

Agenda Item 3(f) Summary of Other Substantive Issues Raised by Respondents

The following provides a summary of the substantive issues raised by respondents. The full comments from respondents and Technical Staff responses are set out in General and Specific Comments Tables (Agenda Items 3(c), 3(d) and (e)).

1. Use of 'should'

Deloitte is concerned that using 'should' in various application paragraphs in APES 320 may inadvertently confuse and create obligations (GC21).

Technical Staff have reviewed the use of 'should' in the proposed APES 320 and believe it is appropriate and in accordance with APESB drafting conventions. It should also be noted that the AASB and AUASB also use 'should' in their guidance material.

In APESB pronouncements, 'should' denotes where there is a professional obligation to consider the matter, the specific circumstance and to exercise professional judgement as set out in [paragraph 5.2\(e\)](#) of APESB's *Due process and working procedures for the development and review of APESB pronouncements*.

Technical Staff recommend that consistent with other APESB pronouncements, a footnote is added to proposed paragraph 1.3 of APES 320 referring to paragraph 5.2(e) of APESB's Due Process document, which provides guidance on the meaning of 'should'.

2. Definition of reasonable confidence

Deloitte believes a definition of 'reasonable confidence' and related application material should be included in APES 320 (GC22).

Technical Staff are of the view that not defining reasonable confidence provides greater flexibility and scalability for Firms to exercise their professional judgement. Reasonable confidence has been incorporated in APES 325 since 1 January 2013, and we are not aware of concerns raised with this terminology. Accordingly, Technical Staff do not recommend defining reasonable confidence or including additional application material.

3. Use of Independence in the standard

CA ANZ believes APESB should consider whether the recent introduction of 'Role and Mindset' provisions in the Code are more appropriate than 'Independence' which should be reserved for engagements that require Independence as defined in the Code (SC47).

Independence requirements are included in numerous APES standards (refer to proposed paragraph 4.8 of APES 320) and by law in some instances (e.g., Insolvency and Financial Planning Services). Accordingly, Technical Staff do not recommend amendments to APES 320 at this stage.

Technical Staff recommend adding to the APESB Issues Register this issue under APES 110 to consider which standards may need to be reviewed in respect of the role and mindset provisions.

4. *Structure of APES 320*

Deloitte raised concerns that some paragraphs in ED 05/21 refer to establishing policies and procedures that provide reasonable confidence that the Firm complies with the System of Quality Management and believe requirements should refer to the establishment of specific policies and procedures required for an effective system (SC52).

Technical Staff note that referring to complying with the System of Quality Management (now a defined term) within proposed paragraphs of APES 320 (for example, paragraph 4.28) simplify the drafting from extant APES 320 paragraphs which refer to all aspects of the objective of the system of quality control (for example, paragraph 56).

Referring to reasonable confidence within individual paragraphs highlights the aim for those policies and procedures to provide Firms with a level of confidence and not absolute certainty. Further, Technical Staff believe making certain policies and procedures more specific reduces Firms' flexibility in how they meet the requirements of the elements of the system. This proposal may also require Firms to create new policies and procedures rather than modify existing policies and procedures designed for extant APES 320, thus increasing disruption.

5. *The person assigned operational responsibility*

CA ANZ believe the proposed changes affecting the person(s) assigned operational responsibility for the System of Quality Management (proposed paragraph 3.14) are inconsistent with the public interest risk attributable to non-assurance practices and recommend adopting the extant requirement (SC57).

Paragraph 3.14 is substantively the same as extant paragraph 17, except for 3.14(c). Technical staff are of the view that there is public interest benefit in those assigned operational responsibility for the system having a direct line of communication and ability to raise issues, with the person with ultimate responsibility. However, we acknowledge this could impact Firms' hierarchical structures and reduce operational flexibility.

Technical Staff recommend removing the proposed subparagraph 3.14(c) of APES 320.

6. *Network Firms*

CA ANZ query whether the proposed requirement to not allow Network requirements result in the Firm not complying with APES 320 (paragraph 3.16) was necessary due to other requirements making the Firm responsible for the system (SC58).

While Technical Staff agree other requirements place the onus of compliance with the standard at the Firm and not the Network level, we believe it is important to highlight that complying with Network requirements does not necessarily mean compliance with APES 320. This issue may now be more relevant for international networks, where Australia will be unique with a quality management standard specific to non-assurance services.

Technical Staff recommend changing proposed paragraph 3.16 from a requirement to guidance material and making consequential editorial amendments which will also reduce the number of new requirements and potential disruption for Firms.

7. *Communicating with Those Charged with Governance*

Deloitte believes that given the broad range of non-assurance services, there are many instances where communication and involvement with Those Charged with Governance are unnecessary and recommend removing this requirement (SC67). Technical Staff agree that such communication is not necessary for all non-assurance services.

Technical Staff recommend that proposed paragraph 4.26(a) of APES 320 be amended, so communication with Those Charged with Governance is required 'where applicable'.

8. *Ownership of Engagement Documentation*

Deloitte recommends removing the last sentence of proposed paragraph 4.58, "*Engagement Documentation does not include the original source documents provided to the Firm by the Client,*" as they believe it is unnecessary and creates confusion about the appropriateness of including such information in Engagement Documentation (SC85).

Technical Staff note this sentence was included in ED 05/21 based on feedback from a professional body regarding queries received from members about whether the Firm's Engagement Documentation includes client source documents. Proposed paragraph 4.58 highlights that Engagement Documentation is the Firm's property (subject to laws and regulations). The last sentence aims to clarify that the client maintains ownership of their source documents. Engagement Documentation (working papers or work papers) does not include the original source documents from clients. However, such documents, or copies thereof, may provide evidence or support to working papers.

Technical Staff recommend amending the last sentence of the proposed paragraph 4.58 of APES 320 to avoid any confusion and clarify that the source documents remain the client's property.

9. *Complaints and allegations*

Deloitte recommends various amendments to proposed paragraph 4.71 of APES 320 (SC91). Technical Staff note that this paragraph is a consolidation of requirement paragraphs 119 and 129 of extant APES 320 and substantively remain unchanged to minimise disruption, so Firms do not require new policies and procedures.

Technical Staff believe Deloitte's proposed wording would require the policies and procedures to be more specific and reduce flexibility in how Firms ensure complaints and allegations are dealt with appropriately. However, we agree there is merit in including reference to 'receiving and investigating' complaints and allegations.

Technical Staff recommend that the lead-in sentence of proposed paragraph 4.71 of APES 320 be amended to include 'receiving and investigating'.