

Review of Submissions – Specific Comments
Exposure Draft 05/21: Proposed Standard APES 320 Quality Management for Firms that provide Non-Assurance Services

Note: General comments relating to Exposure Draft 05/21 are addressed in a separate table. This table excludes minor editorial changes.

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
1	Specific Comment 1	CA ANZ	<p>Appendix 1 – Request by APESB for Specific Comment.</p> <p>1. Do you agree that APES 320 should apply to the non-assurance practices and engagements of firms as set out in this Exposure Draft or should APES 320 continue to apply to all firms and engagements? Please provide reasons and justification for your response</p> <p>CA ANZ supports alignment between the standards issued by the International Ethics Standards Board for Accountants (“IESBA”), the International Auditing and Assurance Standards Board (“IAASB”) and National Standard Setters (“NSS”). The International Standards on Quality Management (“ISQM 1 & ISQM 2”) issued by the IAASB are comprehensive standards for assurance practitioners and have been fully adopted in Australia by the Auditing and Assurance Standards Board (“AUASB”). There is no international standard for quality control for Non-Assurance Services (“NAS”). CA ANZ considers it appropriate for the APES to develop its own fit for purpose standard that establishes the requirements for a system of quality control for NAS that balances obligations, risks and benefits for this type of practice.</p> <p>ASQM 1 is audit-centric and designed to manage the risks associated with delivering a quality audit. ASQM 1 does not distinguish between the entity type or size subject to the audit, therefore, the standard applies equally to Public Interest Entities (PIEs) and non-PIEs. Other Non-Assurance Engagements may either carry different risks or levels of risk not commensurate with those addressed by ASQM 1. These engagements may also differ substantially in size and impact on the public interest. Arbitrarily applying a standard that has been designed to mitigate risks associated with audit and assurance engagements to Non-Assurance Services is, therefore, unlikely to deliver the desired outcome. The proposed APES 320 retains substantial material from the extant standard which was based on ISQC 1. ISQC 1, being designed for Audit and Assurance engagements, uses terminology and references which may not be appropriate for Non-Assurance Engagements such as report/s, conclusions and Independence. CA ANZ supports a review of the proposed standard to ensure phrasing and terminology is appropriate for a non-assurance engagement.</p>	No
2	Specific Comment 1	CPAA	<p style="text-align: right;">Attachment 1</p> <p>CPA Australia responses to Exposure Draft Requests for Specific Comments</p>	

Exposure Draft 05/21: Proposed Standard APES 320 Quality Management for Firms that provide Non-Assurance Services

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
			<p>Request for Specific Comment 1 – Do you agree that APES 320 should apply to the non-assurance practices and engagements of firms as set out in this Exposure Draft or should APES 320 continue to apply to all firms? Please provide reasons and justification for your response.</p> <p>We support the proposed change of the standard so that it applies to non-assurance practices and engagements of firms as set out in the Exposure Draft. We consider the high-level alignment of the standard with the auditing standard ASQM1 enables hybrid firms to comply with both standards. We consider separating the standards assists with simplifying standards applicable to audit and assurance practitioners.</p>	No
3	Specific Comment 1	Craig Allen	1- I believe APES 320 should continue to apply to all practice including non-assurance ones. Reason being is that the standard makes members address elements that they would otherwise not do in the day to day running of their practice. This process and documentation around the elements of quality control is important for them and makes them formally consider how they meeting the elements of quality control.	No
4	Specific Comment 1	Deloitte	<p>Responses to Requests for Specific Comment</p> <p>1. <u>Do you agree that APES 320 should apply to the non-assurance practices and engagements of firms as set out in this Exposure Draft or should the APES 320 continue to apply to all firms and engagements?</u></p> <p>We are supportive of the proposed changes to APES 320 so that it will apply to the non-assurance practices and engagements of firms and that ASQM 1 Quality Management for firms that perform Audits and Reviews of Financial Reports and Other Financial Information or Other Assurance or Related Services Engagements (ASQM 1) and ASQM 2 Engagement Quality Reviews (ASQM 2), as issued by the Auditing and Assurance Standards Board (AUASB), apply to the assurance practices.</p>	No
5	Specific Comment 1	IPA	<p>Attachment – IPA's Response to Request for Specific Comments</p> <p>Request for Specific Comment 1 – Do you agree that APES 320 should apply to the non-assurance practices and engagements of firms as set out in this Exposure Draft or should APES 320 continue to apply to all firms and engagements? Please provide reasons and justification for your response.</p> <p>We support revisions to APES 320 as drafted. Many firms do not provide assurance services and are best served by a dedicated and contemporary standard. The presentation of quality management requirements</p>	Yes Appendix 1

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
			<p>for non-assurance practices in isolation of the elevated requirements for assurance practices results in a less cluttered and convoluted standard and a clearer presentation of requirements.</p> <p>The sign-posting to audit and assurance pronouncements in paragraph 1.10 and in Appendix 1 is supported. Although firms that provide a combination of assurance and non-assurance services will have two compliance frameworks to comply with, the separate articulation of requirements provides a clearer presentation of compliance requirements and it is hoped this will support compliance with both sets of requirements.</p> <p>Although APES 320 will now only apply to non-assurance services, as the proposed Standard rightly sign-posts the need for assurance service firms to comply with APES 210 <i>Conformity with Auditing and Assurance Standards</i> and the relevant related audit and assurance pronouncements, the name of the standard could be less complicated and more aligned to the extant standard. This may assist the less sophisticated user or new practitioner to not potentially overlook the application of APES 320 if they are not familiar with the term “<i>non-assurance services</i>”. Scope and application paragraphs are the place to explain the context in which each standard applies and this is accepted convention across all standards in Australia.</p>	
6	Specific Comment 1	KPMG	<p>Attachment A: Response to consultation questions</p> <p>Request for Specific Comment 1 – Do you agree that APES 320 should apply to the non-assurance practices and engagements of firms as set out in this Exposure Draft or should APES 320 continue to apply to all firms and engagements? Please provide reasons and justification for your response</p> <p>Response</p> <p>Yes, KPMG agrees that APES 320 should apply to the non-assurance practices and engagements of firms and should not continue to apply to all firms and engagements. The audit and assurance practices and engagements of firms are covered by ASQM 1 and ASQM 2. If they were to also be covered by APES 320, there would be significant risk of overlap and potential inconsistencies between the requirements of the different standards, with resulting confusion for practitioners and firms. The amount of additional work for smaller practitioners could also be cost and time prohibitive and not commensurate with the risk.</p> <p>In addition, the quality management frameworks required for audit and assurance practice and engagements are quite different to those required for non-assurance practices and engagements.</p>	No

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
			<p>Consequently, any attempt to cover all practices and engagements in one standard would almost inevitably result in a standard split into two halves with the half devoted to audit and assurance practices and engagements being a reproduction of ASQM 1 and ASQM 2. There would seem to be little benefit in such an approach.</p> <p>Recommendation 1: KPMG considers that APES 320 should apply to the non-assurance practices and engagements of firms and should not continue to apply to all firms and engagements given that the audit and assurance practices and engagements of firms are already covered by ASQM 1 and ASQM 2.</p>	
7	Specific Comment 1	Philip Priest	<p>My thoughts are primarily at a high level; I trust these are helpful.</p> <p>As regards the specific questions for which feedback is requested:</p> <p><i>Request for Specific Comment 1 – Do you agree that APES 320 should apply to the non assurance practices and engagements of firms as set out in this Exposure Draft or should APES 320 continue to apply to all firms and engagements? Please provide reasons and justification for your response.</i></p> <p>Segregating 320 to apply to only non assurance services simply makes sense. It avoids potential for confusion, and facilitates a more targeted standard. These services are sufficiently different to warrant a separate standard. Its also observed as well that, overall, non assurance services are by far the majority of services provided by professional firms - another reason for warranting a targeted focus.</p>	No
8	Specific Comment 1	PP	<p>Request for Specific Comment</p> <p>Request for Specific Comment 1</p> <p>Do you agree that APES 320 should apply to the non-assurance practices and engagements of firms as set out in this Exposure Draft or should APES 320 continue to apply to all firms and engagements? Please provide reasons and justification for your response.</p> <p>Comment</p>	No

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
			<p>In our opinion, APES 320 should apply only to the non-assurance practices and engagements of firms. It is no longer necessary for APES 320 to apply to assurance engagements as ASQM 1 and ASQM 2 now contain the requirements for assurance engagements.</p> <p>It makes sense to remove the assurance sections from APES 320 and have this standard focus on non-assurance engagements.</p> <p>This will make it easier for firms that do not provide assurance services as they will follow the requirements of APES 320 whereas hybrid firms will apply both the ASQM standards (to assurance practice areas and engagements) and APES 320 (to non-assurance practice areas and engagements).</p>	
9	Specific Comment 1	PwC	<p>We are generally supportive of the revised APES 320 standard as it acknowledges there is a need for a different quality system for non-assurance services. Quality must be front of mind in any service provided by a professional services firm, but the design and approach of a quality system and standard for assurance standards should be different to that of non-assurance services given the more standardised nature of assurance work and the important role that assurance plays in supporting integrity in financial reporting. Non-assurance work is generally more diverse and provides a range of different outputs. In this respect, we welcome the changes in terminology within the standard, for example in the proposed change from <i>reasonable assurance</i> to <i>reasonable confidence</i>; and the proposed removal of <i>Engagement Quality Control Reviewer</i>, with <i>appropriate reviewer</i>.</p>	No
10	Specific Comment 2	CA ANZ	<p>2. <i>Should APES 320 include root cause analysis as a means of identifying the root causes of deficiencies in the system of quality management? Please provide reasons and justification for your response.</i></p> <p>Root cause analysis (“RCA”) is particularly useful in large, complex organisations where it may be difficult to identify factors, systems or processes contributing to an identified issue/s. A disadvantage of RCA, however, is that it generally presupposes one root cause of a defect, where situations and events leading to non-compliance are often multi-factorial. For example, where non-compliance issues are based in organisational culture and behaviour, RCA would not be the most appropriate method for analysis.</p> <p>RCA is one of many strategies used to problem solve – it’s inclusion in a standard may be to the detriment and exclusion of other strategies that are more appropriate given due consideration to the circumstances. It is imperative that professional accountants are given the latitude to apply their professional judgement to matters of non-compliance and apply strategies for addressing and mitigating issues which are appropriate to the risk.</p>	Yes Para. 4.75

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
			While root cause analysis may be best practice, mandating the method in APES 320, which will largely apply to Small to Medium Practices (“SMPs”), may impose a burden on members which is not commensurate with the benefit derived. Imposing RCA in APES 320 may result in additional regulatory burden for negligible gain. In the absence of evidence which demonstrates inadequacies of extant 320 and critically evaluates the net benefits of RCA, CA ANZ does not support its inclusion in a standard which is applicable to non-assurance practices.	
11	Specific Comment 2	CPAA	<p>Request for Specific Comment 2 – Should APES 320 include root cause analysis as a means of identifying the root causes of deficiencies in the system of quality management? Please provide reasons and justification for your response.</p> <p>We support the inclusion of root cause analysis in APES 320. We acknowledge the concern that this may be onerous for small practitioners. Therefore, we support the inclusion of suitable guidance in the standard with respect to considerations relevant to the scalability for practice size and the nature of identified deficiencies.</p> <p>We support the inclusion of root cause for all practitioners due to the benefit of identifying, and therefore correcting, the underlying cause of a quality management deficiencies. We also consider that it will assist hybrid firms by having the high-level consistency of APES 320 with ASQM1.</p>	Yes Para. 4.75
12	Specific Comment 2	Craig Allen	2- Regarding root cause analysis, I see there being a benefit here in making the members think further to determine what causes issues in their quality system. That said I do not believe that small firms are in a position to have the resources to attend to this in any detail meaning if included it will become a very quick review to please the regulators. Maybe a consideration is that root cause applies to firms of a certain size (i.e. 3 partners or higher) who have the resources to attend to this requirement.	Yes Para. 4.75
13	Specific Comment 2	Deloitte	<p>2. <u>Should APES 320 include root cause analysis as a means of identifying the root causes of deficiencies in the system of quality management?</u></p> <p>We believe that the APESB should allow the firms to implement APES 320 and conduct a post implementation review to assist in the assessment whether it is appropriate to introduce a requirement for root cause analysis.</p>	No
14	Specific Comment 2	IPA	While we conceptually support the benefits of root cause analysis, we believe this would add an unnecessary level of complexity for sole practitioners and smaller firms and the nature of non-assurance services they	No

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
			provide. We believe the quality management framework provided in APES 320 is fit for purpose and the range of amendments in their current form, excluding root cause analysis, result in changes that are not overly complex to implement.	
15	Specific Comment 2	IPA	<p>Request for Specific Comment 2 – Should APES 320 include root cause analysis as a means of identifying the root causes of deficiencies in the system of quality management? Please provide reasons and justification for your response.</p> <p>Refer response on cover page.</p> <p>The Engagement Performance and Monitoring and Remediation requirements provide an adequate risk management framework to identify deficiencies in the system of quality management relating to the provision of non-assurance services generally.</p> <p>APESB may wish to consider extended requirements, such as root cause analysis, for specialised non-assurance services if there are particular concerns where there is an expectation that firms providing such services are more likely to be exposed to adverse events that are chronic, recurring and possibly systemic. These conditions are not generally prevalent in the provision of non-assurance services by sole practitioners and smaller practices. Regulatory settings should be fit for purpose and in the APES 320 context root cause analysis would be overly onerous for most practices to apply.</p>	Yes Para. 4.75
16	Specific Comment 2	KPMG	<p>Request for Specific Comment 2 – Should APES 320 include root cause analysis as a means of identifying the root causes of deficiencies in the system of quality management? Please provide reasons and justification for your response.</p> <p>Response</p> <p>No, APES 320 should not include root cause analysis as a means of identifying the root causes of deficiencies in the system of quality management. Whilst root cause analysis is an important and valuable exercise to understand the underlying drivers of key failings in policies and processes and their application, given the breadth of requirements set out in APES 320, KPMG is of the view that the application of root cause analysis across all deficiencies in the system of quality management would be too onerous a requirement. In addition, root cause analysis is only one of many methods used to problem solve and mandating its requirement may be at the detriment of other more appropriate strategies. For example, root cause analysis</p>	Yes Para. 4.75

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
			<p>is often considered not appropriate for problem solving for cultural deficiencies in the system of quality management.</p> <p>KPMG is concerned that the costs associated with root cause analysis, in terms of financial and other resources, would in many instances significantly outweigh the benefits that would arise. KPMG suspects this would particularly be the case for small and medium practitioners and firms.</p> <p>Recommendation 2: APES 320 should not include root cause analysis as a means of identifying the root causes of deficiencies in the system of quality management given that in many instances cost would significantly outweigh the benefits that would arise.</p>	
17	Specific Comment 2	Philip Priest	<p><i>Request for Specific Comment 2 – Should APES 320 include root cause analysis as a means of identifying the root causes of deficiencies in the system of quality management? Please provide reasons and justification for your response.</i></p> <p>While its appropriate that firms should review their systems for when issues arise, its not necessary to define what that system should be. Root cause analysis is but one tool that might be used, but, as APESB have observed, it can be overly resource intensive..</p>	Yes Para. 4.75
18	Specific Comment 2	PP	<p>Request for Specific Comment 2</p> <p>Should APES 320 include root cause analysis as a means of identifying the root causes of deficiencies in the system of quality management? Please provide reasons and justification for your response.</p> <p>Comment</p> <p>As mentioned in our overall opinion, there is no evidence to suggest that the extant APES 320 is not fit for purpose in respect of non-assurance engagements. It is our view that the existing requirement in extant APES 320 to identify deficiencies and put forward recommendations to remediate them is an adequate process for monitoring and remediation with respect to non-assurance services and will meet the 'reasonable confidence' expectation of the new standard.</p> <p>Root cause analysis requires time and resources to perform properly. It is unlikely that small/medium firms will have the resources to perform root cause analysis.</p>	No

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
			Whilst there may be benefits obtained from performing root cause analysis in an assurance environment where 'reasonable assurance' is the standard required, in a non-assurance environment, the cost of performing root cause analysis would outweigh the benefits obtained in our opinion. It would add a layer of complexity to APES 320 that is unnecessary for the service areas and engagements it is applicable to.	
19	Specific Comment 2	PwC	We believe Root Cause Analysis (RCA) should be excluded from APES320, in acknowledgement that it may add a significant level of complexity to the standard and be too resource intensive for smaller firms. This is not to say that RCA is not a critical element of a quality management system, but to mandate it as part of a standard for non-assurance work is, we believe , would create implementation costs that outweigh the benefits.	Yes Para. 4.75
20	Specific Comment 3	CA ANZ	<p>3. <i>Would practitioners find the development of additional implementation material for APES 320 useful? For example, the development of the Independence Guide by APESB in conjunction with the professional bodies, to demonstrate the application of independence standards has been favourably commented on by stakeholders. APESB is open to the development of similar implementation material for quality management of non-assurance practices. Please provide reasons and justification for your response.</i></p> <p>The proposed APES 320 is largely similar to the extant APES 320, therefore the impact on SMPs is minimal. The mapping document (contained in the ED), together with staff Q&As would be beneficial for members in navigating the mandatory changes required to current quality control systems and processes. The PAOs are working on developing tools and guidance to assist members transition to ASQM 1 and 2, this will also include guidance for a re-issued APES 320. Technical support from the APESB (and AUASB) would be beneficial in developing a suite of resources for members, particular for those members who offer both assurance and non-assurance services in their practices.</p>	No
21	Specific Comment 3	CPAA	<p><i>Request for Specific Comment 3 – Would practitioners find the development of additional implementation material for APES 320 useful? For example, APESB's development of the Independence Guide to demonstrate the application of independence standards has been favourably commented on by stakeholders. APESB is open to the development of similar implementation material for quality management of non-assurance practices. Please provide reasons and justification for your response.</i></p> <p>Members in public practice, particularly those in small and medium firms, appreciate guidance and assistance in implementing standard changes. We see this as a role for the professional bodies in supporting their members. CPA Australia will amend its current APES 320 Quality Management tool to reflect the changes in the standard and what practitioners will need to address to ensure their ongoing compliance.</p>	No

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
			The proposed changes to APES 320 are not complex. Therefore, if the APESB wishes to develop a support product for practitioners, a frequently asked questions or implementation checklist are likely to be sufficient.	
22	Specific Comment 3	Craig Allen	3- I believe any guidance that can be given to the profession around APES320 would be of value. It will be a case of some members being interested and maybe a lot only being interested when having a QA review but having extra resources would be a good thing in my view. Any guidance is good. Provided any guidance is not prescriptive and takes away the members having to consider things correctly, but putting tools in place to make the process one where members don't have to properly formally consider standards I believe is not a good thing for example software to prepare manuals, does not help the member really consider how they meet elements of standards in my view only enable them to pass a QA review.	No
23	Specific Comment 3	Deloitte	3. <u>Would practitioners find the development of additional implementation material for APES 320 useful?</u> Many firms, and in particular, those who are not implementing ASQM1, may find additional implementation material beneficial.	No
24	Specific Comment 3	IPA	Request for Specific Comment 3 – <i>Would practitioners find the development of additional implementation material for APES 320 useful? For example, the development of the Independence Guide by APESB in conjunction with the professional bodies, to demonstrate the application of independence standards has been favourably commented on by stakeholders. APESB is open to the development of similar implementation material for quality management of non-assurance practices. Please provide reasons and justification for your response.</i> Extant APES 320 has been in place for some time now and existing users have developed Quality Control (Practice) Manuals for their practices. Although these manuals will require updating to embrace changes in the proposed revised Standard, for practitioners only providing non-assurance services this should be achievable with some support from the professional bodies. The challenging aspect of the new quality management regime in Australia will relate to application by blended practices. IPA encourages the APESB to work with the professional bodies and the AUASB to ensure practitioners operating blended practices feel supported in applying the new suite of requirements. For example, a small firm or sole practitioner that provides a combination of SMSF audit services and tax services is not well resourced to develop two sets of manuals and/or to identify and address the differences between the auditing standard requirements and APES 320.	No

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
25	Specific Comment 3	KPMG	<p>Request for Specific Comment 3 – Would practitioners find the development of additional implementation material for APES 320 useful? For example, the development of the Independence Guide by APESB in conjunction with the professional bodies, to demonstrate the application of independence standards has been favourably commented on by stakeholders. APESB is open to the development of similar implementation material for quality management of non-assurance practices. Please provide reasons and justification for your response.</p> <p>Response</p> <p>Recognising that the proposed revised APES 320 does not contain significant new requirements for firms with non-assurance practices, in the absence of any evidence of significant failings in firms' quality management frameworks applicable to non-assurance practice and engagements, KPMG does not perceive a need for additional implementation material.</p> <p>Nevertheless, KPMG would welcome the opportunity to consider any implementation material the APES Board felt would be of assistance to practitioners and firms. Such material issued in the form of guidance is usually welcome, however KPMG is mindful of the risk of such guidance material being misinterpreted as requirements by regulators and other stakeholders.</p> <p>Recommendation 3: KPMG does not consider the development of additional implementation material for APES 320 necessary given that the Proposed Standard does not require new measures to be adopted by firms. However, if the APESB releases material for comment, a mapping document may be beneficial (i.e., quality control manual) and KPMG would be happy to review these materials prior to release.</p>	No
26	Specific Comment 3	Philip Priest	<p><i>Request for Specific Comment 3 – Would practitioners find the development of additional implementation material for APES 320 useful? For example, the development of the Independence Guide by APESB in conjunction with the professional bodies, to demonstrate the application of independence standards has been favourably commented on by stakeholders. APESB is open to the development of similar implementation material for quality management of non-assurance practices. Please provide reasons and justification for your response.</i></p> <p>Agree that some implementation guidance should be prepared - but not necessarily by APESB. While APESB might contribute and comment on, it potentially compromises their role as the standard setter. The professional bodies should be primarily responsible.</p>	No

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
27	Specific Comment 3	PP	<p>Request for Specific Comment 3</p> <p>Would practitioners find the development of additional implementation material for APES 320 useful? For example, the development of the Independence Guide by APESB in conjunction with the professional bodies, to demonstrate the application of independence standards has been favourably commented on by stakeholders.</p> <p>APESB is open to the development of similar implementation material for quality management of non-assurance practices. Please provide reasons and justification for your response.</p> <p>Comment</p> <p>The development of additional implementation material for APES 320 may be useful to firms that only provide non-assurance services. Having access to material that contains non-assurance engagement examples and scalability examples would be helpful for firms that just provide non-assurance services i.e., not also implementing the ASQM standards.</p> <p>For firms that are implementing the ASQM standards alongside APES 320 we think that guidance materials on the ASQM standards would be preferable (if we had to choose). APES 320 will not require a significant change for these firms and is unlikely to be as disruptive as the ASQM implementation project.</p>	No
28	Specific Comment 3	PwC	<p>We would support the offer to provide additional guidance and support materials for smaller and medium practices to help them implement the new requirements of the standard. This would not only assist with the expected level of documentation but provide some consistency in how smaller firms develop their approach to compliance.</p>	No
29	Specific Comment 4	CA ANZ	<p>4. Do you agree that APES 320 and APES 325 should continue to be separate standards or should APES 320 be incorporated into, or otherwise combined with, APES 325? Please provide reasons and justification for your response.</p> <p>APES 320 and APES 325 are complimentary standards. APES 325, however, focuses on the business of operating an accounting practice rather than the quality of engagements executed, providing a clear delineation between the two standards. Due to the volume and complexity of recent changes to standards, we believe combining APES 320 and APES 325 now, is not in members' interests and does not provide significant benefit to the public interest to justify the change. CA ANZ supports APES 320 and APES 325 remaining separate standards in the immediate future.</p>	No

Exposure Draft 05/21: Proposed Standard APES 320 Quality Management for Firms that provide Non-Assurance Services

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
			The amalgamation of APES 320 and APES 325 should be further explored and investigated by the APESB in the medium to long term.	
30	Specific Comment 4	CPAA	<p>Request for Specific Comment 4 – Do you agree that APES 320 and APES 325 should continue to be separate standards or should APES 320 be incorporated into, or otherwise combined with, APES 325? Please provide reasons and justification for your response.</p> <p>Across our membership we have received conflicting responses to this question. However, given our support for APES 320 only applying to non-assurance practitioners we support maintaining quality management and risk management as separate standards. We consider combining APES 325 into APES 320 will be confusing for practitioners who are providing assurance services. In this situation they would only need to comply with parts of the combined standard.</p>	No
31	Specific Comment 4	Craig Allen	4- I do not agree that APES 320 and APES325 should be combined. My reason for this is when going over these with members the difference in the standards is clear and the thought process they need to go through for both manuals is very different. I understand there is a slight overlapping of APES320 and APES325 but this is minor and needed in my view. When discussing and interviewing members for these manuals the separation of these manuals is very important. Furthermore combining them into one will in my view provide another change for no great benefit to members and will mean every practices manuals will be instantly out of date and needed to be re done. Even though my business helps in this space I see it as a waste of time for members for no real gain.	No
32	Specific Comment 4	Deloitte	<p>4. <u>Do you agree that APES 320 and APES 325 should continue to be separate standards or should APES 320 be incorporated into, or otherwise combined with, APES 325?</u></p> <p>We agree that APES 325 and APES 320 should be separate standards.</p>	No
33	Specific Comment 4	IPA	<p>Request for Specific Comment 4 – Do you agree that APES 320 and APES 325 should continue to be separate standards or should APES 320 be incorporated into, or otherwise combined with, APES 325? Please provide reasons and justification for your response.</p> <p>Conceptually we understand the arguments that would support the approach of merging APES 320 into APES 325 <i>Risk Management for Firms</i> given quality management standards are in essence an integral part of a practice's risk management system. However, as the scope of the revised standard will now only apply to non-assurance engagements, merging the two standards is more likely to lead to a level of complexity in application which may be more difficult for practitioners to understand and apply.</p>	No

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
			<p>APES 325 has been in place since January 2013 and practitioners have developed policies and procedures to address the requirements of this important standard. The standard works, isn't broken and merging the standard with the proposed revised APES 320 will add to further re-education and support needing to be provided for practitioners.</p> <p>The adjustment to the new quality management requirements will involve considerable effort particularly for audit/assurance practices and blended practices. Merging the requirements of APES 320 with APES 325 would cause further disruption and take away from the valuable time practitioners will require to review and update existing policies and procedures to bring them in line with the requirements of the revised APES 320 and should be avoided at this time.</p> <p>We note the APESB considered this issue at its September 2021 meeting and this issue was lightly probed as Option 4 in Agenda Paper 7(a). We believe there may be merit in further examining a merger of APES 320 and APES 325 in the future. However, a more detailed examination of options should be undertaken by APESB as a first step.</p>	
34	Specific Comment 4	KPMG	<p>Request for Specific Comment 4 – Do you agree that APES 320 and APES 325 should continue to be separate standards or should APES 320 be incorporated into, or otherwise combined with, APES 325? Please provide reasons and justification for your response.</p> <p>KPMG agrees that APES 320 and APES 325 should continue to be separate standards. Firms with assurance practices are already under significant resourcing pressure as a result of:</p> <ul style="list-style-type: none"> — the impact of the COVID-19 pandemic on their ability to recruit from markets outside Australia; and — the implementation and testing of controls required by the new standards ASQM 1 and ASQM 2. <p>For these reasons, KPMG is of the view that now is not an appropriate time for the APES Board to attempt to combine APES 320 and APES 325. Generally, KPMG encourages the APES Board to consider the pressures currently facing the profession before proposing any further changes to the standards with which it must comply. KPMG supports the APESB further explore and investigate this matter in the medium to long term.</p>	No

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
			Recommendation 4: KPMG considers that APES 320 and APES 325 continue to be separate standards given the significant resourcing pressure on the sector as a result of the impact of the COVID-19 pandemic and implementation of testing controls required by ASQM 1 and ASQM 2.	
35	Specific Comment 4	Philip Priest	<p><i>Request for Specific Comment 4 – Do you agree that APES 320 and APES 325 should continue to be separate standards or should APES 320 be incorporated into, or otherwise combined with, APES 325? Please provide reasons and justification for your response.</i></p> <p>I have no strong views on this. I understand the pragmatic approach taken by APESB and am happy to support this. The fact, though, that 325 covers both assurance and non assurance services begs the question whether 325 also needs to be separated out. I mention this, but have no firm views - as is noted in the commentary, 325 is intended for firm governance, whereas 320 is for engagement delivery.</p>	No
36	Specific Comment 4	PP	<p>Request for Specific Comment 4</p> <p>Do you agree that APES 320 and APES 325 should continue to be separate standards or should APES 320 be incorporated into, or otherwise combined with, APES 325? Please provide reasons and justification for your response.</p> <p>Comment</p> <p>In our opinion, APES 320 and APES 325 <i>Risk Management for Firms</i> should continue to be separate standards.</p> <p>APES 325 provides the framework that applies across the entire firm/network firm including all practice areas. The APES 325 standard is generally used by those within a firm that are responsible for governance and risk.</p> <p>APES 320 applies at the engagement level and the users of this standard extends to professional, client facing staff in addition to those responsible for quality, risk and compliance. We believe that combining the two standards would create confusion.</p>	No

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
37	Specific Comment 4	PwC	Finally, we are comfortable with the continued separation of APES 320 and APES 325 at this time given the disruption it may cause to the risk management frameworks of the firms. In addition the risks considered under APES 325 are more strategic and comprehensive than those considered under APES 320. We believe this question should be revisited at a later point.	No
38	Para. 1.1	CA ANZ	[Note the remainder of this comment from CA ANZ is set out in General Comment 12.] CA ANZ does not support; <ul style="list-style-type: none"> The use of terminology and phrasing which is audit centric. We note that extant APES 320 was replicated from the International Standard on Quality Control (“ISQC 1”). Given ISQC 1 was designed for audit and assurance services we are concerned that retention of some material from extant APES 320 may, in some circumstances, be conceptually inappropriate for non-assurance service engagements. We have identified examples of phrasing and terminology that require review at paragraphs 1.1, 2, 3.1, 3.3, 4.2, 4.11(b), 4.39, 4.49, 4.51, 4.66, 4.70, 4.75 (reference to reports as engagement deliverables), 4.42(e), 4.43 (c) 4.46, (reference to conclusions reached) 4.48 (reference to conclusions reached and reports) 4.8, 4.9 (reference to Independence Requirements). 	Yes Para. 1.1
39	Para. 1.1	KPMG	— Paragraph 1.1 – change “reports issued by” to “Engagement deliverables issued or provided by,”	Yes Para. 1.1 second dot point
40	Section 2 Definition of Assurance Engagement	Deloitte	4. <u>Definitions</u> a) The ED contains a proposed definition for Assurance Engagements, as currently drafted, this definition is not the same as the definition that is in paragraph AUS 16.1 of ASQM 1. The definition should be the same as used in ASQM 1.	No
41	Section 2 Definition of Assurance Practice	Deloitte	b) We do not believe that it is necessary to have a definition for an Assurance Practice.	Yes Appendix 1
42	Section 2 Definitions of	Deloitte	d) We recommend that the APESB revisit the need for the inclusion of the term professional activity in the definition of Client and the need for a definition of professional activity in the ED. The definition of	Yes Appendix 1

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
	Client, Professional Activity and Professional Services		professional activity in the ED states “means an activity that requires accounting or related skills”. There is no definition of related skills in the ED. Furthermore, given the diverse nature of the activities that the Firms undertake many of them do not require accounting skills. If the APESB were to revise the definition of Client as follows: Client means an individual, firm, entity or organisation to whom or to which Professional Activities Services are provided by a member in Public Practice in respect of Engagements of either a recurring or demand nature”, it would eliminate the need for a definition for professional activity which is only used in the definitions in the ED.	
43	Section 2 Definitions of Engagement Document, Engagement Partner and System of Quality Management and Proposed Definition of Engagement Output	CA ANZ	[Refer CA ANZ comment at Specific Comment 38]	Yes Include definition of Engagement Document and proposed definition of Engagement Output. Amend definitions of Engagement Partner and System of Quality Management
44	Section 2 Definition of Engagement Document and Proposed Definition of Engagement Output	KPMG	KPMG makes the following recommendations to reflect the broad array of services and advice provided by contemporary non-assurance practices. — New defined term – “Engagement deliverable” means the output of the engagement as required by, and documented in, the Engagement. This could include, but is not limited to, a report, presentation, tax return or other completed form, advice, or project management outputs.	Yes Include definition of Engagement Document and proposed definition of Engagement Output

Exposure Draft 05/21: Proposed Standard APES 320 Quality Management for Firms that provide Non-Assurance Services

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
45	Section 2 Definition of Engagement Partner	Deloitte	c) In acknowledgement that not all engagements result in the issuance of a report, we recommend that the term Engagement Partner is revised as follows “ Engagement Partner means the Partner or other person in the Firm who is responsible for the Engagement and its performance, and for the report that is issued on behalf of the Firm, and who, where required has the appropriate authority from a professional, legal or regulatory body”.	Yes Definition of Engagement Partner
46	Section 2 Definition of Engagement Partner	KPMG	— Definition: Engagement Partner – replace “the report that is issued” with “Engagement deliverables issued or provided”.	Yes Definition of Engagement Partner
47	Section 2 Definition of Independence	CA ANZ	<i>[Refer Specific Comments Table APES 320 Attachment 1 – CA ANZ Appendix 2 Table 2 which lists new, amended and removed definitions in the proposed APES 320 and includes CA ANZ comments. CA ANZ’s comment specific to Independence is replicated below]</i> — CA ANZ acknowledges that the term “Independence” is used more widely than only in audit and assurance standards. However, with the recent introduction of the ‘Role and Mindset’ provisions in the Code, it may be more appropriate for the term “Independence” to be reserved for engagements that require Independence as defined by The Code, relevant legislation and/or accounting and auditing standards. We recommend that the APESB review other professional standards to determine whether ‘role and mindset’ is a more appropriate term, weighed against the level of public interest in various non-assurance services.	No
48	Section 2 Definitions of Professional Standards, Service Provider and System of	CA ANZ	<i>[Refer Specific Comments Table APES 320 Attachment 1 – CA ANZ Appendix 2 Table 1 which compares defined terms in extant APES 320 to the terminology in proposed APES 320 and includes CA ANZ comments. CA ANZ comment specific to System of Quality Management is set out below]</i> If alignment between ASQM 1 and APES 320 is not the predominant purpose for reissuing APES 320, then CA ANZ does not see the need for this change in terminology. Further, retaining the extant name of the standard might create a clearer distinction between APES 320 and ASQM 1. CA ANZ is not strongly opposed to the change in terminology.	

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
	Quality Management Other Terminology – appropriate reviewer and reasonable confidence			
49	Section 2 Definition of Public Document	Deloitte	e) We question the need for a definition of Public Document in the ED as engagements of this nature would be covered by ASQM1.	No
50	Section 2 System of Quality Management	KPMG	— Definition: System of Quality Management – replace “reports issued” with “Engagement deliverables issued or provided”.	Yes Definition of System of Quality Management
51	Para. 3.1	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	Yes Para. 3.1
52	Para. 3.1	Deloitte	5. <u>Comments on specific paragraphs in the ED</u> We recommend that the APESB relook at the structure of the ED, we are concerned that it is referring to complying with the SQM in a number of the individual paragraphs. In our view, this is not necessary, Firms need a SQM to provide them with reasonable confidence, as outlined in paragraph 3.1, beyond that the requirements should refer to the establishment of policies and procedures required for an effective SQM.	No
53	Para. 3.1	KPMG	— Paragraph 3.1 - replace “reports issued” with “Engagement deliverables issued or provided”.	Yes Para. 3.1
54	Para. 3.3	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	Yes Para. 3.3
55	Para. 3.4	Deloitte	g) Par 3.4 we recommend that the last sentence in this paragraph is revised as to state “This will facilitate a Firm complying with this Standard and APES325 and ensure support consistency”.	No
56	Para. 3.5	CA ANZ	<i>[Refer Specific Comments Table APES 320 Attachment 1 – CA ANZ Appendix 2 Table 3 which summarises extant APES 320 paragraph 10 and paragraph 3.5 in the proposed APES 320 and includes CA ANZ comments]</i>	No

Exposure Draft 05/21: Proposed Standard APES 320 Quality Management for Firms that provide Non-Assurance Services

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
57	Para. 3.14	CA ANZ	<p><i>[Refer Specific Comments Table APES 320 Attachment 1 – CA ANZ Appendix 2 Table 4 which summarises extant APES 320 paragraphs to proposed paragraphs in APES 320 and includes CA ANZ comments. CA ANZ's comment specific to extant paragraph 17 and proposed paragraph 3.14 of APES 320 are set out below]</i></p> <p>CA ANZ considers the proposed changes to operational responsibility for quality management to be inconsistent with the public interest risk attributable to non-assurance practices. CA ANZ recommends that the extant requirement is adopted to allow SMPs greater flexibility in operational management of their SQM.</p>	Yes Para. 3.14(c)
58	Para. 3.16	CA ANZ	<p><i>[Refer Specific Comments Table APES 320 Attachment 1 – CA ANZ Appendix 2 Table 5 which summarises proposed new requirements in APES 320 and includes CA ANZ comments. CA ANZ's comment specific to proposed paragraph 3.16 of APES 320 is set out below]</i></p> <p>CA ANZ questions whether this new requirement is needed. As the professional standards are mandatory for all members in Australia (paragraph 1.4 & 3.1), it follows that the requirements of APES 320 must be adhered to locally. CA ANZ recommends removing this requirement.</p>	Yes Para. 3.16
59	Para. 4.1	Deloitte	<p>We recommend that that APESB revise the current drafting as follows:</p> <p>a) Par 4.1 A Firm shall establish policies and procedures designed to <u>that specify how the firm will promote an internal culture that recognises</u> ing that quality is essential in performing Engagements.</p>	No
60	Para. 4.2	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	Yes Para. 4.2
61	Para. 4.4	Deloitte	b) Par 4.4 A Firm shall establish policies and procedures designed to provide it with reasonable confidence <u>that require</u> the Firm and its Personnel <u>to</u> comply with Professional Standards.	No
62	Paras. 4.8 and 4.9	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	No
63	Para. 4.9	Deloitte	c) Par 4.9 A Firm shall establish policies and procedures designed to provide it with reasonable confidence <u>that require</u> the Firm, its Personnel and, where applicable, others subject to Independence requirements (including Network Firms' Personnel) <u>to</u> maintain Independence where required by Professional Standards.	No
64	Para. 4.11(b)	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	Yes Paras. 4.11(b) and (f)

Exposure Draft 05/21: Proposed Standard APES 320 Quality Management for Firms that provide Non-Assurance Services

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
65	Para. 4.19	CA ANZ	<i>[Refer Specific Comments Table APES 320 Attachment 1 – CA ANZ Appendix 2 Table 4 which summarises extant APES 320 paragraphs to proposed paragraphs in APES 320 and includes CA ANZ comments]</i>	No
66	Para. 4.20	Deloitte	h) Par 4.20 Personnel issues-matters relevant ...	Yes Para. 4.20
67	Para. 4.26(a)	Deloitte	i) Par 4.26 (a) includes a requirement that the identity and role of the Engagement Partner is communicated to key members of the Client management and Those Charged with Governance. Given the broad range of services that professional services firms provide there are many circumstances in which communication with, and the involvement of Those Charged with Governance is not necessary, therefore we recommend that this requirement is removed.	Yes Para. 4.26(a)
68	Para. 4.26(c)	CA ANZ	<i>[Refer Specific Comments Table APES 320 Attachment 1 – CA ANZ Appendix 2 Table 4 which summarises extant APES 320 paragraphs to proposed paragraphs in APES 320 and includes CA ANZ comments]</i>	No
69	Para. 4.28	Deloitte	d) Par 4.28 A Firm shall establish policies and procedures to assign appropriate individuals to the Engagement Team with the necessary competence and capabilities to perform Engagements that comply with <u>the requirements of the System of Quality Management Professional Standards and applicable legal and regulatory requirements.</u>	No
70	Para. 4.37	Deloitte	e) Par 4.37 A Firm shall establish policies and procedures designed to provide it with reasonable confidence that require the Firm to perform Engagements that comply with <u>the requirements of the System of Quality Management. Professional Standards and applicable legal and regulatory requirements.</u>	No
71	Para. 4.38	CA ANZ	<i>[Refer Specific Comments Table APES 320 Attachment 1 – CA ANZ Appendix 2 Table 4 which summarises extant APES 320 paragraphs to proposed paragraphs in APES 320 and includes CA ANZ comments. CA ANZ's comment specific to proposed paragraph 4.38 of APES 320 are set out below]</i> CA ANZ supports the partially new requirements at paragraph 4.38. The extant requirements and application material clearly articulate responsibilities as described in paragraph 4.38. While we are not strongly opposed to sub-paragraph 4.38 (a), we consider the sub-paragraph to be a duplication of other requirements.	No
72	Para. 4.39	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	Yes Para. 4.39 fourth dot point
73	Para. 4.39	KPMG	— Paragraph 4.39 – replace “form of the report being issued” with “form of the Engagement deliverables being issued or provided”.	Yes Para. 4.39 fourth dot point
74	Para. 4.42(e)	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	Yes Para. 4.42(e)

Exposure Draft 05/21: Proposed Standard APES 320 Quality Management for Firms that provide Non-Assurance Services

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
75	Para. 4.42(f)	KPMG	— Paragraph 4.42(f) – Add the words “where relevant,” to the beginning of the point.	Yes Para. 4.42(f)
76	Para. 4.43	Deloitte	f) Para 4.43 A Firm shall establish policies and <u>procedures for consultation which include</u> designed to provide it with reasonable confidence that: a. <u>when</u> appropriate consultation <u>shall</u> takes place on difficult or contentious matters and high-risk Engagements; b. <u>that</u> sufficient resources are <u>shall be</u> available to enable appropriate consultation to take place; and c. <u>how</u> conclusions resulting from consultations are <u>shall be</u> implemented.	No
77	Para. 4.43(c)	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	No
78	Para. 4.46	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	No
79	Para. 4.48	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	Yes Para. 4.48 lead in and 4.48(a)(ii)
80	Para. 4.48 and 4.48(a)(ii)	KPMG	— Paragraph 4.48 – replace “report” with “Engagement deliverables”. — Paragraph 4.48(a)(ii) – replace “Engagement report” with “Engagement deliverables”.	Yes Para. 4.48 lead in and 4.48(a)(ii)
81	Para. 4.49	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	Yes Para. 4.49(a)
82	Para. 4.49(a)	KPMG	— Paragraph 4.49(a) – replace “Engagement reports” with “Engagement deliverables”.	Yes Para. 4.49(a)
83	Para. 4.51	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	Yes Para. 4.51
84	Para. 4.57(b)	Deloitte	j) Par 4.57 (b) provide, where necessary, a record of changes made to Engagement Documentation after <u>completion of the assembly</u> of the Engagements files have been completed ; and	No
85	Para. 4.58	Deloitte	k) Par 4.58 we recommend removal of the final sentence, we do not believe that it is necessary to include it, and it could create confusion as to whether or not it is appropriate to include information provided by client on which the work has been performed in the engagement documentation. In many circumstances it will be appropriate to include such information in the engagement documentation.	Yes Para. 4.58
86	Para. 4.59	CA ANZ	<i>[Refer Specific Comments Table APES 320 Attachment 1 – CA ANZ Appendix 2 Table 5 which summarises proposed new requirements in APES 320 and includes CA ANZ comments]</i>	No
87	Para. 4.66	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	Yes

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
				Para. 4.66(c)
88	Para. 4.66(c)	KPMG	— Paragraph 4.66(c) - replace “reports issued” with “Engagement deliverables issued or provided”.	Yes Para. 4.66(c)
89	Para. 4.70	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	Yes Para. 4.70 third sub-dot point of the second dot point
90	Para. 4.70	KPMG	— Paragraph 4.70 - replace “reports issued” with “Engagement deliverables issued or provided”.	Yes Para. 4.70 third sub-dot point of the second dot point
91	Para 4.71	Deloitte	<p>4) 4.71 A Firm shall establish policies and procedures requiring documentation of for receiving, investigating, and resolving complaints and allegations about failures to perform work in accordance with Professional Standards and applicable legal and regulatory requirements, or non-compliance with the firm’s policies or procedures established in accordance with this SQM and the response to them and that provide the Firm with reasonable confidence that it deals appropriately with:</p> <p>i. complaints and allegations that the work performed by the Firm fails to comply with Professional Standards and applicable legal and regulatory requirements; and</p> <p>ii. allegations of non-compliance with the Firm’s System of Quality Management</p>	Yes Para. 4.71
92	Para. 4.75	CA ANZ	<i>[Refer CA ANZ comment at Specific Comment 38]</i>	Yes Para. 4.75 first and third dot points
93	Para. 4.75	KPMG	— Paragraph 4.75 – in the first and third bullet points, replace references to “reports” to references to “Engagement deliverables”.	Yes Para. 4.75 first and third dot points

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
94	Conformity Section	Deloitte	<p><u>Conformity with International Pronouncements</u></p> <p>For consistency with the approach adopted in other standards, such as APES 330 Insolvency Services, we believe that this should state “The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES 320”</p>	No

RESPONDENTS

1	CA ANZ	Chartered Accountants Australia and New Zealand
2	CPAA	CPA Australia
3	Craig Allen	Craig Allen
4	Deloitte	Deloitte Touche Tohmatsu
5	IPA	Institute of Public Accountants
6	KPMG	KPMG
7	Philip Priest	Philip Priest
8	PP	Pitcher Partners
9	PwC	PricewaterhouseCoopers