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Audit and Attest Standards
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Proposed Statement on Quality Control Standards – A Firm’s System of Quality Control

Dear Ms. Macey:

I am responding to the Exposure Draft entitled, *Proposed Statement on Quality Control Standards – A Firm’s System of Quality Control*, issued by the Auditing Standards Board (the Board). As a consultant who specializes in independence and ethics compliance in CPA firms, my comments focus on those aspects of the proposed standard.

Overall, I believe that the additional guidelines provided on ethics and independence compliance and clarification of the meaning of certain terms used in the standard (e.g., should vs. must) will prove quite useful to members. The additional requirements, which promote transparency, communication and careful assessment of independence, should encourage firms to critically assess and strengthen their current policies and procedures in this area.

My detailed comments follow:

Paragraph 21(b)

This portion of paragraph 21 seems to imply that the AICPA independence rules are principles-based and require analysis of threats and safeguards using the *Conceptual Framework for AICPA Independence Standards* (the Framework). This may be true but not in the broad sense in which it is used and my concern is that it may mislead some members. Primarily, members’ use of the Framework is limited to evaluating matters that are not specifically addressed in the AICPA *Code of Professional Conduct*. Accordingly, the Board may wish to clarify the statement to reflect this fact, or remove part (b) of the paragraph, incorporating part (a) into the preceding paragraph.

Paragraph 25

This paragraph briefly discusses the purpose of obtaining independence confirmations from all appropriate firm personnel. The minimum requirement allows confirmation to occur annually and presumably many firms would choose this option. Therefore, I question whether an activity that may be expected to occur so infrequently should be viewed as demonstrating the importance of independence and keeping the issue current and visible to personnel. (As we all know, it is the day-to-day activities that keep these issues current and help the firm instill a culture of ethical compliance.) Accordingly, the Board may wish to broaden paragraph 25 so that it addresses the purpose of quality control standards within the context of all of the requirements described in the section, *Independence, Integrity, Objectivity, and Other Legal and Ethical Requirements*. For example, a paragraph could be inserted after paragraph 19, stating that *“one purpose of the requirements in this section is to demonstrate the importance of ethics, independence and legal requirements and keep these issues current for, and visible to, its personnel.”* (Please note the change from “the” to “one” at the start of the quote since the requirements also serve other purposes.)

Paragraph 86

I think it is important to incorporate independence into this requirement, i.e., in regards to reviewed engagements, a quality control reviewer should be both objective and independent under applicable standards. (*Definitions*, part (d), *Engagement quality control reviewer*, properly states that the reviewer is subject to independence requirements.)

Please do not hesitate to contact me if I can clarify any of these comments.

Sincerely,

Catherine Allen, CPA
Consultant
Audit Conduct