

AGENDA PAPER

Item Number: 11.8
Date of Meeting: 8 May 2009
Subject: APES 320 *Quality Control For Firms (revised ISQC 1)*

Action Required**For Information Only**

Purpose

The Board to consider the respondents comments on APES 320 *Quality Control for Firms (Revised ISQC 1)* and subject to Board decisions issue APES 320 *Quality Control for Firms (Revised ISQC 1)*.

Background

The international equivalent to APES 320, ISQC 1 was approved as a revised standard by the IAASB at its September 2008 meeting. The standard was approved by the IFAC Public Interest Oversight Board (PIOB) and issued in December 2008. APESB issued an exposure draft ED 01/09 to update APES 320/ISQC 1 in line with these international amendments.

Consideration of Issues

The two key issues noted by respondents are:

- The proposed Standard on Quality Control ASQC 1 issued by the AUASB which will effectively duplicate an already existing mandatory requirement for the members of the professional accounting bodies. Quality Control requirements for the accounting profession have existed since 1982. Additionally the accounting profession has been complying with ISQC 1 equivalents (i.e. APS 5 and APES 320) since 2005. Thus for the members of the accounting profession who have already developed their quality control manuals, including policies, procedures and documentation which are compliant with ISQC 1, the development of ASQC 1 is likely to create an unnecessary burden and costs. This will especially be the case for the vast majority of members who are in the small to medium practices. (Refer to *Technical Staff views on APES 320/ISQC 1 Quality Control as a Professional and Ethical Requirement for all Firms*)
- The application of certain paragraphs to non assurance areas of the Firm. The specific examples given have been considered by technical staff and the preliminary technical view is that the examples given do not create onerous requirements and represent best practice. However, Technical Staff will discuss the matters raised further with the relevant respondents and update the Board in due course.

Respondents Comments on APES 320 ED

The Australian Council of Auditors General (ACAG), the Joint Accounting bodies (CPA Australia, ICAA and NIA), PricewaterhouseCoopers and Ernst and Young are supportive of APES 320 ED subject to specific comments on certain aspects of the proposed standard. Deloitte, KPMG and Grant Thornton are not supportive of APES 320 ED whilst AUASB has requested that reference to Auditing and Assurance Engagements be removed.

The relevant issues are considered in detail in *Technical Staff views on APES 320/ISQC 1 Quality Control as a Professional and Ethical Requirement for all Firms*.

Staff Recommendation

Subject to the Board's decisions on the issues raised by respondents, consultation with respondents on the impact on non assurance areas of the Firm and the matters noted in the Technical Staff paper, the Board approve the issue of APES 320 *Quality Control for Firms (ISQC 1)*.

Material Presented

- Technical Staff's views on APES 320/ISQC 1 Quality Control as a Professional and Ethical Requirement for all Firms;
- General comments table;
- Specific comments table;
- Proposed marked up version of APES 320 *Quality Control for Firms (ISQC 1)*;

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Date: 3 May 2009