



Proposed Statement on Auditing Standards

*Quality Management  
for an Engagement  
Conducted in  
Accordance With  
Generally Accepted  
Auditing Standards*



## What?

Proposed SAS *Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards* (proposed QM SAS) would supersede SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, as amended, section 220, *Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards* (AU-C section 220).

The proposed SAS deals with the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements, and the related responsibilities of the engagement partner.

## Why?

The changes are intended to:

- Keep the standard fit for purpose in a wide range of circumstances and a complex environment.
- Encourage proactive management of quality at the engagement level.
- Emphasize the importance of the exercise of professional skepticism and enhance the documentation of the auditor's judgments.

## How?

The revised SAS clarifies and strengthens the key elements of quality management at the engagement level. This is achieved by focusing on the critically important role of the engagement partner in managing and achieving quality on the audit engagement, and reinforcing the importance of quality to all members of the engagement team.



# What are the significant changes?

## Managing and achieving quality at the engagement level

The engagement partner's overall responsibility to manage and achieve quality on the engagement is demonstrated through sufficient and appropriate involvement throughout the audit engagement. The engagement partner is:

- Responsible for **managing and achieving quality** at the engagement level.
- Responsible for **determining the nature, timing, and extent of direction, supervision, and review** in light of engagement circumstances.
- Required to be satisfied that **involvement has been sufficient and appropriate** to provide a basis for taking overall responsibility.

## The engagement partner's overall responsibility





## Clarifying engagement partner responsibilities

- The phrase “take responsibility for ...” is used for those requirements whose fulfillment may be assigned by the engagement partner to appropriately skilled or suitably experienced members of the engagement team.
- For other requirements, the proposed SAS expressly intends that the engagement partner fulfill the requirement or responsibility. They may obtain information from the firm or other members of the engagement team to do so.
- The engagement partner is required to take into account **information obtained in the acceptance and continuance process** in planning and performing the audit engagement.
- Requirements and application material are **more explicit about what the engagement partner needs to review**, including a listing of examples of significant judgments made during the audit engagement.

## Engagement team may depend on the firm’s system of quality management

The proposed SAS clarifies that, ordinarily, **the engagement team may depend on the firm’s policies or procedures**, unless (i) the engagement team’s understanding or experience indicates that the firm’s policies or procedures would not be effective or (ii) information the firm or others provided indicates that the firm’s policies or procedures are not operating effectively. This approach avoids the risk that the engagement team blindly relies on the firm’s system of quality management.

The proposed SAS also **integrates the new quality management concepts in the proposed Statement on Quality Management Standards A Firm’s System of Quality Management**, so that such concepts can be carried through at the engagement level.

# Professional skepticism is central to quality management

The proposed SAS also includes new material on the importance of professional skepticism and professional judgment in performing audit engagements, with application material that describes impediments to professional skepticism, auditor biases and actions the engagement team can take.

# Relevant ethical requirements

In addition to enhancing the extant requirements, the proposed SAS includes requirements regarding:

- The understanding of the relevant ethical requirements and whether other members of the engagement team are aware of those requirements and the firm's related policies or procedures
- Threats to compliance with relevant ethical requirements
- Determining whether relevant ethical requirements, including those related to independence, have been fulfilled

# Resources

The engagement partner is responsible for determining that there are **sufficient and appropriate resources** – technological, intellectual and human – assigned or made available on a timely basis to the engagement and for taking appropriate action if the resources are insufficient or inappropriate.

Changes in the definition recognize that, regardless of where individuals are located or how they are related to the firm, if an individual is performing audit procedures, then he or she is to be appropriately directed and supervised and the work reviewed in accordance with the proposed standard.

# How is scalability addressed?

The proposed standard is intended to be applied in the context of the **nature and circumstances of each audit**. This includes audits carried out entirely by the engagement partner and those whose nature and circumstances are more complex.

## Proposed effective date

The proposed standard would be effective for engagements conducted under generally accepted auditing standards for periods beginning on or after Dec. 15, 2023.





## We want to hear your feedback

The Exposure Draft *Proposed Quality Management Standards* can be viewed on the AICPA's website under [Exposure Drafts of Proposed SASs, SSAEs, and SQCSs](#). The comment period ends June 11, 2021. Read more about these [here](#).

Comments on any or every aspect of the proposed standard should be sent to [commentletters@aicpa-cima.com](mailto:commentletters@aicpa-cima.com) and received by Aug. 31 (extended from June 11). The responses may be submitted in Word format or directly in the body of the email with an appropriate signature (name, firm). Unless the respondent explicitly permits otherwise, emailed comments will be posted without the sender's email address.



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