563-2616.

Sincerely,

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Deloitte & Touche LLP

## **Appendix I — Request for Comment by the ASB, Substantive Convergence Matters, and Other Substantive Comments**

### **PROPOSED SQMS No. 1**

- 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 No. 1 are clear and understandable and whether the application material is helpful in supporting the application of those requirements.**

D&T broadly believes the requirements in proposed SQMS No. 1 are clear and understandable and the application material is helpful. We have, however, identified certain areas outlined below where we believe the requirements or guidance should be further clarified or amended, including recommendations related to the substantive modifications that were made to the International QM standards in developing the proposed QM standards.

#### **Paragraph 5**

The bullets below describe our comments relating to the application of the proposed QM standards within the context of GAS, including whether there are differences when an engagement is being conducted in accordance with generally accepted government auditing standards (GAGAS) either by a firm or a government audit organization.

- We believe that, where specific reference is being made to the foundations and principles in GAS or requirements for complying with GAS, it would be appropriate to explicitly footnote the references to the relevant chapters in GAS as issued by the United States Government Accountability Office (GAO). Unless these footnote references are included in proposed SQMS No. 1, the basis for the statements in paragraph 5 of proposed SQMS No. 1 when engagements are being conducted in accordance with GAGAS is unclear. Our recommended changes are provided below.
- We do not believe it is necessary for the phrase “CPA firms” in paragraph 5 of proposed SQMS No. 1 to be used, as it introduces confusion as to whether the phrase “CPA firm” differs from “firm” as defined in paragraph 17 of proposed SQMS No. 1. Further, there is only one instance of the use of the phrase “CPA firm” in the proposed QM standards. Chapter 1.12 of GAS provides examples of the various types of users who may be required to or may elect to use GAGAS, which includes certified public accounting firms. Consequently, providing the appropriate reference to GAS provides sufficient context for the use of “firm.” Our recommended changes are provided below.
- Paragraph 5 of proposed SQMS No. 1 notes that the “proposed SQMS applies to audit and attestation engagements performed by CPA firms in accordance with Government Auditing Standards.” While it is clear in chapter 5 that GAS sets quality control and assurance requirements for [government] audit organizations conducting engagements in accordance with GAGAS, it is not as clear as to the applicability of proposed SQMS No. 1 when the firm is conducting the following engagements in accordance with GAGAS: (a) financial audits, (b) attestation engagements, and (c) reviews of financial statements.

Chapters 6.01 and 7.01 in GAS note that GAGAS incorporates by reference the AICPA’s SASs, SSAEs, and AR-C section 90, *Review of Financial Statements*. Supplemental amendments to proposed SQMS No. 1 specific to paragraph A20 of AU-C section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Generally Accepted Auditing Standards*, and paragraph 6 of AT-C section 105, *Concepts Common to All Attestation Engagements*, reference proposed SQMS No. 1, thereby inferring the applicability of the proposed QM standards when an engagement is being conducted by the firm in accordance with GAGAS.

D&T proposes that the ASB collaborate with the GAO to develop a technical interpretation to clearly articulate the applicability of proposed SQMS No. 1 when conducting the aforementioned engagements in accordance with GAGAS.

- One additional area where clarification is sought pertains to the statement in paragraph 5 of proposed SQMS No. 1 that “[it] does not apply to government audit organizations.” As previously highlighted, chapter 5 of the GAS addresses the quality control and peer review of [government] audit organizations, but it would appear that the GAS professional literature is silent as to the exemption of government audit organizations from proposed SQMS No. 1. D&T recommends that the basis for this statement be provided as a footnote reference.

We recommend the following edits be made to paragraph 5 relating to the first and second bullets:

5. This proposed SQMS applies to **the firm performing financial audits, and attestation-level examination, review, and agreed-upon procedures engagements or reviews of financial statements performed by CPA firms** in accordance with **generally accepted government auditing standards (collectively, “engagements conducted in accordance with GAGAS”) (footnote 1, footnote 2)**. This proposed SQMS does not apply to government audit organizations. Instead, those government audit organizations are subject to the quality control and assurance requirements of Government Auditing Standards **(footnote 3)**.

**Footnote 1: Chapter 1.12 b, Government Auditing Standards (GAS).**

**Footnote 2: Chapter 1.16, GAS.**

**Footnote 3: Chapter 5, GAS.**

In addition to the edits to paragraph 5 of proposed SQMS No. 1 noted above, we recommend the ASB separately address the observations outlined in the third and fourth bullets regarding the applicability of proposed SQMS No. 1 to firms for engagements conducted in accordance with GAGAS and the basis of the stated exemption of government audit organizations from proposed SQMS No. 1.

#### Paragraph 10 (and other paragraphs within proposed SQMS No. 1)

D&T does not believe that it is appropriate to diverge from the International QM standards and only use the plural form of “individual” throughout the proposed QM standards, as the plural form implies that there should be more than one person assigned ultimate responsibility and accountability for the firm’s SOQM, and similarly that there should be more than one person assigned operational responsibility for the firm’s SOQM. Depending on the organizational structure of the firm, this may or may not be the case. By inferring that multiple individuals are needed to fill these roles, this change has scalability implications that are contrary to the overarching principles followed when developing proposed SQMS Nos. 1 and 2. D&T recommends that all instances of the use of the word “individuals” be identified in proposed SQMS No. 1 and that the wording be aligned with the International QM standards (i.e., revert to a format (“individual(s)”) where such positions may be filled by one or more than one individual).

#### Paragraph 17

***Accounting and auditing practice*** – D&T believes that the definition of “accounting and auditing practice” would be improved by referencing the professional standards that are applicable when performing the relevant audit and assurance engagements that are addressed by the proposed QM standards. Given that “professional standards” is also a defined term, it is not necessary to repeat those bodies designated by the AICPA Counsel as having standard-setting authority.

In addition, D&T has proposed edits by leveraging words in the definition of “professional services” from the AICPA code. As drafted, the definition of “accounting and auditing practice” is audit-focused and does not reflect all aspects of the accounting practice.

Further, D&T recommends that the last sentence of the definition be included as application material, as it is not pertinent to the definition itself.

Therefore, the following amendments are proposed to paragraph 17 of proposed SQMS No. 1, as well as corresponding changes throughout the proposed QM standards:

*Accounting and auditing practice.* A practice **of the firm where the professional services are performed by engagement teams requiring accountancy or related skills. For purposes of the proposed SQMS, professional services are those engagements conducted in accordance with the following suites of professional standards:**

- **Statements on Auditing Standards (SAS).**
- **Statements on Standards for Attestation Engagements (SSAE).**
- **Statements on Standards for Accounting and Review Services (SSARS).**

that performs engagements covered by this section, which are audit, attestation, review, compilation, and any other services for which standards have been promulgated by the AICPA Auditing Standards Board (ASB) or the AICPA Accounting and Review Services Committee under the “General Standards Rule” (ET sec. 1.300.001)† or the “Compliance With Standards Rule” (ET sec. 1.310.001) of the AICPA Code of Professional Conduct. Although standards for other engagements may be promulgated by other AICPA technical committees, engagements performed in accordance with those standards are not encompassed in the definition of an accounting and auditing practice. **(Ref: par. Axx)**

**Axx. Although standards for other engagements may be promulgated by other AICPA technical committees, engagements conducted in accordance with those standards are not encompassed in the definition of an accounting and auditing practice.**

**Network** – D&T believes that consideration should be given to including the entire definition of “network” from the AICPA code, but at a minimum, the definition should reference “firms” as it will provide better linkage to the companion definition of “network firm.” D&T recommends the following edits:

*Network.* An association of entities **that includes one or more firms**, as defined in “Definitions” in the AICPA Code of Professional Conduct (ET section 0.400).

**Network Firm** – Although D&T agrees with the clarification in the last sentence of the definition of “network firm,” we believe this is best placed in application material. Further, the manner in which the sentence is drafted may lead an individual referencing the proposed QM standards to substitute the phrase “network firm” with the phrase “as another firm or entity that belongs to the same network as the firm” throughout the proposed QM standards. There are, however, instances where the phrase cannot be readily substituted into an existing paragraph — for example, paragraph A21 of proposed SQMS No. 1.

D&T recommends the last sentence be redrafted as follows and included as application material:

*Network firm.* A firm or other entity that belongs to a network, as defined in “Definitions” in the AICPA Code of Professional Conduct (ET section 0.400). ~~References to a network firm are to be read hereafter as “another firm or entity that belongs to the same network as the firm.”~~ **(Ref: par. Axx)**

**Axx. Throughout the proposed SQMS, R**~~ferences to a network firm are intended to mean to be read hereafter as “another firm or entity that belongs to the same network as the firm.”~~

**Partner** – D&T believes that the penultimate sentence of the definition of “partner” is intended to encompass persons that are “partner equivalents” as defined by the AICPA code. We therefore recommend amending the sentence to reflect the AICPA code.

Further, similar to other defined terms that are common to both proposed SQMS No. 1 and the AICPA code, there should be a reference to the applicable section in the AICPA code; otherwise, there will be confusion when considering this defined term in relation to the AICPA code. We propose the following edits:

*Partner.* Any individual with authority to bind the firm with respect to the performance of a professional services engagement. For purposes of this definition, partner **encompasses both partner and partner equivalent as defined in “Definitions” in the AICPA Code of Professional Conduct (ET section 0.400)** ~~may include an employee with this authority who has not assumed the risks and benefits of ownership.~~ Firms might use different titles to refer to individuals with this authority.

#### Paragraph 32

D&T believes that the insertion of punctuation in paragraph 32b as compared to the International QM standards changes the context and intent of the requirement. We believe the nature, timing, and extent of direction and supervision of engagement teams and review of work performed is directly related to, and dependent on, the resources assigned or made available to the engagement teams. D&T recommends that the wording revert and align with paragraph 31(b) of ISQM No. 1 as follows:

32b. The nature, timing, and extent of direction and supervision of engagement teams and review of the work performed is appropriate based on the nature and circumstances of the engagements, ~~and~~ **and** the resources assigned or made available to the engagement teams, ~~and~~ **and** the work performed by less experienced engagement team members is directed, supervised, and reviewed by more experienced engagement team members.

#### Paragraphs A14 and A68

Given the ongoing standard setting activities related to AU-C 600, D&T recommends that references to audits of group financial statements in proposed SQMS No. 1 be limited only to those that are necessary. If the ASB believes that further clarification or examples are needed with respect to these paragraphs, this should be done via conforming amendments as a result of the AU-C 600 standards setting project.

With respect to paragraph A68 of proposed SQMS No. 1 we also noted that:

- The phrase “component auditors are” is used, which is inconsistent with the singular form of the phrase in paragraph A46 of proposed SQMS No. 1. We recommend that the wording be aligned.
- Footnote 7 paraphrases ET section 0.200.020 of the AICPA code. We recommend that the footnote either cross-reference the AICPA code only (i.e., without further explanation) or that the footnote more closely restate the wording in the AICPA code as noted below.

The following edits are therefore recommended:

A14. Proposed *SAS Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards* provides guidance in applying the definition of engagement team in the context of an audit of financial statements. AU-C section 600, *Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors)*, expands on how proposed *SAS Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards* is to be applied in relation to an audit of group financial statements. ~~The quality risks and responses to those risks relevant to group audit engagements may be different for engagement team members who are firm personnel than for engagement team members who are external to the firm (for example, engagement team members who are from network firms or are service providers, such as component auditors from firms not within the firm’s network).~~

A68. AU-C section 600 states that when the component auditors ~~are~~ is not subject to the AICPA code, compliance with the ethics and independence requirements set forth in the International Federation of Accountants Code of Ethics for Professional Accountants is sufficient to fulfill the component auditor’s ethical responsibilities in the group audit (footnote 7). ~~Procedures the firm may use regarding the fulfillment of relevant ethical requirements that apply to them by network firms, employees of network firms, or service providers may include confirmations, letters of representation, or other affirmations.~~

Footnote 7. The section, “Application of the AICPA Code” (ET section- 0.200.020), of the AICPA Code of Professional Conduct (AICPA code) explains that an AICPA member who is a the group engagement partner **will not be considered in violation of the AICPA code if a** of a U.S. consolidated entity ~~should be considered to have performed an audit in accordance with generally accepted auditing standards, and in compliance with the AICPA code, provided that component auditors~~ **practicing outside the United States departs from the AICPA code with respect to the audit or review of group financial statements as long as the component auditor’s conduct, at a minimum, is in accordance** that are not subject to the AICPA code are in compliance with the ethics and independence requirements set forth in the International Federation of Code of Ethics **for Professional Accountants, and the members of the group engagement team are in compliance with the AICPA code.**

Paragraph A42

D&T believes that both internal and external sources of information may be relevant (i.e., we do not believe it is appropriate to always identify only one relevant source (for example, an internal source) and in doing so always exclude other information merely because it is obtained from another source (for example, an external source)). We recommend the following change to paragraph A42 of proposed SQMS No. 1:

A42. ... Other information, ~~either~~ **both** internal ~~or~~ **and** external, may also be relevant to the firm’s risk assessment process, such as the following: ...

Paragraph A194

D&T believes that the example related to “the use of individuals from other network firms as component auditors” as reflected in paragraph A179 of ISQM No. 1 should be reinstated in paragraph A194 of proposed SQMS No. 1 as it is helpful and reflects current circumstances that occur in practice. Further, this is an illustrative example rather than a requirement and should be viewed in that context.

A194. ...

<i>Network requirement or network service</i>	<i>How the firm adapts or supplements the network requirement or network service</i>
<b><u>The firm uses individuals from other network firms as component auditors. Network requirements are in place that drive a high degree of commonality across the network firms’ systems of quality management. The network requirements include specific criteria that apply to individuals assigned to work on a component for a group audit.</u></b>	<b><u>The firm establishes policies or procedures that require the engagement team to confirm with the component auditor (i.e., the other network firm) that the individuals assigned to the component meet the specific criteria set out in the network requirements.</u></b>

**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 No. 1 that may inhibit scalability and requirements for which additional application material regarding scalability would be helpful.

The new risk-based approach focused on quality management makes for an inherently scalable standard that will result in a more tailored approach when firms identify and address risks that are specific to their accounting and auditing practice. We believe the approach is suitable for firms of different sizes and complexity and will enhance the quality of engagements performed.

## PROPOSED SQMS No. 2

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 No. 2 are clear and understandable, and whether the application material is helpful in supporting the application of those requirements.

D&T believes the requirements are clear and understandable and the application material is helpful. However, D&T believes the proposed example added to paragraph A11 in proposed SQMS No. 2 to demonstrate a scenario when "compliance with independence requirements may not apply" could have significant unintended consequences and therefore should be removed. As currently written, the example does not address the fact that the firm may still need to be independent of the entity for a reason other than the fact that an individual within that firm has performed an engagement quality review related to that entity.

If the example is not removed, at a minimum the edits shown below should be made to provide clarity and indicate the example relates to a scenario that may exist for a smaller firm. We also believe the other proposed differences from ISQM 2 are unnecessary modifications, and we recommend converging.

A11. The relevant ethical requirements that are applicable when undertaking an engagement quality review may vary, depending on the nature and circumstances of the engagement or the entity. ~~Various provisions of r~~ Relevant ethical requirements may include various provisions, such as ~~specific independence requirements, that apply~~ **only to an** individuals, such as an engagement quality reviewer, and not the firm **itself**. For example, if a **smaller** firm uses an external provider to perform an engagement quality review, that individual may be subject to independence requirements; ~~but the entire firm for whom the individual works may not need to comply with independence requirements related to the entity~~ **however, the independence requirements imposed on that individual, because that individual is performing the engagement quality review on a specific entity, may not necessarily extend to the entire firm for which the individual works.**

### ***Relationship Between Proposed SQMS No. 2 and Proposed SQMS No. 1***

We believe that the relationship between the two proposed standards is clearly described in each. However, paragraphs A47 and A48 in proposed SQMS No. 2 could be revised for simplicity or be clearer as to which types of engagements are being referenced. We recommend the edits noted below:

#### Paragraphs A47 and A48

D&T believes it is unclear which professional standards are applicable in each application paragraph and recommends the guidance include reference to the relevant professional standards (i.e., SAS, SSAE, SSARS). For example, the last statement in paragraph A47 of proposed SQMS No. 2 refers to "review engagements," but it is unclear whether this phrase is referring to reviews within the SASs or SSARSs.

The lead-in to paragraph A48 of proposed SQMS No. 2, which was modified from ISQMS No. 2, states that this paragraph applies to "engagements other than audits of financial statements," implying paragraph A47 of

proposed SQMS No. 2 relates only to “audits of financial statements.” However, the last statement in paragraph A47 states the guidance also applies to review engagements. Therefore, the statement in paragraph A48 to exclude audits of financial statements should include “or reviews.”

Review **by Engagement Quality Reviewer** of Financial Statements and Engagement Reports (Ref: par. 25g)

A47. For audits of financial statements, the engagement quality reviewer’s review of the financial statements and auditor’s report thereon is consistent with the engagement quality reviewer’s understanding of those matters based on the review of selected engagement documentation and discussions with the engagement team. In reviewing the financial statements, the engagement quality reviewer may also become aware of other areas where significant judgments would have been expected to be made by the engagement team for which further information may be needed about the engagement team’s procedures or conclusions. The guidance in this paragraph also applies to reviews engagements of financial statements and the related engagement report. **(Footnote 1)**

A48. For engagements other than audits **or reviews** of financial statements, the engagement quality reviewer’s review of the engagement report and, when applicable, the subject matter information may include considerations similar to those described in paragraph A46 (for example, whether the presentation or description of matters relating to the significant judgments made by the engagement team are consistent with the engagement quality reviewer’s understanding based on the procedures performed in connection with the review). **(Footnote 2)**

**Footnote 1: Applicable Statements on Auditing Standards, including AU-C 930, Review of interim financial information.**

**Footnote 2: Applicable Statements on Standards for Attestation Engagements, Statements on Standards for Accounting and Review Services.**

### ***Why a Separate Standard?***

D&T is supportive of a separate standard for engagement quality reviews and believes that such an approach appropriately emphasizes the important role of engagement quality reviews as part of a firm’s SOQM. As an engagement quality review is a response to assessed quality risks, D&T agrees that proposed SQMS No. 1 should identify the engagements for which an engagement quality review is to be performed, with proposed SQMS No. 2 containing the requirements and related guidance for performance of an engagement quality review. In addition, a separate standard provides an appropriate mechanism for enhancing the requirements and application material for the appointment and eligibility of the engagement quality reviewer and the performance and documentation of the review while increasing the scalability of proposed SQMS No. 1.

### ***Objective of the Standard***

We agree with the changes proposed to this section.

### ***Appointment and Eligibility of Reviewers***

We agree with the changes proposed to this section.

### ***Performance and Documentation***

D&T is supportive of enhancing the extant requirements and related application material regarding the nature, timing, and extent of the procedures performed by the engagement quality reviewer. In addition, we believe the responsibilities of the engagement quality reviewer are appropriate considering the engagement

partner's revised responsibilities in proposed QM SAS. D&T is supportive of the focus on documentation of the engagement quality review, including the new requirement that such documentation be included with the engagement documentation. Further, from a scalability perspective, we support the application material, which recognizes that the engagement quality review may be documented in a number of ways and that the form, content, and extent of such documentation may vary according to the nature and complexity of the engagement, the entity, and matters subject to review, as well as the extent of engagement documentation reviewed.

D&T believes the requirements are clear and understandable and the application material is helpful.

#### Paragraphs 17 and 23

D&T does not believe that it is appropriate to only use the plural form of "individuals" and recommends that all instances of the use of "individuals" be aligned with international QM standards (i.e., "individual(s)"). See further discussion above in response to Question 1 (SQMS No. 1, paragraph 10).

#### Paragraph 26

Although we agree "a lack of appropriate level of professional skepticism by the engagement team" is an area of concern that may be raised by the engagement quality reviewer, we do not believe it is necessary to diverge from the wording of a requirement in ISQM 2 to reiterate this concept, as it is already addressed in paragraphs 25, A28, A40, A41, and A42 of proposed SQMS No. 2. A change to the wording of a requirement as compared to the International QM standards is a signal that the ASB thinks different or additional procedures should be performed, and we do not believe this is the case.

In the event that the ASB decides to retain the additional phrase (as compared to ISQM 2) in paragraph 26 of proposed SQMS No. 2, we have a recommended revision. We do not believe the phrase "when applicable" is clear as written, as it may be misinterpreted to imply there are circumstances when an engagement team is not expected to maintain professional skepticism. For clarity, we recommend the phrase "to the type of engagement" be added, as this is the same construct used in paragraph 25 of proposed SQMS No. 2.

We also recommend additional edits as indicated below as conforming changes (moving from "exercise of professional skepticism" to "maintenance of professional skepticism") both in this paragraph and throughout the proposed QM standards.

26. The engagement quality reviewer should notify the engagement partner if the engagement quality reviewer has concerns that the significant judgments made by the engagement team, including the appropriate ~~exercise~~ **maintenance** of professional skepticism by the engagement team when applicable **to the type of engagement**, or the conclusions reached thereon, are not appropriate. If such concerns are not resolved to the engagement quality reviewer's satisfaction, the engagement quality reviewer should notify appropriate individuals in the firm that the engagement quality review cannot be completed. (Ref: par. A49)

### PROPOSED QM SAS

- 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.**

D&T broadly believes the requirements are clear and understandable and the application material is helpful. We have, however, identified certain areas outlined below where the requirements or guidance should be further clarified or amended, including recommendations related to the substantive modifications that were

made to the International QM standards in developing the proposed QM standards.

#### Paragraph 2

D&T believes that it would be helpful to enhance the auditors' understanding of paragraph 2 of proposed QM SAS by clarifying the following:

- Financial audits of governmental entities conducted in accordance with GAGAS may be performed by either auditors of a firm or [government] auditors within a government audit organization.
- The proposed SAS is applicable to auditors in government audit organizations because GAGAS incorporates by reference the SASs (Chapters 2.13 and 6.01 of GAS).
- Identifying which quality management standards are, in fact, applicable to auditors in government audit organizations.
- The AICPA code is generally applicable to auditors, including auditors in government audit organizations, conducting financial audits in accordance with GAGAS. This is outlined in chapters 2.14 and 3.05 of GAS and ET section 1.000.02 of the AICPA code.

D&T also notes that the wording in paragraph 2 of proposed QM SAS is not entirely consistent with paragraph 5 of proposed SQMS No. 1. It is not clear whether proposed QM SAS is applicable to "auditors in government audit organizations" or to "government audit organizations" as stated in paragraph 5 of proposed SQMS No. 1.

D&T recommends the following, including, as outlined in our response to Question 1 above, a reference to the requisite professional literature, or an interpretation thereof where it states that the proposed SQMSs are not applicable to auditors in government audit organizations:

**2. Financial audits of governmental entities conducted in accordance with Government Auditing Standards (GAS) may be performed by auditors of a firm or auditors in government audit organizations. For auditors complying with generally accepted government auditing standards (GAGAS), the proposed Statements on Quality Management Standards (SQMSs) are applicable to auditors of a firm; however, the proposed** ~~Although Statements on Quality Management Standards (SQMSs) are not applicable to auditors in government audit organizations.~~ **As GAGAS incorporates by reference the SASs (footnote 1), this proposed SAS is also applicable to auditors in government audit organizations who perform** ~~conduct~~ **financial audits of governmental entities in accordance with GAGAS. In addition to the ethical principles in the GAS (footnote 2), other ethical requirements or codes of professional conduct may be applicable when conducting financial audits of governmental entities in accordance with GAGAS, including the AICPA code (footnote 3).**

**Footnote 1: Chapter 2.13, GAS.**

**Footnote 2: Chapters 2.14 and 3.05, GAS.**

**Footnote 3: ET section 1.000.02 of the AICPA code.**

#### Paragraph 12

All comments on paragraph 17 (definitions) relating to Question 1 (proposed SQMS No. 1) are similarly applicable to proposed QM SAS.

### **EFFECTIVE DATE AND IMPLEMENTATION PERIOD**

#### **5. Respondents are asked to provide their views on whether the effective dates are clear.**

Yes. D&T believes the effective dates are clear as described in the proposed QM standards.

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.

D&T is supportive of the 18-month implementation period. As noted in *AICPA's Executive Summary – Project Level* accompanying the exposure draft, it is clear that planning for the implementation of the new quality management standards should commence without delay. It is therefore our perspective that firms will have been given sufficient time to prepare.

## **ISSUES FOR CONSIDERATION**

### **Issue 1 – Self Inspection**

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.

D&T concurs with the ASB's approach to align with ISQM 1 and prohibit engagement team members or the engagement quality reviewer from performing inspections of completed engagements in which they were involved. Practitioners should not be permitted to inspect their own work, as this is contrary to the purpose of an inspection as a monitoring activity, which is to perform an objective evaluation of responses to quality risks performed at the engagement level and identify deficiencies in the SOQM. Performing an inspection of one's own work cannot be done with objectivity and does not follow the provisions of relevant ethical requirements.

We understand that smaller firms may experience resource constraints in identifying personnel with the competence, capabilities, time, or objectivity to perform inspections. In these circumstances, proposed SQMS No. 1 already provides guidance that notes firms can use individuals outside of the firm for these monitoring activities.

### **Issue 2 – Cooling-off Period for Engagement Quality Reviewers**

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.

D&T is supportive of the new requirement of a two-year cooling-off period for an individual who previously served as engagement partner to be eligible to be appointed as engagement quality reviewer. Further, D&T agrees with the ASB's decision to converge with ISQM 2 regarding the length of the required cooling-off period.

As indicated in the exposure draft, involving an engagement quality review is one response a firm may deploy to address quality risks, and is not mandatory. D&T believes that, when a firm has determined an engagement quality review is the appropriate response to a quality risk for an engagement, the requirement of a two-year cooling-off period appropriately addresses the threat to the objectivity of the engagement partner stepping into the role of an engagement quality reviewer. Separation by the engagement partner from their previous involvement in making significant judgments on the engagement is critical to provide a basis for an objective evaluation of the current significant judgments.

We recognize that, especially for smaller firms, requiring a two-year cooling-off period may mean that the firm would need to engage engagement quality reviewers from outside the firm. The cooling-off period may also be viewed by some as a disincentive for firms to "determine" that an appropriate response to a quality risk is

the performance of an engagement quality review. We believe that it is always helpful to have an outside perspective on work performed for an engagement, especially related to significant findings or issues, items to be communicated to those charged with governance or management, and conclusions reached. In this regard, we recommend the ASB add application material to proposed SQMS No. 2 or develop implementation guidance for scalability or “less complex entity” purposes that (1) suggests firms may use a risk-based approach in determining which engagements need a formal engagement quality review to address quality risks and (2) encourages firms to identify engagements that could benefit from a less formalized process that would still provide input and insight to the engagement team and improve quality overall.

### **Issue 3 – Completion of Engagement Quality Review and Dating of the Auditor’s Report**

#### **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.**

D&T believes the requirement in proposed QM SAS (paragraph 24b) and related application material, that the engagement partner is precluded from dating the report until the engagement quality review is complete, is clear. Further, D&T agrees with the ASB to converge with ISQM 2. The performance of an engagement quality review is a response the firm may select in response to quality risks, and the review performed should be completed before the report is issued.

## Appendix II — Other Convergence Recommendations

We compared the proposed QM standards to the International QM standards and identified instances where we believe differences relate to unnecessary modifications, and consequently we believe these differences should be reversed throughout the proposed QM standards.

### Proposed SQMS No. 1

#### Paragraph 17

**Engagement partner** – The footnote “*Engagement partner, partner, and firm* refer to their governmental equivalents when relevant” included in proposed QM SAS was inadvertently omitted from the definition of “engagement partner” in proposed SQMS No. 1. We recommend reinserting it.

#### Paragraph A51

D&T believes the nature, timing, and extent of the responses is not determined based on conclusions relating to the reasons for the assessment given to the quality risks; rather, it is considerations of the occurrence and effect of such reasons on the achievement of the quality objective(s) that do so. Further, paragraph A51 of proposed SQMS No. 1 addresses the effect on the achievement of one or more quality objectives but does not address the likelihood that the quality risk may actually occur. We recommend reverting to the wording as outlined in paragraph A49 of ISQM 1 as follows:

A51. The nature, timing, and extent of the responses are based on the reasons for the assessment given to the quality risks, ~~that is, the conclusions from the consideration of how, and the degree to which, conditions, events, circumstances, actions, or inaction may adversely affect~~ **which is the considered occurrence and effect on** the achievement of one or more quality objectives.

#### Paragraph A126

We believe that certain text, which was not included in ISQM 1, in paragraph A126 of proposed SQMS No. 1 is superfluous and should be deleted as follows:

A126. Relevant ethical requirements may specify how the firm is required to respond to a breach. For example, the “Breach of an Independence” interpretation (ET ~~section-~~ 1.298.010) of the “Independence Rule” (ET ~~section-~~ 1.200.001) contains guidance addressing a breach of an independence interpretation of the AICPA code, ~~which also contains guidance addressing a breach of any other provision of the AICPA code.~~

#### Paragraph A167

When referencing paragraphs A148 through A186 of proposed SQMS No. 1 relating to the *Monitoring and Remediation Process*, D&T noted that the phrases “monitoring activities” and “an inspection” were used in the guidance rather than “monitoring procedures” and “inspection procedures.” Further, throughout ISQM 1, “the firm” has been used rather than “a firm,” in order to more specifically emphasize that the SOQM is applicable to an individual firm. Likewise, ISQM 1 also consistently references “policies or procedures.” D&T recommends that the following edits be made for consistency:

A167. A peer review is not a substitute for all monitoring ~~activities~~ **procedures**. However, because the objective of a peer review is similar to that of ~~an~~ **inspection** ~~procedures~~, ~~a~~ **the** firm’s quality ~~control~~ **management** policies ~~or~~ **and** procedures may provide that a peer review conducted under standards established by the AICPA may be a substitute for the inspection of engagement documentation, reports, and clients’ financial statements for some or all engagements for the

period covered by the peer review.

## Proposed QM SAS

### 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.

### Paragraph A116

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...

## Convergence Recommendations Throughout the Proposed QM Standards

The table below outlines additional unnecessary modifications to the International QM standards and provides examples of the paragraphs where such changes may be identified.

Modification	Illustrative Example
<p>“[P]erforming engagements” is used in the proposed QM standards versus “the performance of” used in the International QM standards.</p>	<p>Paragraph 12 of proposed SQMS No. 1</p>
<p>Singular versus plural use of words. In many instances the International QM standards used words that addressed both singular and plural forms of a word. The proposed QM standards amended the convention and, in certain instances, this may have had unintended consequences (for example, as noted above with the use of “individuals” in the proposed QM standards versus “individual(s)” in the International QM standards). Other examples of this change include “response(s),” “risk(s),” and “cause(s).”</p>	<p>Paragraph 17 of proposed SQMS No. 1 (responses and risks)</p> <ul style="list-style-type: none"> <li>• Deficiency in the firm’s system of quality management (referred to as <i>deficiency</i> in this proposed SQMS)</li> <li>• Response (in relation to a system of quality management)</li> </ul> <p>Paragraph 42 of proposed SQMS No. 1 (causes)</p>
<p>Use of acronyms: the first instance should always be referenced in full (e.g., “CEO” should be “chief executive officer”).</p>	<p>Paragraph 21 of proposed SQMS No. 1</p>
<p>Adjusting the lead-in sentence to use the convention “as follows,” “the following,” or similar. In doing so it was noted that:</p> <p>(a) in many instances, including the requirement paragraphs, what was intended as a complete paragraph was amended to instead include a list as evidenced by the removal of the word “and.”</p> <p>(b) in certain instances, the sentence was amended to take the form of a list, but the word removed was “or.”</p> <p>(c) this convention was not consistently applied throughout the proposed QM standards, for example:</p> <p>(i) “following” was not used, and “and” was added.</p> <p>(ii) “and” was deleted, but the lead-in sentence did not include “the following.”</p> <p>(iii) “following” was not added, nor was the “and” removed.</p> <p>(iv) inconsistency when using “following” within sub-bullets within a lettered bullet.</p>	<p>(a) Paragraph 29(a) of proposed SQMS No. 1</p> <p>Paragraph 30 of proposed SQMS No. 2</p> <p>(b) Paragraph 35(d) of proposed SQMS No. 1</p> <p>Paragraph A22 of proposed SQMS No. 2</p> <p>(c)</p> <p>(i) Paragraph 21 of proposed SQMS No. 1</p> <p>(ii) Paragraph 58 of proposed SQMS No. 1</p> <p>(iii) Paragraphs 51, 52, and 53 of proposed SQMS No. 1</p> <p>(iv) Paragraph 25 of proposed SQMS No. 2</p>

Modification	Illustrative Example
<p>The phrase “should take into account” should not be bifurcated. This phrase has been used appropriately in paragraph 42(a) of proposed ISQM No. 1. This approach is consistent with the use elsewhere in the professional standards of the phrase “should consider.”</p>	<p>Paragraph 38 of proposed SQMS No. 1</p>
<p>Amending the sentence structure where it is not intended to change the meaning, particularly when such a change affects a requirement paragraph.</p>	<p>Paragraph 33(e) of proposed SQMS No. 1</p>
<p>Removal of words that do not change the meaning of the application material but may result in questions being raised as to intent of the edit and the underlying reason for the change (e.g., removal of the word “thematic”).</p>	<p>Paragraph A15 of proposed SQMS No. 1</p>
<p>Changes to the lead-in of sentences when referencing examples relating to scalability have not been consistently applied. For example:</p> <ul style="list-style-type: none"> <li>(a) guidance paragraphs both address circumstances that affect a less complex firm and a more complex firm, yet the guidance paragraph in one instance references this as one example, while another instance references this as two distinct examples.</li> <li>(b) the lead-in is worded/described differently when describing the scalability examples.</li> </ul>	<ul style="list-style-type: none"> <li>(a) Paragraphs A36 and A54 of proposed SQMS No. 1</li> <li>(b) Paragraphs A36 and A40 of proposed SQMS No. 1</li> </ul>
<p>Unnecessary repetition included in the proposed QM standards, both in the paragraph and in the table headings.</p>	<p>Paragraph A41 of proposed SQMS No. 1 Paragraph A48 of proposed SQMS No. 1</p>
<p>Sentence structure amended, but the meaning remains the same as intended in the International QM standards (e.g., use of “may consider” instead of “considers”).</p>	<p>Paragraph A43 of proposed SQMS No. 1</p>
<p>Amending wording to include a reference to a section that, while correct, is the only instance of a section within the body of the proposed QM standards. The paragraph can be redrafted to eliminate the need to refer to the section as follows:</p> <p>A57 ...are further addressed by referring to the requirements and related application material relating to relevant ethical requirements in this proposed SQMS.</p>	<p>Paragraph A57 of proposed SQMS No. 1</p>

## **Appendix III — Clarification and Understandability Recommendations**

We recommend the edits noted below to the proposed QM Standards for clarification and understandability.

### **Proposed SQMS No. 1**

#### Paragraph 1

D&T believes that the reference to “its” in the first scope paragraph should be clarified, as it is not otherwise immediately apparent whose accounting and auditing practice is being referenced.

1. This proposed Statement on Quality Management Standards (SQMS) deals with a firm’s responsibilities to design, implement, and operate a system of quality management for ~~its~~ **the firm’s** accounting and auditing practice.

#### Paragraph A29

D&T recommends that a footnote reference be added pertaining to the second bullet relating the professional standards that are applicable when performing a preparation of financial statements engagement.

**Footnote 1: Engagements to prepare financial statements are conducted in accordance with AR-C section 70, Preparation of Financial Statements, of the Statements on Standards for Accounting and Review Services.**

#### Paragraph A78

D&T believes that it would add further clarity to include footnote references to the AICPA code that address fees and other types of remuneration, including the importance of entering into fee arrangements that are commensurate with quality services being performed, which is a matter of public interest.

A78. ... The AICPA code addresses fees and other types remuneration **(footnote 1)**.

**Footnote 1. ET section 0.300.030.04 of the AICPA code.**

### **Proposed SQMS No. 2**

#### Paragraph A3

D&T believes adding “attestation examination engagements” is unnecessary and recommends simply referring to “other engagements.”

A3. The firm may assign more than one individual to be responsible for appointing engagement quality reviewers. For example, the firm’s policies or procedures may specify a different process for appointing engagement quality reviewers for audits of financial statements than for ~~attestation examination engagements~~ or other engagements, with different individuals responsible for each process.

#### Paragraph A23

The guidance relates to policies and procedures that a firm may have in place when an engagement quality reviewer, who becomes aware of circumstances that would impair their eligibility, is replaced. Because D&T believes the last bullet is an action to be performed by the engagement team rather than the engagement quality reviewer who is replacing the impaired engagement quality reviewer, the bullet should be removed from the list. If the intent is that the new engagement quality reviewer or the engagement partner be required

to document the circumstances necessitating a change in the engagement quality reviewer, the bullet should be clarified.

In addition, D&T believes the description of the procedures performed by the engagement quality reviewer described in the first bullet should be clarified.

A23. In circumstances in which the engagement quality reviewer’s eligibility to perform the engagement quality review becomes impaired, the firm’s policies or procedures may set out a process by which alternative eligible individuals are identified. The firm’s policies or procedures may also address the responsibility of the individual appointed to replace the engagement quality reviewer to perform procedures sufficient to fulfill the requirements of this proposed SQMS with respect to the performance of the engagement quality review. Such policies or procedures may further address the need for consultation in such circumstances and may include, for example, the following:

- Evaluation of whether any ~~review work that has been~~ **procedures** performed by the **previous** engagement quality reviewer could be relied upon by the newly assigned engagement quality reviewer or whether all work would need to be reperformed
- Consideration of the effect of an engagement quality review assistant on the transition, when such assistant has been involved in the engagement quality review prior to transition
- Procedures undertaken by the engagement team to inform the newly assigned engagement quality reviewer about planning meeting discussions that have already occurred and other matters in which the previous engagement quality reviewer had been involved
- ~~Documentation of the circumstances necessitating the change~~

## Proposed QM SAS

### Paragraph A15

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 Government~~a~~ Audit Organizations*

A48. Law or regulation may provide safeguards for the independence of government~~a~~ audit organizations and the auditors they employ. However, in the absence of law or regulation, government~~a~~ 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 Government Audit Organizations*

A58. ...

**Proposed Amendments on SSAE No. 18, Attestation Standards: Clarification and Recodification, as Amended, section 105 ("AT-C section 105"), Concepts Common to All Attestation Engagements**

D&T noted that, for those paragraphs that address quality management matters, the reference should be to "the firm" rather than "a firm," in order to follow the convention established by International QM standards where additional emphasis has been placed on the importance of the firm designing, implementing, and operating a system of quality management. D&T recommends that AT-C section 105 should be reviewed with this lens in mind and, where applicable, the wording adjusted accordingly.

Paragraph .06

The wording in paragraph .06 of AT-C section 105 should more closely align with the wording in the objective in paragraph 15 of proposed SQMS No. 1 as follows:

.06 Quality management systems, policies, and procedures are the responsibility of the firm in conducting its attestation practice. Under proposed Statement on Quality Management Standards *A Firm's System of Quality Management*, the firm has an obligation to design, implement, and operate a system of quality management ~~that~~ ~~to~~ ~~provides~~ the firm ~~it~~ with reasonable assurance that

- a. the firm and its personnel fulfill their responsibilities in accordance ~~comply~~ with professional standards and applicable legal and regulatory requirements and conduct attestation engagements in accordance with such standards and requirements, and
- b. practitioners' reports issued by the firm are appropriate in the circumstances.

Paragraph .07

The wording in paragraph .07 of AT-C section 105 references policies and procedures that are adopted. D&T notes that the requirements in proposed SQMS No. 1 state that policies or procedures are established by the firm. We recommend that a similar construct be followed in AT-C section 105:

.07 Attestation standards relate to the conduct of individual attestation engagements; quality management standards relate to the conduct of a the firm's attestation practice as a whole. Thus, attestation standards and quality management standards are related, and the quality management policies ~~and~~ or procedures that a the firm establishes ~~adopts~~ may affect both the conduct of individual attestation engagements and the conduct of a the firm's attestation practice as a whole. However, deficiencies in or instances of noncompliance with a the firm's quality management policies ~~and~~ or procedures do not, in and of themselves, indicate that a particular engagement was not ~~performed~~ conducted in accordance with the attestation standards.