

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.

The addition of a firm risk assessment process appears appropriate.

The information and communication addition is vague and appears to leave firms open to more scrutiny over whether or not those changes are properly implemented and being followed.

As an overall observation, the proposed changes are likely to result in additional internal costs for implementing and monitoring, and higher external peer review fees. Most smaller firms are already stretched thin from a capacity standpoint and these changes just add to the administrative burden and further reduce production capacity.

The more we continue down the path of increasing rules and regulations, the more focus there is on "checking the box" to avoid peer review comments or to reduce the risk of litigation and the amount of time and effort actually decreases. Ultimately, audit quality suffers rather than improving. In our opinion, the current standards are already designed to help us meet the objective outlined in this section, but we agree that adding the risk assessment process would be beneficial.

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.

We do not agree with the assertion that this standard is scalable. We believe this standard would be burdensome to small firms, which have a limited pool of EQ reviewers. Further, it could have a negative impact on audit quality. While familiarity can pose a threat, it can also be an asset if used appropriately. EQ reviewers that are familiar with the client and technical issues are more likely to detect issues than an EQ reviewer who does not have previous experience with the client.

Also, most smaller firms are already stretched thin from a capacity standpoint and these changes just add to the administrative burden and further reduce production capacity. There should be a small firm exemption (for example, 50 partners or less) from this requirement.

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.

We agree with the nature of the changes outlined in this section. However, we do not believe that this is scalable, affordable, or practical for many smaller firms.

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 agree with the requirements outlined in this standard regarding engagement partner responsibilities.

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

The effective dates are clear.

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.

The implementation period is not appropriate for small firms with limited resources. We believe it could take 2-3 years to fully implement these standards, particularly if firms need to arrange for the involvement of outside resources for roles that were previously performed by internal personnel.

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 do not believe inspection by those involved in the engagements should be precluded. This would be burdensome and cost prohibitive for many smaller firms (and their clients to the extent that such costs could be passed along to the clients).

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 this standard would be burdensome to small firms, with a limited pool of EQ reviewers. Further, it could have a negative impact on audit quality. See our response in question #2 above.

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 believe the engagement quality review should be required to be completed prior to the report release date, rather than the report date.