



Proposed quality management standards



What's happening?

On Feb. 11, 2021, the AICPA Auditing Standards Board (ASB) issued exposure drafts of three interrelated standards on quality management for public comment (collectively, the QM standards):

- Proposed Statement on Quality Management (SQMS) *A Firm's System of Quality Management*
- Proposed SQMS *Engagement Quality Reviews*
- Proposed Statement on Auditing Standards *Quality Management for An Engagement Conducted in Accordance With Generally Accepted Auditing Standards*

Who's affected?

Every firm with an accounting and auditing practice

Why change?

The changes are intended to:

- Update the standards for advances in technology and changes in the business environment since 2006.
- Replace the current "one-size-fits-all" model with a more scalable approach to quality for firms of all sizes.
- Help firms identify and address risks specific to their practice – and therefore address potential issues with quality, consistency, leadership and governance.

What are the key changes?

- **New risk-based approach** focused on quality management
- **Revised components** of the system of quality management
- **New** risk assessment process
- **More robust** leadership and governance requirements
- **Enhanced** monitoring and remediation process
- **New** requirements for networks and service providers



Why converge with IAASB standards?

The proposed QM standards are substantially converged with the International Audit and Assurance Standard Board's (IAASB) quality management standards, for the following reasons:

- Issues that are driving IAASB changes are the same issues the ASB is trying to address.
- The quality management foundation is the same in the United States as it is elsewhere, and is the same regardless of the type of clients served. If the ASB's quality standards are fundamentally different, they could be perceived as being of lower quality.
- For firms subject to IAASB, ASB and Public Company Auditing Oversight Board (PCAOB) standards, applying different quality management requirements is impracticable.
- The PCAOB issued a concept release contemplating using the IAASB quality management standards as the basis for revised PCAOB quality control standards, an approach the majority of respondents supported.

Proposed effective dates

Systems of quality management in compliance with proposed SQMS No. 1 would be required to be designed and implemented by Dec. 15, 2023, and the evaluation of the system of quality management required by proposed SQMS No. 1 would be required to be performed within one year following Dec. 15, 2023.

Proposed SQMS No. 2 would be effective for

- a. audits or reviews of financial statements for periods beginning on or after Dec. 15, 2023, and
- b. other engagements in the firm's accounting and auditing practice beginning on or after Dec. 15, 2023.

The proposed QM SAS would be effective for engagements conducted in accordance with generally accepted auditing standards for periods beginning on or after Dec. 15, 2023.

What should I be doing now?

- A firm's system of quality management will need to be implemented "Day 1" once the proposed SQMS is effective, so take advantage of the time you have to start preparing now.
- Become familiar with proposed standards.
- Develop an implementation plan that starts when the final standard is issued and third-party provider guidance is available.



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 Friday, June 11. Read more about these [here](#).

Comments on any or every aspect of the proposed standard should be sent to 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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