



# At a Glance

From the Audit & Attest Standards Team

## Quality Management

### What happened?

In June 2022, March 2023 and June 2024, the Auditing Standards Board (ASB) and the Accounting and Review Services Committee issued six interrelated final standards on quality management (collectively, QM standards):

- Statement on Quality Management Standards (SQMS) No. 1, *A Firm's System of Quality Management*
- SQMS No. 2, *Engagement Quality Reviews*
- Statement on Auditing Standards (SAS) No. 146, *Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*
- Statement on Standards for Accounting and Review Services (SSARS) No. 26, *Quality Management for an Engagement Conducted in Accordance With Statements on Standards for Accounting and Review Services*
- SQMS No. 3, *Amendments to QM Sections 10, A Firm's System of Quality Management, and 20, Engagement Quality Reviews*
- Statement on Standards for Attestation Engagements (SSAE) No. 23, *Amendments to the Attestation Standards for Consistency With the Issuance of AICPA Standards on Quality Management*

### What has changed?

- **New risk-based approach**, incorporating a risk assessment process driving firms to focus on quality management tailored to their circumstances
- **Revised components** of the system of quality management — two new components, including information and communication
- **More robust** leadership and governance requirements
- **Enhanced** monitoring and remediation processes
- **New** requirements for networks and service providers

### SQMS No. 1

SQMS No. 1 requires a firm to design, implement and operate a system of quality management that is customized for the nature and circumstances of its accounting and auditing practice. It consists of:

- Eight components that operate in an iterative and integrated manner
- Other requirements that address the roles and responsibilities for the system, leadership's overall evaluation of the system, network requirements or network services and documentation



SQMS No. 1 introduces a new risk assessment process aimed at achieving quality objectives. The firm is required to establish prescribed quality objectives, assess quality risks and design and implement responses.

SQMS No. 1 also requires the firm leadership to annually evaluate and conclude whether the system of quality management is meeting its objectives.



SQMS No. 1 is effective as follows:

- Systems of quality management in compliance with SQMS No. 1 are required to be designed and implemented by Dec. 15, 2025.
- Evaluation of the system of quality management required by SQMS No. 1 is required to be performed within one year following Dec. 15, 2025.

SQMS No. 1 will be codified in *AICPA Professional Standards* in section QM 10.

## SQMS No. 2

An engagement quality (EQ) review is a specified response the firm designs and implements to address quality risks. SQMS No. 1 requires that the firm determine when an engagement quality review is an appropriate response to quality risks.

*The new QM standards affect every firm that performs engagements in accordance with SASs, SSAEs or SSARSs.*

An EQ reviewer performs the review at the engagement level on behalf of the firm. SQMS No. 2 addresses

- the appointment and eligibility of the EQ reviewer and
- performance of engagement quality reviews.

SQMS No. 2 is effective for

- audits or reviews of financial statements for periods beginning on or after Dec. 15, 2025, and
- other engagements in the firm's accounting and auditing practice beginning on or after December 15, 2025. An engagement in the firm's accounting and auditing practice begins when an engagement letter or other agreement to perform attest services is signed or when the firm begins to perform the engagement, whichever is earlier.

SQMS No. 2 will be codified in *AICPA Professional Standards* in section QM 20.

## SAS No. 146

SAS No. 146 clarifies and strengthens the key elements of quality management at the engagement level. This is achieved by focusing on the critically important role of the engagement partner in managing and achieving quality on the audit engagement, and reinforcing the importance of quality to all members of the engagement team.

SAS No. 146 is effective for engagements conducted in accordance with generally accepted auditing standards for periods beginning on or after Dec. 15, 2025.

## SSARS No. 26

SSARS No. 26 amends the following AR-C sections in *AICPA Professional Standards* to enhance certain concepts related to quality management for engagements performed in accordance with SSARSs and to ensure that certain concepts related to quality management, where appropriate, are consistent between SAS No. 146 and SSARSs:

- Section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*
- Section 80, *Compilation Engagements*
- Section 90, *Review Engagements*

These amendments are effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025.

## SQMS No. 3

The amendments to QM sections 10 and 20 conform certain terms to language used in SAS No. 149, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-to Auditors)* and provide guidance on differentiating between a resource and an information source.



SQMS No. 3 is effective concurrently with the effective dates provided in QM sections 10 and 20.

### **SSAE No. 23**

SSAE No. 23 aligns certain concepts in the attestation standards related to quality management, where appropriate, with SQMS Nos. 1 and 2, SAS No. 146, and SSARS No. 26.

The most significant change introduced by SSAE No. 23 is the deletion of the defined term *other practitioner* and replacing it with 2 new terms – *participating practitioner* and *referred-to practitioner*. The revision is necessary to properly reflect the definition of *engagement team* introduced in SQMS No. 1. The revision differentiates the requirements related to other practitioners who are part of the engagement team (*participating practitioner*) and those that are not part of the engagement team (*referred-to practitioner*) and acknowledges that there are other scenarios involving other types of practitioners. The performance and reporting requirements are also revised to differentiate between participating and referred-to practitioners.

SSAE No. 23 is effective for engagements performed in accordance with the attestation standards beginning on or after December 15, 2025.

### **Next steps?**

The QM standards are available for firms and auditors to read and consider in order to adequately prepare for implementation, and can be viewed on the AICPA's website under "Recently Issued Standards."

Firms should begin gaining an understanding of the new standards and requirements now and put an implementation plan in place in order to meet the required effective dates. See "[Mapping Quality Control to Quality Management: What's Changing and What You Should Be Doing Now](#)" for more information.