Introduction to QCM Examinations

What is a QCM Examination? The AICPA is developing guidance to perform a new type of examination engagement under the attestation standards[1] called a Quality Control Materials (QCM) Examination. QCM examinations are intended to replace [Quality Control Material (QCM) Reviews] currently performed under the AICPA's peer review guidance. QCM examinations will provide a means primarily for CPA firm users of the QCM and their peer reviewers to evaluate whether QCM contains certain information and meets certain attributes, relative to the standards and interpretive guidance that the QCM address. In doing so, it serves the public interest by helping to improve engagement performance and reporting, especially audit quality.

What is QCM? QCM are written or electronic manuals or tools, including industry or subject matter-specific materials, intended to support a CPA firm's system of quality control[2]. They may address standards and interpretive guidance related to accounting; audit, attestation, review, compilation and preparation engagements; ethics and independence; quality control and quality management; peer review and practice monitoring, and other services that CPA firms may provide.

What Will Be Involved in a QCM Examination?
As noted above, QCM Examination engagements will be conducted under AICPA attestation standards (or SSAEs), and as such the common concepts in AT-C 105 and the requirements in AT-C 205 apply as a basis. Common concepts include the identification of subject matter and suitable criteria.

- The subject matters of a QCM examination are the 1) description of the QCM (description) and 2) QCM.

- The criteria to be used are the:
  - <u>QCM description criteria</u>, to be codified as DC Section 400, AICPA 2020 Description Criteria for a Description of Quality Control Materials (QCM). These criteria as proposed require that the description contain certain information such as the topics addressed by the QCM, a description of the standards and interpretive guidance that the QCM address, and a description of the updates since the last version of the QCM.
  - <u>QCM attribute criteria</u>, to be codified as QCM Section 100, AICPA 2020 Quality Control Materials (QCM) Attribute Criteria. These criteria as proposed require that the QCM product contain the description, and that the QCM meets certain attributes, for instance it reflects the standards and interpretive guidance that the description indicates are addressed by the QCM.

- The practitioner's opinion will state whether the:
  - description of the QCM is in accordance with the QCM description criteria
  - QCM is in accordance with the QCM attribute criteria

What Other Guidance Will be Available for a Practitioner to Perform the QCM Examination?
SSAE guidance is followed as it relates to topics such as preconditions for an attestation engagement, requesting a written assertion, conditions under which a practitioner should design and perform tests of controls, and reporting. An AICPA guide "Examinations of Quality Control

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[1] The attestation standards are embodied in the AICPA's Statements on Standards for Attestation Engagements, or SSAEs.

[2] SQCS No. 8, A Firm's System of Quality Control, QC sec. 10.A32, states that "The firm promotes consistency in the quality of engagement performance through its policies and procedures. This is often accomplished through written or electronic manuals, software tools or other forms of standardized documentation, and industry or subject matter-specific guidance materials."

Materials under the Attestation Standards" is also being developed to provide more specific QCM examination-oriented guidance to practitioners for these and other topics.

What is the Impact on the Peer Review of a Practitioner's Firm's? QCM examinations, similar to other examination engagements performed under the attestation standards on a wide variety of subject matter including those for supply chain, cybersecurity and sustainability, are included in the scope of a peer review of the practitioner's firm when that firm is enrolled in the AICPA's Peer Review Program.

Estimated Timing for Issuance of Guidance: The QCM Task Force of the National Peer Review Committee of the Peer Review Board is working with the Assurance Services Executive Committee and others at the AICPA to develop the QCM description criteria, QCM attribute criteria, and related guide to perform QCM examinations. The Task Force estimates that the exposure draft to solicit input on the criteria will be released in Spring 2021 and that final criteria and the guide, will be issued in late 2021.

Questions? For more information on QCM Examinations, including the QCM criteria and guide, contact QCMexam@aicpa-cima.com.

The information provided in this introduction is subject to change as we continue to solicit feedback on the project and further develop the criteria and guide.