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APESB issues revised APES 320 *Quality Control for Firms*

Accounting Professional & Ethical Standards Board Limited (APESB) today announced the issue of the revised APES 320 *Quality Control for Firms* (revised APES 320) to replace the existing APES 320 (Issued May 2009).

Please refer to Appendix 1 of this technical update for details of the revisions. The revised APES 320 will be effective from 1 April 2016 with early adoption permitted.

The revised standard is available from APESB's website: www.apesb.org.au

– ENDS –

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Appendix 1

Revisions to existing APES 320 (May 2009)

Accounting Professional & Ethical Standards Board Limited (APESB) has approved the following revisions to APES 320 *Quality Control for Firms* which was originally issued in May 2006 and revised in May 2009.

Paragraph Reference	Revisions
1.1	<p>The objectives of APES 320 <i>Quality Control for Firms</i> are to specify the mandatory obligations of a Firm in respect of establishing and maintaining a system of quality control designed to provide it with Reasonable Assurance that the:</p> <ul style="list-style-type: none"> • Firm and its Personnel are complying with Professional Standards, Relevant Ethical Requirements and applicable legal and regulatory requirements; and • reports issued by the Firm or Engagement Partners are appropriate in the circumstances.
1.4 2	<p>Accounting Professional & Ethical Standards Board Limited (APESB) issues has revised professional standard APES 320 <i>Quality Control for Firms</i> (the Standard). Systems of quality control in compliance with this Standard are were required to be established by Firms by 01 January 2010. This Standard supersedes APES 320 issued in May 2009 and Firms are required to incorporate appropriate amendments to their systems of quality control by 1 April 2016. Earlier adoption of this Standard is permitted.</p>
1.2 3	<p>APES 320 sets the standards for Members in Public Practice and Firms to establish and maintain a system of quality control at the Firm level in their Firms in respect of the provision of quality and ethical Professional Services. The mandatory requirements of this Standard are in bold-type type, preceded or followed by discussion or explanations in grey normal type. APES 320 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.</p>
1.5 6	<p>Members in Public Practice shall be familiar with relevant Professional Standards and guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.</p>
1.9 10	<p>In this Standard, Firms that have an Assurance Practice are required to apply the whole of APES 320 as applicable to their Assurance Practice and Assurance Engagements. Firms that do not have an Assurance Practice, or the non-assurance parts of Firms with an Assurance Practice, are required to apply all paragraphs of APES 320 where applicable other than those boxed and designated 'Assurance Practices only'. The application requirements are summarised in the flow chart in the Appendix 1 to the Standard.</p>
1.12	<p><u>In this Standard, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.</u></p>

2	<p>(c) Engagement Quality Control Review means a process designed to provide an objective evaluation, on or before the Date of Report, of the significant judgements the Engagement Team made and the conclusions it reached in formulating the report. The Engagement Quality Control Review process is for audits of financial statements of LListed eEntities and those other Engagements, if any, for which the Firm has determined an Engagement Quality Control Review is required.</p> <p>(e) Engagement Team¹ means all Personnel Partners and Staff performing the Engagement, and any individuals engaged by the Firm or a Network Firm who perform procedures on the Engagement. This excludes external experts engaged by the Firm or Network Firm.</p> <p>(k)(j) Network means a larger structure:</p> <p>(i) That is aimed at co-operation; and</p> <p>(ii) That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources</p> <p>(j)(k) Network Firm or Network Assurance Practice means a Firm, practice or entity that belongs to a Network.</p> <p>(o) Relevant Ethical Requirements means ethical requirements <u>to</u> which the Engagement Team and Engagement Quality Control Reviewer are subject to, and which ordinarily comprise Parts A and B of the Code.</p>
AUST 2.1	<p>(a) Assurance Engagement means an Engagement in which a conclusion is expressed by a Member in Public Practice <u>aims to obtain sufficient appropriate evidence in order to express a conclusion</u> designed to enhance the degree of confidence of the intended users other than the responsible party about the <u>subject matter information</u> (that is, the outcome of the evaluation or measurement or evaluation of a <u>an underlying</u> subject matter against criteria).</p> <p>This includes an Engagement in accordance with <u>the Framework for Assurance Engagements</u> issued by Auditing and Assurance Standards Board (the AUASB) or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.</p> <p>(c) Client means an individual, firm, entity or organisation to whom or to which pProfessional services <u>Activities</u> are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature.</p>

¹ The definition of Engagement Team in the Code does not exclude individuals within the Client's internal audit function who provide direct assistance on an Audit Engagement as the AUASB has prohibited the use of direct assistance in Auditing and Assurance Standard ASA 610 *Using the Work of Internal Auditors* (November 2013).

AUST 2.1	<p>(g) Independence means is:</p> <ul style="list-style-type: none"> • Independence of mind – the state of mind that permits the provision <u>expression of an opinion a conclusion</u> without being affected by influences that compromise professional judgement, <u>thereby</u> allowing an individual to act with integrity, and exercise objectivity and professional scepticism; and. • Independence in appearance – the avoidance of facts and circumstances that are so significant <u>that</u> a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would reasonably be likely to conclude, <u>weighing all the specific facts and circumstances,</u> that a Firm's, or a member of the Engagement Team's, integrity, objectivity or professional scepticism had <u>has</u> been compromised. <p>(h) Member means a member of a Professional Body that has adopted this Standard as applicable to their membership, as defined by that Professional Body.</p> <p>(mj) Member in Public Practice means a Member, irrespective of functional classification (e.g. audit, tax, or consulting) in a Firm that provides Professional Services. The <u>This</u> term is also used to refer to a Firm of Members in Public Practice and means a practice entity <u>and a participant in that practice entity</u> as defined by the applicable Professional Body.</p> <p>(k) Professional Activity means <u>an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.</u></p> <p>(hi) Professional Body(ies) means the Institute of Chartered Accountants in Australia and New Zealand, CPA Australia and the National Institute of <u>Public Accountants.</u></p> <p>(jm) Professional Services means services requiring accountancy or related skills performed by a Member in Public Practice including accounting, auditing, taxation, management consulting and financial management services <u>Professional Activities performed for Clients.</u></p> <p>(kn) Professional Standards means all standards issued by the Accounting Professional & Ethical Standards Board <u>Limited</u> and all professional and ethical requirements of the applicable Professional Body.</p>
130	<p>Systems of quality control in compliance with this Standard are <u>were</u> required to be established by <u>Firms by 1 January 2010.</u> <u>This Standard supersedes APES 320 issued in May 2009 and Firms are required to incorporate appropriate amendments to their systems of quality control by 1 April 2016.</u> Firms should consider the appropriate transitional arrangements for Engagements in process at that date.</p>
Appendix 2	<p>Summary of revisions to the previous APES 320 (Issued May 2009) – Added</p>