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**STEPHEN MERRITT, CPA, P.C.**  
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August 31, 2021

Sherry Hazel at [CommentLetters@aicpa-cima.com](mailto:CommentLetters@aicpa-cima.com)

VIA Email

Re: Comment letter-Proposed Statement on Auditing Standards, Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards

In response to the proposed standards referred to above, please see the following:

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

In our view the new approach that emphasizes the responsibility of firm leadership for proactively managing quality, while at the same time being scalable to deal with differences in the size of firms and the nature of the services they provide is clear and understandable.

The shift to attention on risks that may have an impact on engagement quality is nothing new. As a matter of fact, managing risk is the essence of what we do and is inherent in every engagement. If the intent of the standard is to improve the quality of the engagements, we are all for it. However, there is nothing new here, it's just a reconfiguration of the current standards. Creating more documentation or checklists to prepare to document the understanding of risk is redundant and unnecessary. It essentially increases the cost incurred to complete an engagement and does nothing to increase the quality of any one engagement.

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 respondent's views on specific requirements in the proposed SQMS No. 1 that may inhibit scalability and requirements for which additional application material regarding scalability would be helpful.

The statement "The new quality management approach drives a firm to think about the nature and circumstances of the firm and the engagements it performs in designing, implementing, and operating its system of quality management, and the approach is focused on achieving quality objectives that are outcome based" is welcome. The standards should be outcome based.

We understand the concept of scalability and agree with the concept of standards that are outcome based.

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

Our view on the preceding changes are we agree with the change to the approach that emphasizes the responsibility of firm leadership for proactively managing the quality of their respective engagements. We also agree with the concept of scalability as stated above. The application material is helpful in supporting the application of those requirements.

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.

Our views on the QM SAS as we understand it is, we are for the overall concept of encouraging proactive management of quality at the engagement level, emphasizing the importance of the exercise of professional skepticism and the need for robust communication during the audit. We are not in favor of additional documentation requirements enhancing the documentation of auditor's judgements.

The application material is helpful in supporting the application of the requirements.

In the small firm context, nothing has changed. The engagement partner already has those responsibilities and requiring more documentation does nothing to improve the quality of the audit. It may provide some protection for an inadequate attestation engagement, however, it really is just another cost incurred that makes it difficult for small firms performing attestation engagements. As stated previously, there is a real need for attestation engagements that regional and national firms have no interest in. However, the public interest in the smaller engagement arena is still and will always be relevant and the cost of providing those service keeps rising without a reasonable expectation that the entities in need can afford the services. It's not rocket science, there needs to be a vehicle for local firms to provide attestation services competitively without undue and unrealistic requirements.

Request for comment 5 & 6:

Respondents are asked to provide their views on whether the effective dates are clear and on whether an 18-month implementation is appropriate.

The effective dates are clear and an 18-month implementation period should be adequate.

Request for comment 7:

Respondents are asked whether they agree that the 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 do not agree that the inspection of completed engagements by those involved in the engagements should be precluded in order to enhance audit quality. In a small firm context, it is impossible to have an outside party inspect completed engagements. Additionally, the only person qualified in the majority of the cases is the one that knows the client-i.e the engagement partner. Requiring outside inspection is just another cost to incur that

small firms and their attestation clients simply cannot absorb. The safeguard is the engagement partner knows the client, has evaluated the associated risks of the engagement and has concluded the engagement is acceptable. There is no need for a further outside inspection and it certainly would be costly and difficult to implement and comply with.

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 are not in favor of a required cooling off period. In the small firm context, it is not practical or feasible. Additionally, if the engagement partner is responsible for the engagement and is independent of the client, why wouldn't they be the one to assess the quality of the engagement? The safeguard is that the engagement partner knows his client and is independent of the client as it applies to attestation engagements. Additionally, they are responsible for every aspect of the engagement including quality of the engagement. The engagement partner is objective, otherwise they shouldn't be accepting the engagement in the first place.

To conclude:

We are in agreement with the concept that emphasizes the responsibility of firm leadership for proactively managing quality, while at the same time being scalable to deal with differences in the size of firms and the nature of the services' they provide including an approach to focus firms' attention to risks that may have an impact on engagement quality.

We do not agree that inspection of completed engagements by those involved in the engagement should be precluded in order enhance audit quality as per our comments above. We are adamantly opposed to this standard.

We do not agree with the cooling off period as per above.

The quality control system needs to be flexible between firms as the nature of the engagements from a national firm to a local firm are totally different. Therefore, their systems of quality control will be different. Firms should have the ability and flexibility to have a system of quality control that fits their needs and allows them to perform attest services without being forced out of the market due to the complexity of implementing the standards of quality control. There is a real need for attest services in smaller entities, however, the cost of providing attest services is continually increasing. The implementation of the standards for a local firm providing much needed attestation services cannot be a barrier to performing those services. The necessity to rewrite or update a firms quality control system in a small firm is extremely difficult and costly to do, especially when it really doesn't change the nature of the engagements. The same risk's must be addressed whether you have a documented system of quality control, or you don't. Managing risks and only taking engagements you have the expertise and resources to perform is an ongoing decision for the management of the firm. We are against any proposals that increase our costs and are essentially a barrier to entry for smaller firms.

Sincerely,

A handwritten signature in black ink that reads "Stephen Merritt, CPA, P.C." The signature is written in a cursive, flowing style.

Stephen Merritt, CPA, P.C.