



## Agenda Item 1

### Quality Management

#### Objective of Agenda Item

To discuss a draft of the proposed SSARS, *Quality Management for an Engagement Performed in Accordance with Statement on Standards for Accounting and Review Services*.

#### Background

In February 2021, the Auditing Standards Board (ASB) exposed for public comment Proposed Statements on Quality Management Standards (SQMS) – Quality Management: *A Firm’s System of Quality Management*, and *Engagement Quality Reviews* and Proposed Statement on Auditing Standards, *Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*. The comment end date on the proposed standards is August 31, 2021.

The development of these proposed standards has been influenced by concerns about audit quality, as indicated by the results of peer reviews and studies by regulators. Further, the development of these proposed standards was influenced by the ASB’s view that it is particularly important to converge with the quality management standards of the IAASB, which were updated and issued in December 2020.<sup>1</sup>

The ASB exposure draft is available at:

<https://www.aicpa.org/content/dam/aicpa/research/exposedrafts/accountingandauditing/downloadabledocuments/20210204a/20210204a-quality-mgmt-ed.pdf>.

If issued as final, the proposed SQMS, *A Firm’s System of Quality Management* will supersede Statement on Quality Control Standards No. 8, *A Firm’s System of Quality Control* (QC section 10). As AR-C section 60, *General Principles for Engagements Performed in Accordance With*

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<sup>1</sup> In December 2020, International Auditing and Assurance Standards Board (IAASB) issued the following standards:

- International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (ISQM 1);
- ISQM 2, *Engagement Quality Reviews* (ISQM 2); and
- International Standard on Auditing (ISA) 220 (Revised), *Quality for an Audit of Financial Statements* (ISA 220 (Revised)).

Those standards are available at <https://www.iaasb.org/focus-areas/quality-management>.

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*Statements on Standards for Accounting and Review Services* and AR-C section 90, *Review of Financial Statements* refer to QC section 10 and also, as certain concepts should be consistent between the auditing standards and the SSARSs, certain revisions are necessary to AR-C sections 60 and 90.

As the need for consistency between the standards for audits and reviews is also relevant in the international literature, in February 2021, the IAASB exposed for public comment a document entitled “Conforming and Consequential Amendments to the IAASB’s Other Standards as a Result of the New and Revised Quality Management Standards.” The comment end date on that exposure draft is May 24, 2021. The document includes proposed conforming amendments to International Standard on Review Engagements 2400 (Revised), *Engagements to Review Historical Financial Statements*. The IAASB proposes that the amendments be effective as of the same date of the quality management standards – of financial statements for periods beginning on or after December 15, 2022. The exposure draft is available at <https://www.ifac.org/system/files/publications/files/IAASB-Conforming-Amendments-Quality-Management.pdf>.

### **Discussion with the ARSC**

**Mr. Glynn will use agenda item 1B to walk the ARSC through the proposed amendments to AR-C sections 60 and 90.**

#### **Proposed Timeline**

August 2021 –	ARSC to vote to expose the proposed revisions for public comment
September 2021 -	Exposure draft to be issued
December 2021 -	Comment period end
January 2022 -	ARSC to consider comments received and potentially vote to issue as a final SSARS
February or May 2022 -	If ARSC determines to defer a vote to issue as a final standard at its meeting in January 2022, vote to be held in February 2022 (if minor revisions needed to draft) or May 2022
February, March, or June 2022 -	Final standard issued with effective date for periods ending on or after December 15, 2023 (consistent with effective date of corresponding SAS)

#### **ARSC Consideration**

Is the preceding timeline appropriate?

**Agenda Items Presented:**

Agenda item 1A Proposed amendment to AR-C sections 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services* and 90, *Review of Financial Statements*

Agenda item 1B Proposed revisions to AR-C sections 60 and 90 mapped from proposed QM and SAS documents

Note – as the draft amendments are presented in ***boldface italics*** and ~~strikethrough~~, agenda item 1A effectively serves as a markup from extant AR-C sections 60 and 90.