

## Agenda Item 5(a)



# Project Proposal – Conforming Amendments to APESB’s Pronouncements for Quality Management

## Introduction

APESB needs to revise APES 110 *Code of Ethics for Professional Accountants* (the Code) to incorporate changes arising from the conforming amendments for quality management to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants (IESBA).

Additionally, APESB reissued APES 320 *Quality Control for Firms* as APES 320 *Quality Management for Firms that provide Non-Assurance Services* on 22 February 2022. Accordingly, APESB will need to undertake a project to update its pronouncements, where relevant, to align them with the reissued APES 320 and new Australian equivalents of international quality management standards.

## Background

As a result of the new quality management standards issued by the International Auditing and Assurance Standards Board (IAASB) in December 2020 (effective 15 December 2022), the IESBA issued an Exposure Draft *Proposed Quality Management-Related Conforming Amendments to the Code* in August 2021. The final standard was approved at the November-December 2021 IESBA Board meeting. Subject to Public Interest Oversight Body (PIOB) approval, the conforming amendments to the IESBA Code are expected to be released in April 2022 (effective 15 December 2022).

The Auditing and Assurance Standards Board (AUASB) issued the Australian equivalents of international quality management standards in March 2021, which will apply to Australian assurance practices from 15 December 2022, and consist of (AUASB Quality Management Standards):

- ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*;
- ASQM 2 *Engagement Quality Review*; and
- ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*).

At the 7 February 2022 APESB meeting, the Board approved the reissue of APES 320 *Quality Control for Firms* as APES 320 *Quality Management for Firms that provide Non-Assurance Services* (reissued APES 320). The reissued APES 320 was released on 22 February 2022 (effective 1 January 2023) and will now only apply to non-assurance services.

## **Agenda Item 5(a)**

References to APES 320, quality control (now quality management) and terminology relevant to quality management are included in numerous APESB pronouncements.

Therefore, APESB will need to update its pronouncements, where relevant, to ensure they remain consistent with the reissued APES 320 and AUASB Quality Management Standards.

### **Key Considerations**

Technical Staff expect that most of the proposed revisions to the APESB pronouncements arising from the reissued APES 320 and AUASB Quality Management Standards will be consequential or editorial in nature. However, in undertaking this project, APESB will also need to consider:

#### 1) Timing of the issue of the reissued APES 320 and the IESBA Code amendments

In preparing the timeline for this project, Technical Staff have considered the effective dates of the reissued APES 320 (1 January 2023) and the conforming amendments to the IESBA Code (15 December 2022).

However, as the conforming amendments to the IESBA Code are subject to PIOB approval before they are issued as final, any changes to the IESBA's timeline will need to be considered for the impact on this project's timeline as necessary.

#### 2) Issues Register

Any issues noted on APESB's Issues Register will be considered as part of the review of the APESB pronouncements, as appropriate.

#### 3) AUASB Quality Management Standards

From 1 January 2023, APES 320 will only apply to non-assurance services and the AUASB Quality Management Standards will apply to Australian assurance practices. As a result, APESB will need to liaise with the AUASB to ensure amendments to APESB pronouncements are consistent with AUASB Quality Management Standards.

### **Proposed Project Plan**

Appendix A presents the proposed project plan for updating APESB's suite of pronouncements and lists the key project activities, proposed timeline, project risk assessment and resource requirements.

### **Other Matters**

Technical Staff do not note any impact on accounting, auditing, or other relevant standards other than the AUASB's Quality Management Standards.

## Agenda Item 5(a)

### *Related legislative developments*

Technical Staff are not aware of any related legislative developments that would impact the proposed project.

### *Related international developments*

Other than the IESBA/IAASB developments, no other developments that impact the APESB pronouncements are noted at this stage.

### *Benefits of updating the pronouncements*

The project will ensure that the Code is aligned with the IESBA Code and APESB pronouncements continue to be aligned with the reissued APES 320 and AUASB's Quality Management Standards.

## Appendix A

Project Plan to Update APESB Pronouncements	
<b>Objective</b>	To update APESB pronouncements to incorporate revisions to APES 320 and revise the Code to include changes from the conforming amendments to the IESBA Code.
<b>Activities (in phases)</b>	<p>The activities for this project have been grouped into 3 key phases.</p> <p><b>Phase 1: Review/update APESB pronouncements</b></p> <ul style="list-style-type: none"><li>• Internal review of APESB pronouncements, including identifying amendments relating to the reissued APES 320 and AUASB's Quality Management Standards.</li><li>• Internal review of the Code to incorporate the changes arising from the conforming amendments to the IESBA Code.</li><li>• Consider issues noted on the APESB Issues Register and make changes to the pronouncements, as necessary.</li></ul> <p><b>Phase 2: Develop and issue exposure drafts</b></p> <ul style="list-style-type: none"><li>• Separate Exposure Drafts will be developed to request comments from stakeholders on:<ul style="list-style-type: none"><li>- Quality management conforming amendments to the Code; and</li><li>- An omnibus Exposure Draft with extracts from relevant APESB pronouncements that require changes to align to the reissued APES 320 and AUASB Quality Management Standards; and</li><li>- As part of amendments for pronouncements already subject to a review to align to the reissued APES 320 and AUASB Quality Management Standards.</li></ul></li><li>• Comment periods will range between 30 – 45 days.</li></ul>

Agenda Item 5(a)

<b>Project Plan to Update APESB Pronouncements</b>	
	<p><b>Phase 3: Issue updated pronouncements</b></p> <ul style="list-style-type: none"> <li>• Analyse submissions received on the Exposure Drafts.</li> <li>• Prepare final revised pronouncements for Board approval.</li> </ul>
<b>Impacted Pronouncements</b>	<ul style="list-style-type: none"> <li>• Revise APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) for quality management conforming amendments.</li> <li>• Update the following pronouncements to align with the reissued APES 320 and AUASB Quality Management Standards:               <ul style="list-style-type: none"> <li>- APES 215 <i>Forensic Accounting Services</i></li> <li>- APES 220 <i>Taxation Services</i></li> <li>- APES 225 <i>Valuation Services</i></li> <li>- APES 230 <i>Financial Planning Services</i></li> <li>- APES 310 <i>Client Monies</i></li> <li>- APES 315 <i>Compilation of Financial Information</i></li> <li>- APES 325 <i>Risk Management for Firms</i></li> <li>- APES 330 <i>Insolvency Services</i></li> <li>- APES 345 <i>Reporting on Prospective Financial Information prepared in connection with a Public Document</i></li> <li>- APES 350 <i>Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document</i></li> <li>- APES GN 30 <i>Outsourced Services</i></li> <li>- APES GN 31 <i>Professional and Ethical Considerations relating to Low Doc Offering Sign-offs</i></li> </ul> </li> </ul>
<b>Timeline</b>	<p>The proposed timeline for the project is 12-18 months. The timeline has been developed based on the main phases of the project, with the aim to align to the effective date of APES 320 and the AUASB Quality Management Standards where possible and to ensure due process if followed:</p> <p><b><u>Phases 1 and 2: Review and issue of EDs</u></b></p> <ul style="list-style-type: none"> <li>• Review the Code for quality management conforming amendments during April/May 2022 and prepare an Exposure Draft for approval at the June 2022 Board meeting.</li> <li>• Review APESB pronouncements during April/May 2022 and prepare an omnibus Exposure Draft for approval at the September 2022 Board meeting.</li> <li>• Review the remaining APESB pronouncements subject to separate reviews and prepare Exposure Drafts for approval at future Board meetings.</li> </ul>

Agenda Item 5(a)

<b>Project Plan to Update APESB Pronouncements</b>	
	<p><b><u>Phase 3: Issues of updated pronouncements</u></b></p> <ul style="list-style-type: none"> <li>• Analyse submissions on the Code and other Exposure Drafts.</li> <li>• Seek approval at the September 2022 Board meeting for an amending standard to the Code</li> <li>• Seek approval from the Board at the November 2022 Board meeting or subsequent Board meetings for revisions to the other APESB pronouncements.</li> <li>• Issue the amending standard to the Code during October-December 2022 and other APESB pronouncements in late 2022 and the first half of 2023.</li> </ul>
<b>Project Risk Assessment (key risks)</b>	<p><b><u>Risk 1</u></b></p> <p>Risk: Proposed revisions are not acceptable to Members, Professional Bodies and other stakeholders.</p> <p>Assessment:</p> <ul style="list-style-type: none"> <li>- Probability: Low</li> <li>- Impact: Low to medium</li> <li>- Risk rating: Low</li> </ul> <p>Mitigating Controls: Undertake stakeholder engagement, if and as required.</p> <p><b><u>Risk 2</u></b></p> <p>Risk: Changes in the IESBA timeline may cause delays in APESB's timeline</p> <p>Assessment:</p> <ul style="list-style-type: none"> <li>- Probability: Low</li> <li>- Impact: Medium</li> <li>- Risk rating: Low</li> </ul> <p>Mitigating Controls: Monitor IESBA's progress and liaise with IESBA Technical Staff, as needed. Adjust APESB's timeline as required.</p>
<b>Resource Requirements</b>	<ul style="list-style-type: none"> <li>• The estimated Technical Staff time over the life of this project is approximately 6 to 8 weeks.</li> <li>• Other sundry costs include printing and stationery.</li> </ul>