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Proposed interpretation of quality control standards : documentation of compliance with a system of quality control; Documentation of compliance with a system of quality control; Exposure draft (American Institute of Certified Public Accountants), 1982, Feb. 8

American Institute of Certified Public Accountants. Quality Control Standards Committee

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EXPOSURE DRAFT

PROPOSED INTERPRETATION OF
QUALITY CONTROL STANDARDS

DOCUMENTATION OF COMPLIANCE WITH A
SYSTEM OF QUALITY CONTROL

FEBRUARY 8, 1982

Prepared by the AICPA Quality Control Standards Committee for comments from persons interested in the quality of auditing and accounting and review services provided by CPA firms

Comments should be received by April 9, 1982, and addressed to
AICPA Quality Control Review Division, File 13-6
AICPA, 1211 Avenue of the Americas, New York, N.Y. 10036

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American Institute of Certified Public Accountants

1211 Avenue of the Americas New York New York 10036 (212) 575-6200

February 8, 1982

To the Members of the Division for CPA Firms,
Members of Council, and Other Individuals
and Organizations Requesting Copies

An exposure draft of a proposed Interpretation of Quality Control Standards entitled Documentation of Compliance With a System of Quality Control accompanies this letter.

The proposed interpretation has been prepared by the AICPA Quality Control Standards Committee. The committee is the senior technical committee of the Institute designated to issue pronouncements on quality control standards. Its interpretations do not have the authority of Statements on Quality Control Standards. However, members of the AICPA and member firms of the AICPA Division for CPA Firms should be aware that they may be called upon to justify departures from such interpretations.

The purpose of the proposed interpretation is to advise CPA firms that documentation would ordinarily be required to demonstrate a firm's compliance with its quality control policies and procedures.

Comments or suggestions on any aspect of this exposure draft will be appreciated. The AICPA Quality Control Standards Committee's consideration of responses will be helped if the comments or suggestions include explanations of the underlying reasons.

In developing interpretations, the AICPA Quality Control Standards Committee considers the relationship between the cost imposed and the benefits reasonably expected to be derived. The committee also considers differences between various sized firms and, when appropriate, makes provisions to meet various needs. Accordingly, the committee would particularly appreciate comments on those matters.

Responses should be addressed to the AICPA Quality Control Review Division, File 13-6, in time to be received by April 9, 1982. Written comments on the exposure draft will become part of the public record of the AICPA Quality Control Review Division and will be available for public inspection at the offices of the American Institute of Certified Public Accountants after April 30, 1982.

Sincerely,

Michael A. Walker, Chairman
Quality Control Standards
Committee

Thomas P. Kelley
Vice President - Technical

PROPOSED INTERPRETATION OF QUALITY CONTROL STANDARDS

DOCUMENTATION OF COMPLIANCE WITH A SYSTEM OF QUALITY CONTROL

An Interpretation of Statement on Quality Control Standards no. 1

- .01 Question. In connection with the element of inspection, the Quality Control Standards Committee has been asked to clarify paragraph 7(i) of Statement on Quality Control Standards no. 1 as to whether documentation would ordinarily be required "to provide the firm with reasonable assurance that the procedures relating to the other elements of quality control are being effectively applied."
- .02 Interpretation. Statement on Quality Control Standards no. 1 states: "The nature and extent of a firm's quality control policies and procedures depend on a number of factors, such as its size, the degree of operating autonomy allowed its personnel and its practice offices, the nature of its practice, its organization, and appropriate cost-benefit considerations." Although Statement on Quality Control Standards no. 1 does not specifically refer to documentation of compliance, a firm ordinarily should require the preparation and maintenance of appropriate documentation to demonstrate compliance with its policies and procedures for the elements of quality control discussed in Statement on Quality Control Standards no. 1. The form and extent of such documentation depend on a number of factors such as the size of a firm, the degree of operating autonomy allowed its personnel and its practice offices, the nature of its practice, its organization, and appropriate cost-benefit considerations. However, documentation should be sufficient to enable those conducting an inspection to ascertain the extent of a firm's compliance with its system of quality control, including its compliance with inspection policies and procedures.