August 26, 2021

Audit and Attest Standards
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

To Whom it May Concern:

On behalf of the National State Auditors Association, we appreciate the opportunity to respond to the AICPA Auditing Standards Board’s proposed Statement on Auditing Standards entitled Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards. Because the proposed SQMS standards are not applicable to government audit organizations who perform financial audits in accordance with GAAS, we have only responded to requests for comments related to the proposed QM SAS.

Below are our responses to the requests for comments posed in the exposure draft.

Requests for Comment

4. Respondents are asked to provide their views on the preceding changes. In addition, the ASB is seeking respondents’ views on whether the requirements in the proposed QM SAS are clear and understandable, and whether the application material is helpful in supporting the application of those requirements.

We believe the requirements are clear and understandable and that the application material is helpful in supporting the application of the requirements. Specific guidance, via examples or hypothetical questions with answers, would be beneficial for implementing the standard.

5. Respondents are asked to provide their views on whether the effective dates are clear.

The effective dates are clear; however, we did note one inconsistency in the appendix to the proposed QM SAS for which we request clarification. The appendix provides an effective date for AU-C 935, Compliance Audits, of periods ending on or after December 15, 2023, whereas paragraph 10 of the proposed QM SAS indicates the requirements are effective for engagements conducted for periods beginning on or after December 15, 2023.

6. Respondents are asked to provide their views on whether an 18-month implementation period is appropriate. If that period is not appropriate, please explain why and what implementation period would be appropriate.

We agree that an 18-month implementation period is appropriate.

9. Respondents are asked for their views on whether the engagement quality review should be required to be completed before the report is dated, rather than before the report is released.

We disagree that the engagement quality review should be required to be completed before the report is dated. We believe the current existing requirement that the engagement quality review be completed before the report is released and the existing guidance to redate the report when the engagement quality review results in additional procedures continue to be appropriate. We
believe this could potentially have the unintended consequence of some firms adopting policies requiring fewer engagement quality reviews due to time constraints. In addition, it embeds the quality monitoring process into the audit process, almost in an additional supervisory review form, and does not allow for a complete evaluation of the engagement partner’s judgment as it relates to taking responsibility for quality and significant decisions at the end of the audit (e.g. evaluating the sufficiency and appropriateness of audit evidence). The outcome-based objectives could still be attained by having the review completed before the report issuance, which would allow for a more complete assessment of the audit and personnel.

Other Comments

We also request the Board consider the following general comment as it finalizes these standards:

We suggest the Board provide clarification within the QM SAS that government audit organizations are subject to the quality control and assurance requirements of Government Auditing Standards. This is stated in paragraph 5 of the introduction to the proposed SQMS No. 1, but incorporating the language into the proposed QM SAS would provide additional clarity.

We appreciate the opportunity to respond to such an important document. Should you have any questions or need additional information regarding our response, please contact Josh Winfrey or Sherri Rowland of NSAA at (859) 276-1147 or me at (404) 656-2174.

Sincerely,

Greg S. Griffin
President, NSAA