

Project Proposal – Revision of APES 320 *Quality Control for Firms* to focus on non-assurance services

Introduction

To develop a professional standard on Quality Control for Members in Public Practice engaged to provide non-assurance services.

Background

APES 320 *Quality Control for Firms* was reissued in May 2009 (Originally issued in 2006) and sets standards for Firms to establish and maintain a system of quality control at the Firm level in the provision of quality and ethical Professional Services. Whilst APES 320 applies to all areas in which a firm provides services, it draws its framework from ISQC1, which is primarily focussed on Assurance Engagements.

In practice, firms provide an extensive and complex range of consulting, compliance, multi-disciplinary and advisory services, in addition to assurance services. For example, even in the largest of firms, assurance services may amount to less than 50% of total fees. The overwhelming majority of small firms provide tax and accounting services, with little or no assurance work. In this context, it may be suboptimal that the whole-of-firm standard APES 320 is based on ISQC1, which was drafted for specific application to assurance services without taking into consideration what might be an optimum quality control environment for non-assurance services. While APES 320 has delineated certain requirements as applicable only to assurance practices, there is value in developing a professional standard whose primary focus is the non-assurance service lines.

Considering the suite of professional standards that APESB has released to date which apply to non-assurance services, there is a strong case for APESB to develop a Quality Control Standard to specifically address these non-assurance service lines.

A further reason for re-visiting APES 320 is that subsequent to APESB issuing APES 320 in 2006, AUASB issued its own standard ASQC1 (in 2009) which is also based on ISQC1 to apply for Assurance Engagements in Australia. ASQC1 primarily applies to Firms that perform assurance and related services.

The proposed revised APES 320 should provide a firm-level framework that is suitably tailored and comprehensive for non-assurance services and at the same time being mindful not to create different levels of quality control standards for assurance and non-assurance practices. Substantial benefit could be gained through the inclusion of certain definitions, use of more inclusive language and illustrative examples drawn from non-assurance services, while at the same time ensuring that stringent quality control requirements are in place.

Project Objective: To develop a pronouncement that provides quality control requirements to Members in Public Practice engaged to provide non-assurance services. The pronouncement will be based on the principles of the existing APES 320 *Quality Control for Firms* and will be tailored as appropriate to quality control matters in non-assurance engagements.

- Project Steps:**
- Invite stakeholders with appropriate experience in the delivery of non-assurance services or firm wide quality control matters to participate in the project via the APESB website. The task force should consist of the APESB Technical Director, 1 representative from each of the professional bodies and at least 3 members with demonstrated expertise in public practice in the provision of non-assurance services.
 - APESB Board Member Bob Sendt will function as an observer on the taskforce.
 - Conduct task force meetings between July 2012 and April 2013 to identify and discuss the approach to be taken in developing the exposure draft.
 - Develop an exposure draft for the Board review that addresses key issues and provides sufficient guidance on quality control matters.
 - Present the first draft of the exposure draft to the APES Board for consideration at the May 2013 Board meeting.
 - Release the pronouncement for exposure by August 2013 requesting comments on both specific issues highlighted and also general comments on the document as a whole.
 - Consider respondents' comments and their impact on the exposure draft and amend as required.
 - Prepare a basis of conclusions document detailing key issues that were identified and considered during the development of the pronouncement.
 - Present the final pronouncement and basis of conclusions document to the Board for approval at the November 2013 Board meeting.
 - Release the pronouncement in December 2013 and upload the pronouncement and basis of conclusions document onto the APESB website.
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- Project Structure:**
- Board – provide feedback and oversee development of the pronouncement
 - APESB Technical Director – assemble task force, provide technical support, role of principal drafting editor of the pronouncement, provide guidance to the task force on APESB policies and procedures
 - Task Force – provide APESB with advice on development and review of pronouncement
 - APESB Secretariat – provide administrative support to the taskforce
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Resource Requirements:

- Teleconference facilities, Travel of APESB staff (as required) and taskforce members (by invitation only), printing and stationary.
- It is estimated that the staff time on this project will be approximately 2-3 months.

- Budgeted taskforce costs for 10 taskforce meetings:

Conference calls \$300 per unit	\$3,000
Travel & accommodation \$1,000 per unit	\$6,000
Sundry expenses \$200 per unit	\$1,200
Total Budgeted Costs	<u>\$10,200</u>

Timeline:

May 2012	Approve project proposal
June 2012	Assemble task force
July 2012	Conduct initial task force meeting
July 2012 – Apr 2013	Develop exposure draft
May 2013	Initial presentation of exposure draft for Board review
August 2013	Release exposure draft for a 60-90 day comment period
October 2013	Collate feedback received
October 2013	Revise pronouncement taking into consideration feedback received and prepare basis of conclusions
November 2013	Present final pronouncement and basis of conclusions to Board for approval
December 2013	Issue pronouncement

Impact on other APESB pronouncements

APES 320 impacts on professional standards issued in the APES 200 and 300 series and has effectively become a foundation standard for Members in Public Practice for quality control matters. For example, when references are made in the APES 200 series (i.e. APES 225 *Valuation Services* or APES 215 *Forensic Accounting Services*) to quality control issues or engagement management issues, members are directed to APES 320.

Impact on accounting, auditing or other relevant standards

The proposed pronouncement will have an impact on the existing APES 320 and other Service line specific professional standards issued by the APESB.

Related legislative developments

None noted

Related international developments

The International Federation of Accountants (IFAC) recently issued guidance for Small- and Medium-Sized Practices (SMPs) on the application of ISQC1. The *Guide to Quality Control for Small- and Medium-Sized Practices, Third Edition* was issued in August 2011 and the *Companion Manual - Guide to Quality Control for SMPs/Guide to Using ISAs in the Audits of SMEs* was issued in April 2012.

Benefits of developing the pronouncement

Development of the Standard to focus on non-assurance services would serve to meet the needs of a larger group of members in public practice and add to the overall clarity of the quality control requirements for non-assurance services.