

AGENDA PAPER

Item Number: 10

Date of Meeting: 23 September 2022

Subject: Proposed conforming amendments to APES 110 for Quality Management

Action required **For discussion** **For noting** **For information**

Purpose

To:

- provide the Board with Technical Staff's assessment of submissions received on ED 02/22 *Proposed Quality Management-related Conforming Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (ED 02/22); and
- obtain the Board's approval, subject to the Board's review comments and editorials, to issue an amending standard *Quality Management-related Conforming amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*.

Background

The International Ethics Standards Board for Accountants (IESBA) issued quality management-related conforming amendments to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) in April 2022 (effective 15 December 2022). The revisions result from new quality management standards issued by the International Auditing Standards Board (IAASB) in December 2020.

The Auditing and Assurance Standards Board (AUASB) issued the Australian equivalents of the IAASB's quality management standards in March 2021, applicable to Australian assurance practices from 15 December 2022. AUASB's Quality Management Standards are:

- 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 Reviews*; and
- ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*.

The Board approved the reissue of APES 320 as *Quality Management for Firms that provide Non-Assurance Services* (reissued APES 320) at the February 2022 meeting. The reissued APES 320 was released on 22 February 2022 (effective 1 January 2023).

At the March 2022 meeting, the Board approved a project plan to revise APES 110 and other APESB pronouncements for quality management conforming amendments to align with the IESBA Code, the reissued APES 320 and AUASB Quality Management Standards.

The Board approved ED 02/22 at the June 2022 Board meeting ([Agenda Item 4](#)), which was issued on 17 June 2022 and was open for public comment until 29 July 2022.

Matters for Consideration

APESB received 5 submissions on ED 02/22 from Chartered Accountants Australia and New Zealand (CA ANZ), CPA Australia, Deloitte, the Institute of Public Accountants (IPA) and Pitcher Partners.

Stakeholders' comments are tabulated in General and Specific Comments Tables at Agenda Items 10(a) and 10(b). Stakeholders generally supported the proposed conforming amendments as they aligned APES 110 to the IESBA Code, reissued APES 320 and the AUASB Quality Management Standards.

Substantive Specific Comment

One substantive issue raised by CA ANZ was that the proposals may add complexity for members. For example, proposed paragraph 120.14 A1 refers to both APES 320 and ASQM 1.

Technical Staff note that proposed paragraph 120.14 A1 falls under the heading '*Firm Culture*', and both APES 320 and ASQM 1 include requirements and application material on firm culture, which means that both standards are applicable and this paragraph should apply across the firm.

Technical Staff also note that proposed paragraph 120.14 A1 falls under the heading '*Considerations for Audits, Reviews, Other Assurance and Related Services Engagements*' just above '*Firm Culture*', which could create confusion consistent with CA ANZ's comments.

To address these concerns, Technical Staff propose including non-assurance services in paragraph 120.14 A1 and relocating the abovementioned heading to follow paragraph 120.14 A1, to eliminate any ambiguity. Accordingly, Agenda Item 10(c) includes the proposed amendments marked-up from ED 02/22.

Other General Comments

Deloitte requested that in the future APESB make available marked-up versions of Exposure Drafts (EDs) for easier comparability and transparency for stakeholders and for the Board to specifically consider where APESB's proposed amendments differ from, or are additional to, relevant international amendments.

Technical Staff note Board Papers seeking approval to issue EDs, which are publicly accessible on APESB's website, include:

- marked-up versions of proposed EDs which is consistent with the AUASB's ED due process; and

- where applicable, details of any divergence from international amendments are specifically considered by the Board in circumstances where APES 110 will differ from, or have additional requirements or guidance to, the IESBA Code.

In relation to ED 02/22, the [marked-up version of the proposed ED 02/22](#) highlighted proposed changes to extant APES 110 and [Agenda Item 4](#) included a list of differences from the IESBA amendments (on pages 2-3).

APESB also provides information on divergence from the IESBA Code or where there are additional requirements in Explanatory Memorandums for Exposure Drafts, the relevant Technical Update or Basis for Conclusions when issuing final standards.

In its submission, the IPA encourages the APESB to provide more timely compilations of APES 110 to facilitate useability and comprehension without having to refer to multiple documents and to reduce the risk of misapplication.

The most appropriate time to issue a Compiled version of APES 110 depends on the IESBA's timeline and other APESB projects. Technical Staff note a Compiled APES 110 was originally scheduled to be completed by mid-2022. However, delays during 2021 and 2022 to issue EDs on the Non-Assurance Services (NAS) related provisions of APES 110 and the reissued APES 320 Quality Management for Non-Assurance Services delayed the compilation project.

Technical Staff are developing a proposed Compiled APES 110, considered at Agenda Item 18 of this Board meeting.

Conformity with International Pronouncements and Minor Editorial Amendments

Technical Staff propose to add a point under '*Compliance with the IESBA Code*' that for non-assurance services, APES 110 refers to the reissued APES 320.

Technical Staff's review also noted some other proposed minor editorial amendments to the standard, including changes for consistency with the amending standard for Fee-related provisions of APES 110, as marked up in Agenda Item 10(c).

Liaison with AUASB

Technical Staff liaised with AUASB Technical Staff, who have not raised any concerns in relation to the proposals in ED 02/22.

Small and Medium Practices (SMPs)

As the proposed amending standard consists of quality management conforming amendments only, no substantive impact on SMPs have been identified.

Recommendation

That the Board approve, subject to the Board's review comments and editorials, the issue of an amending standard *Quality Management-related Conforming Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*.

Materials Presented

- Agenda Item 10 (a) General Comments Table ED 02/22;
Agenda Item 10 (b) Specific Comments Table ED 02/22; and
Agenda Item 10 (c) Proposed Quality Management-related Conforming Amendments to APES 110 (Marked-Up)

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