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Quality Management Update

July 2021 ASB Meeting

ED Resources



QM STANDARDS
EXPOSURE
DRAFT
EXPLANATORY
MEMORANDUM
(STAND-ALONE
VERSION)



ROUNDTABLE
SESSIONS
INFORMATION



EXECUTIVE
SUMMARY
PROPOSED SQMS
NO. 1



EXECUTIVE
SUMMARY –
PROJECT LEVEL



COMMENT
LETTER
TEMPLATE



EXECUTIVE
SUMMARY
PROPOSED SQMS
NO. 2



EXECUTIVE
SUMMARY
PROPOSED QM
SAS

Outreach



Roundtable Meetings: 10 to date, with 3 more scheduled



TIC Meeting in May



J of A Articles

“New approach to quality management proposed by ASB” – Feb. 4
“Quality management proposal provides opportunity to consider risks” – July 8



Podcasts

Journal of Accountancy, CPEA



Conference Sessions:

Peer Review
Engage - NAAATS

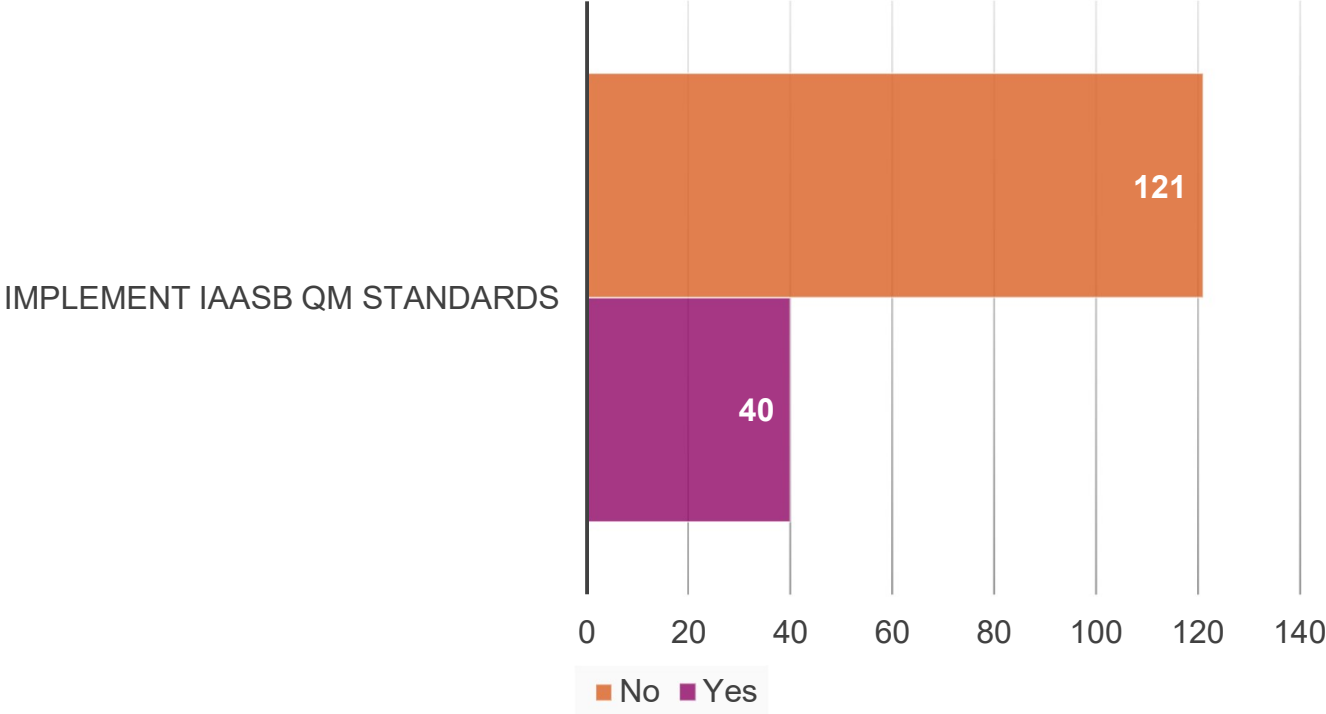


State Society Presentations

Oregon, New York, Alabama

Polling Question #1

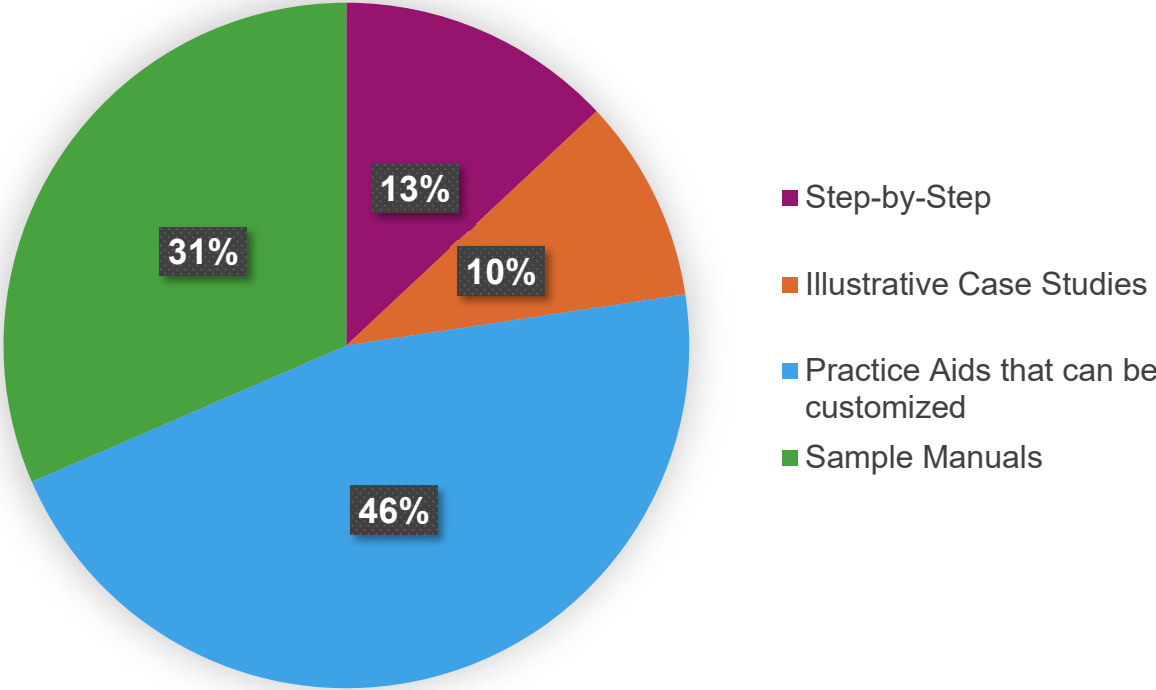
Convergence



Will your firm be implementing the IAASB Quality Management Standards?

Polling Question #2 -

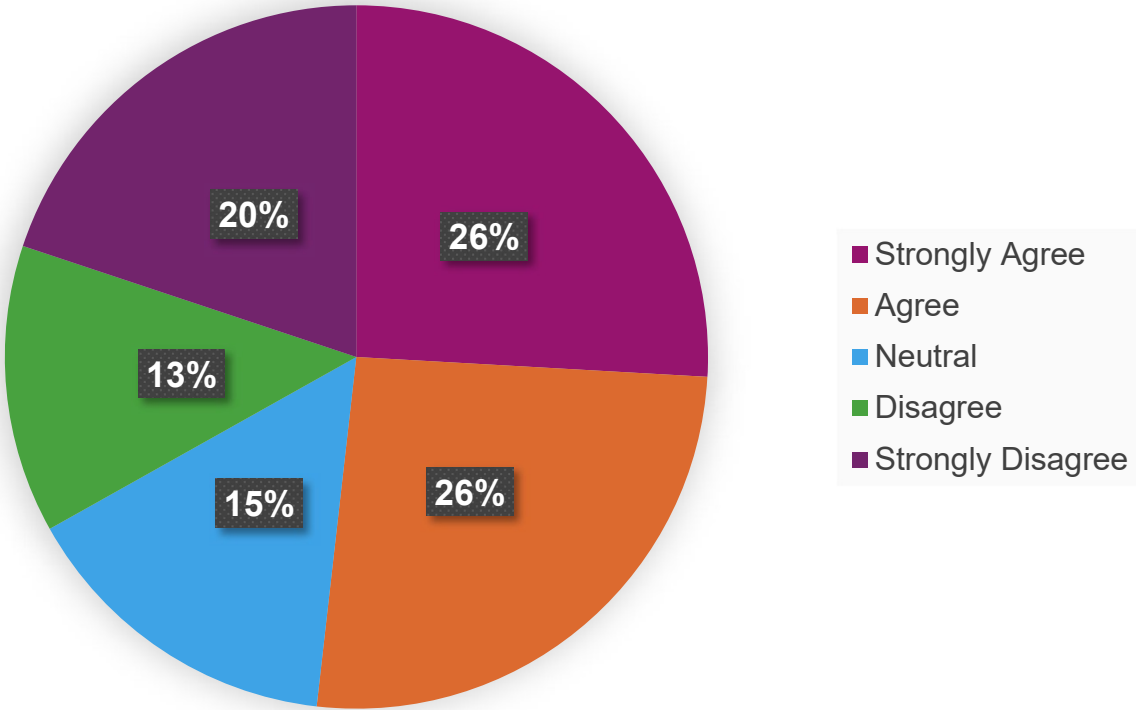
Most Useful Guidance



What assistance from the AICPA would be the most useful for when you begin implementing the new quality management standards?

Polling Question #3

Prohibition of Self-Review



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.

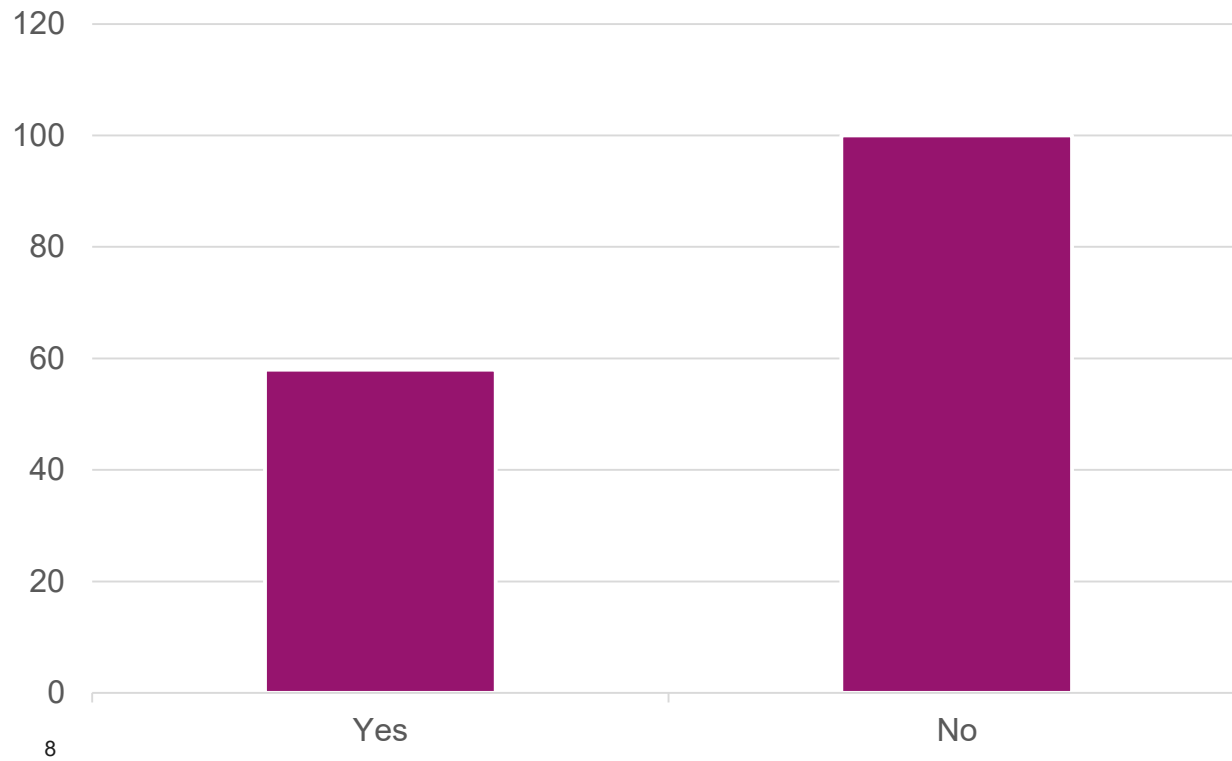
Summary of Roundtable Meetings

Self-Inspection Prohibition

- Theoretically correct: Preferable if resources exist within the firm
- Small Firms see no cost-benefit: “Put us out of assurance business”
- Challenges finding suitable external reviewers: Costly, hard to find people, would need 3 different people for inspection, EQR and Peer Review
- Difficulty entering new industry and emerging areas or where firms specialize
- Too prescriptive – suggest risk-based requirement

Polling Question #6

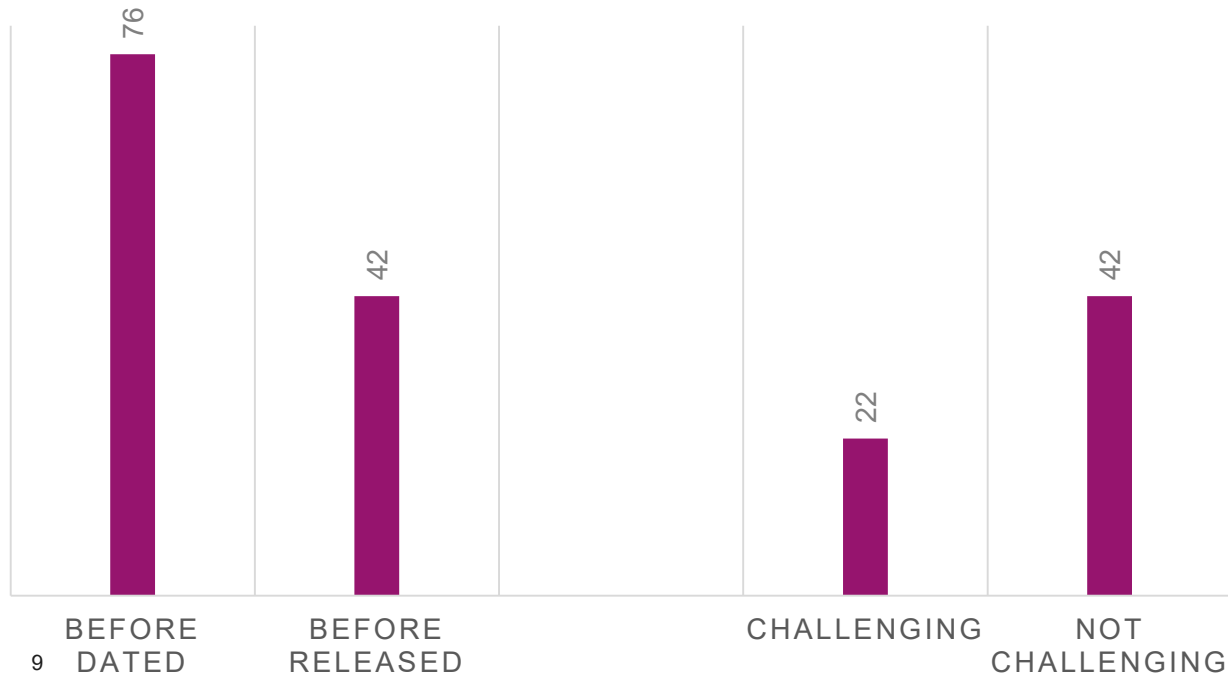
Required Cooling-Off Period



Should a cooling-off period be required before a former engagement partner can serve as an engagement quality reviewer on that engagement?

Polling Question #7

ENGAGEMENT QUALITY REVIEW COMPLETION



Does your firm currently require that the engagement quality review be completed before the report is dated or before the report is released, and if before release would change be challenging?

Summary of Roundtable Meetings

Small Firms

- Cost implications:
 - Time – to complete assessment, inspect others
 - Money – for second set of eyes due to prohibition of self-review
 - Passed on to client or reduces margins
- Cooling Off-Period creates challenges for Rotation/Retirement
- Finding Reviewers
 - Potential Client Theft
 - Specialized Industries
 - Liability Assumption
- Desire More Guidance – easy to have a lot of people do a lot of things, difficult to have one person do all the same tasks

Summary of Roundtable Meetings

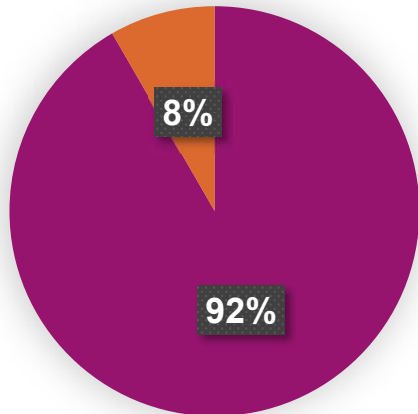
Compliance with Peer Review

- Fear peer review response
- Need for peer review to learn new standards
- Ability to find peer reviewers is already difficult; finding external inspectors will be an even greater challenge
- Difficulty for reviewers when consulting with clients not to impair independence
- Challenge of assessing one's own system; how deep do you go?

The task force and AICPA staff are working closely with the Peer Review team for resolution to these issues.

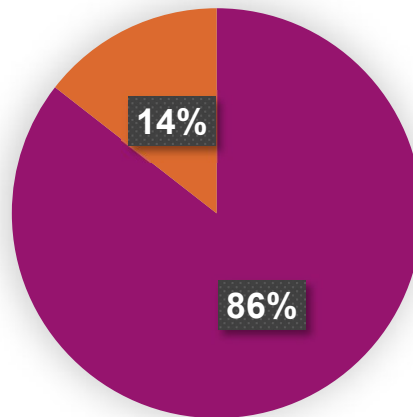
Polling Question #4 and #5

Clarity SQMS 1



■ Yes
■ No

Clarity SQMS 2



■ Yes
■ No

Is it clear that the system of quality management needs to be implemented by the effective date?

Is the effective date of SQMS No. 2 clear?

Summary of Roundtable Meetings - Suggestions

Self-Inspection Prohibition

- **Exceptions if:**
 - Peer Review consistently passed
 - Specialized CPE
- **Use SEC partner rotation rules**
- **Allow peer review to be inspection in years of review**

Inspectors

- **Allow Peer Review to cover 3 years**
- **Create database of possible inspectors**

Guidance

- **Application Guidance for smaller firms in relevant sections**
- **Risk Library to Identify applicable risks**
- **Software creation for smaller firms**
- **Network Guidance**

Early Implementation Permittance Language in Standard Series



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Thank you

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