



Annual Review of APES 320 *Quality Control* for *Firms* reissued in May 2009

Prepared by
Rozelle Azad
Margareth Lioe

15 February 2013

1. Executive Summary

1.1 Background

Accounting Professional and Ethical Standards Board (APESB) issued APES 320 *Quality Control for Firms* in May 2006 with an effective date of 1 July 2006. In May 2009 APESB revised APES 320 to bring it into alignment with changes made to the *International Standard on Quality Control for Firms that perform Audits and reviews of Financial Statements, and other assurance and related services engagements* (ISQC 1) with an effective date 1 January 2010.

1.2. Reason for this report

In accordance with APESB's constitution, a review needs to be performed on an annual basis after a new standard is effective. This report presents a review of the issues reported to the APESB and a proposed course of action to address the issues identified.

1.3. Issue identified

Stakeholders noted that APES 320 as currently written contains numerous sections that pertain to Assurance Practices only. Such practices are also governed by the auditing and assurance quality standards (i.e. ASQC 1) with the result that there is an overlap with APES 320.

At its November 2011 meeting the Board acknowledged the need for APES 320 to be re-written and directed Technical Staff to incorporate this project into the future work program. A taskforce has been assembled and has considered the need for the development of a new pronouncement.

1.4. Summary of Actions/Recommendations

The taskforce has been created to develop APES 320 in a manner to focus on Non-Assurance service lines of Firms.

2 Review of Issues

2.1 *The revised APES 320 Quality Control for Firms issued in May 2009 draws its framework from ISQC1, which is primarily focused on Assurance Engagements.*

Issue

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.

Analysis of the issue

In practice, firms provide an extensive and complex range of consulting, compliance, multi-disciplinary and advisory services, in addition to assurance services. 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.

2013 Update

A taskforce has been assembled and an initial meeting has been held.

Impacted Stakeholders

Members of the professional accounting bodies

Current Status

The taskforce has been created and the project is in progress.