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Shamima Hussain
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18 August 2022

Dear Ms Hussain,

RSM UK Audit LLP response to the FRC's consultation on Audit Quality Indicators

Please find enclosed our response.

No	Question	RSM Response
1	Do you agree that the firms reporting their AQIs should be aligned to the scope of the (revised) Audit Firm Governance Code? If not, what scope would you prefer and why?	Yes, although consideration should also be given to the impact and outputs from ISQM1.
2	Do you agree that the AQIs should include all audit engagements, but segmented between PIE and non-PIE audits? If not, which engagements do you think should be included?	For the majority of the AQI's this makes sense, however for those linked to the timing of work, we believe this should only be for PIEs. The timing of work for non-PIE entities can vary hugely and as such having a rigid assessment may not be reflective of the underlying quality of the work. The systems at RSM are not set up to track engagements based on phase (i.e., interim, planning, execution and completion) and as such any AQIs linked to timings would first require changes to the underlying systems.
3	Do you expect any additional costs to be incurred by firms reporting over a period which is not aligned with their financial years? Are there ways to minimise these costs?	Yes. Our current systems and processes are set up to collate data on a quarterly basis to help facilitate reporting to the Head of Audit Quality and a sub population to the Audit Board. If the reporting was not aligned to an existing quarter end (Jan, Apr, Jul, Oct) this would result in additional time requirements for analysis and reporting of the results.
4	Do you agree that it would be useful to include supporting narrative? Please provide suggestions to ensure that the information is concise and useful for users of audit services.	Yes, as there may be circumstances where context is required. This narrative should not facilitate the adjustment of the measurement metrics.

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<p>5</p>	<p>Do you agree with our proposed AQIs? If not, or in addition, do you prefer some of the alternatives presented above? Please explain, using the reference numbers.</p>	<p><u>Culture</u> For the AQIs on culture it has been proven that response rates vary dependent upon the wording and framing of the questions asked. In order to achieve comparability, the specific narrative of the questions which would be used as comparators should be provided by the FRC. This would help ensure consistency and reduce bias.</p> <p><u>Partner involvement</u> For the AQI on partner involvement, we believe this should be limited to the audit RI and not include key audit partners. The rationale is that time may not be tracked on the main audit code and as such there would be significant room for variability across firms. The inclusion of key audit partners would also have the potential to skew this assessment.</p> <p><u>Timings</u> As previously noted, the metrics around timings appear flawed in our view. There is a link between timely planning and quality but there is a big difference between a listed engagement and an owner managed business whereby completion of planning just before execution may not have any detrimental impact on quality.</p> <p><u>Internal review gradings</u> Further guidance would need to be given to what should be included within the definition of an internal review. At RSM we have three types of reviews, being, full scope, limited scope and targeted. These all contribute to audit quality in different ways. Simply looking at the number of full scope reviews may not provide the full picture of our review activities.</p> <p><u>Alternative/ Additional AQIs</u> On the potential alternative/ additional AQIs for performance monitoring and remediation, the suggestion for the average percentage of audit hours two weeks before sign off is not seen as a suitable AQI. Although there is a correlation between the timing of work and quality, there is not a definitive conclusion that this would result in poor audit quality. In our opinion, the focus should be on the support the audit team has/ had (technical, quality, consultations etc) to ensure the right judgements are being made as opposed to focusing on just the timing. This appears to be a blunt measure for an AQI. Consideration could be given to the inclusion of an AQI linked to mandatory training.</p>
<p>6</p>	<p>Do you think there are any other firm-level AQIs that we should consider? If so, please explain. (If relevant, please refer to the list of AQIs we have considered but not proposed, in Appendix 1.)</p>	<p>We do not believe any of the additional AQIs considered should be included, excluding assessment of EQCR hours compared to total audit hours. Consideration could be given to the number of audit support hours compared to front line team hours on PIE audit engagements. This</p>

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		<p>would reflect the investment by the firm in the quality of PIE audits.</p>
7	<p>Are there any other comments you wish to make about these proposals, including concerning costs, benefits, or impacts not discussed above?</p>	<p>Given the subdivision of the firms into three tiers, there is a concern that comparing firms in different tiers (outside of PIE audits) may result in non-comparable results. Limiting the scope to PIE audits could also be detrimental to firms with less PIE audits as issues would result in a more significant statistical impact.</p> <p>Another concern is around consistency as the FRC would need to give considerable thought to what should be standardised i.e., the narrative for survey questions and if information such as engagement levels/ response rates should be disclosed.</p> <p>Finally, it would be important that the information is collated and shared with the market by the FRC as opposed to being hosted on the firm’s websites or within their Transparency Reports. This ensure there is one central source for this information.</p>

If you require any further information, please do not hesitate to get in touch.

Yours sincerely



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