

PROJECT PROPOSAL

Introduction

To update APES 320 *Quality Control for Firms* (APES 320) in line with changes that are occurring at the international level to its international equivalent ISQC 1 *Quality Control for Firms that perform Audits and reviews of financial statements, and other assurance and related services engagements* (ISQC 1).

Background

APESB issued APES 320 to replace the previous APS 4/5 Quality Control Standards in May 2006. During the last two years members in public practice/firms have utilised APES 320 which establishes *policies and procedures* at the firm level in relation to quality control. Regulators and professional bodies have carried out quality reviews of firms to verify that firms comply with APES 320.

Whilst a few minor editorial issues are noted in the APESB Issues Register in relation to APES 320 no other significant issues have been reported by the professional bodies, firms or other stakeholders.

APES 320 is based on ISQC 1 issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). The IAASB is in the process of updating ISQC 1 and according to their work program the revised Standard is expected to be issued in September 2008. Due to the interaction of ISQC 1 (quality control at the firm level) with ISA 220 (quality control for audits at the engagement level), and the resultant changes that will occur in the Australian equivalent ASA 220, APESB needs to update APES 320 in line with these international developments.

Objectives: The objective of the proposed project is to update APES 320 in line with the international and national developments

Project Steps:

- The Board to review the current international draft and provide comments in relation to the new approach in the revised ISQC 1 of having all the requirements at the beginning of the standard and all guidance paragraphs as application material after the requirements;
 - APESB Senior Project Manager to review the final standard scheduled to be issued in September 2008. Based on directions from the Board in respect of the matter noted above, APESB Senior Project Manager to prepare an exposure draft and applicable supporting material;
 - APESB Senior Project Manager to liaise with the professional bodies and seek feedback on the draft ED.
 - Present exposure draft at the November 2008 Board meeting.
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- Release the standard for exposure requesting comments on both specific issues highlighted and also general comments on the document as a whole.
 - Collate feedback received and upload onto APESB website.
 - Consider respondents' comments and their impact on the exposure draft and amend as required.
 - Prepare a basis for conclusions document detailing key issues that were identified and considered during development of the standard.
 - Present the final standard and the basis for conclusions document for Board approval at the May 2009 Board meeting.
 - Release the standard publicly and upload the standard and basis of conclusions document onto APESB website.

Project Structure:

- APES Board – provide feedback and oversee development of the revised APES 320 *Quality Control for Firms*.
- APESB Senior Project Manager – review international standard, provide technical support, role of principal drafting editor of the standard, and consult with the professional bodies.
- APESB Secretariat – provide administrative support.

Resource Requirements:

Teleconference facilities, travel of APESB staff (as required) and printing & stationary

Budgeted costs:

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| Communication | \$1,000 |
| Travel & accommodation \$1,000 per unit | \$2,000 |
| Sundry expenses \$200 per unit | \$800 |
| Total Budgeted Costs | \$3,800 |

Technical Staff time commitment would be approximately 2 - 4 weeks

Timeline:

Aug 2008 – Approve project proposal
 Sept 2008 – Review international Standard – ISQC 1
 Oct 2008 – Prepare exposure draft in consultation with professional bodies
 Nov 2008 – Present exposure draft to Board for approval
 Nov 2008 – Release exposure draft for a 90 day comment period
 Mar 2009 – Collate feedback received
 Apr 2009 – Prepare basis of conclusions
 May 2009 – Present final standard and basis of conclusions to Board for approval
 May 2009 – Issue standard

Impact on other APESB pronouncements

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

Impact on accounting, auditing, or other relevant standards

Impacts on ASA 220 *Quality Control for Audits of Historical Financial Information* which deals with quality control issues at the audit engagement level.

Related legislative developments

None.

Related international developments

As noted above the IAASB are going to issue the revised version of ISQC 1 as a standard in September 2008. IAASB are also updating ISA 220 *Quality Control for Audits of Historical Financial Information* as part of its clarity project.

Benefits of updating the pronouncement

Benefits of updating and reissuing APES 320:

- Update APES 320 in line with international developments; and
- Consider the minor editorial issues noted in the Issues Register;