

Quality Management Exposure Draft Comment Letter Template

This template is provided to aid respondents in drafting their response to the Exposure Draft of the ASB's Proposed Quality Management Standards, which comprise:

- Proposed Statement on Quality Management Standards (SQMS), A Firm's System of Quality Management (hereinafter referred to as proposed SQMS No. 1 for purposes of this memorandum).
- Proposed SQMS, Engagement Quality Reviews (hereinafter referred to as proposed SQMS No. 2 for purposes of this memorandum)
- Proposed Statement on Auditing Standards Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards (QM SAS)

This form is just for the convenience of respondents and it is not necessary to use this form or format in submitting your response. Respondents are welcome to answer any or all questions. Comments are due by August 31, 2021.

Submit by email to: CommentLetters@aicpa-cima.com.

PART 1: SQMS No. 1

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

- I 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. See below

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 of) the fundamental aspects. Absolutely no need to institute another change in guidance small firms will be forced to comply with.

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

Please provide additional details regarding your response, and, if applicable, identify any requirements you find to not be clear or helpful. Firms are continually bombarded with new guidance and this would be yet ANOTHER item to implement! NO NEED

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

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

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

As a small local CPA firm, we do not see the need for new firm quality control guidance. We have followed SQCS#8 since it has been applicable and have received "Pass" ratings on every peer review conducted because we comply with the standards in place. The problems with audit quality are not corrected by continually issuing new guidance; quite the contrary continual issuance of new guidance is, in our opinion, the biggest factor in poor audit quality. During the past 5 years there has been 78 ASU's issued - 78!!!! This level of new guidance is ridiculous and puts an enormous burden on small firms to comply. Our firm strives to comply to all standards and provide quality work, but the biggest problem with audit quality are the standard setters themselves.

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

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

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. This proposed guidance seems to be "anti small firm" based. Again, do not see any need for revised QC guidance.

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.
- I 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. See below

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

Please provide additional details regarding your response, and, if applicable, identify any requirements you find to not be clear or helpful. Under "Performance and documentation of the EQ review" the "timing of the review" section is completely impractical and would be overly burdensome to effectively implement.

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

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

3d. Do you have any other comments on proposed SQMS No. 2? As noted above, the timing of review as proposed would require identification of the EQ review up front on every engagement in theory as significant judgments/matters may arise at any point during an engagement. This is impractical at a small firm and would be virtually impossible to implement. Additionally, in a small firm environment, audit partners are much more involved during the course of the entire audit process and therefore any significant judgments/matters are being addressed by partner level personnel. An EQ review at the end of the engagement prior to report issuance is 100% adequate in these situations.

PART 4: QM SAS

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

- I 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. I do not think this is an big issue in small firms as audit partners are already more involved throughout the entire audit process. Seems more of a large firm issue.

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

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

4c. Is the application material in QM SAS helpful in supporting the application of the requirements?
Please answer yes or no.

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

4d. Do you have any other comments on the proposed QM SAS? We do not feel the proposed "stand back" requirement is needed in a small firm setting. Audit partners are highly involved with the entire audit process in a small firm setting and therefore already have a high level of involvement. This would be an unnecessary additional requirement that is not needed.

PART 5. Effective dates and implementation period

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

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

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

Please provide additional details regarding your response, and, if applicable, explain what implementation period would be more appropriate. We are opposed to any changes to existing QC guidance so any implementation is unneeded in our opinion.

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 in order to enhance audit quality. Please choose only one.

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

In a small firm setting, the involvement of a 2nd partner during completion of the audit may be a necessity in order to get work done. In our firm, we at times will have a second partner work on an engagement as a "staff" member while the audit partner in charge remains in his or her normal role. In this instance, we fully disagree with the proposed guidance as we feel the 2nd partner involved would be able to complete a QC review...it's there firm to so why would they want to issue reports that are substandard? We do feel if a firm has enough partners available, then a partner that does not have any involvement with the engagement should be charged with any QC reviews.

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.

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.

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? NA

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. We are professionals and we have ethics and can look at former audit clients objectively w/o a "cooling off" period.

9a. Should the engagement quality review should be required to be completed before the report is dated, rather than before the report is released? Please answer yes or no.

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.] This seems to be common sense, performing any review after the release of the report would provide no benefit.

PART 7. Demographic data

Name: Thomas L. Stevenson, LLC Member

Organization Name: Dohman, Akerlund & Eddy, LLC

Firm size, if applicable:

7 LLC members; ~20 professional and admin staff including LLC members

Overall comment:

As previously stated in our comments to SQMS#1, we do not see any need for yet another authoritative guidance change. The level of new guidance issuance is overwhelming for small firms. The problem with audit quality is not the standards in place, its the fact that some firms just do not implement them and do not do their job. So constantly changing authoritative guidance does not and has not improved audit quality; on the contrary it has done quite the opposite. It has forced good firms that want to and try to follow the standards and provide quality audit services to be in a constant state of flux do to the unrelenting level of change we have to deal with. If you want to improve audit quality, JUST STOP THE CONSTANT ISSUANCE OF NEW/REVISED GUIDANCE! This will allow firms to implement and understand what standards we have already in place. Constant change is not the answer to improving audit quality.