

AGENDA PAPER

Item Number: 4
Date of Meeting: 23 February 2023
Subject: Proposed amendments to APESB Pronouncements for Quality Management conforming amendments

Action Required For Discussion For Noting For Information

Purpose

To:

- provide the Board with details of submissions received on Exposure Draft 06/22 *Review of APESB pronouncements* (ED 06/22); and
- obtain, subject to the Board's review comments and editorials, the Board's approval to issue revised:
 - APES 315 *Compilation of Financial Information* (APES 315);
 - APES 325 *Risk Management for Firms* (APES 325);
 - APES 345 *Reporting on Prospective Financial Information prepared in connection with a Public Document* (APES 345);
 - APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* (APES 350); and
 - APES GN 31 *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs* (APES GN 31).

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 Australian equivalents of the IAASB's quality management standards in March 2021, applicable to Australian assurance practices from 15 December 2022 (AUASB Quality Management Standards).¹

¹ Including 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 1).

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 Board meeting, which was issued on 22 February 2022 (effective from 1 January 2023).

At the March 2022 meeting, the Board approved a [project plan](#) to revise APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) and other APESB pronouncements for quality management-related conforming amendments to align to the IESBA Code, reissued APES 320 and AUASB Quality Management Standards.

At the September 2022 Board meeting, the Board approved the following:

- *Quality Management-related Conforming Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*, which was issued on 10 November 2022; and
- ED 06/22, including proposed quality management conforming amendments to APES 315, APES 325, APES 345, APES 350 and APES GN 31, which was issued on 28 October 2022 and was open for public comment until 16 December 2022.

Consideration of issues

Summary of Proposed Amendments in ED 06/22

Proposed amendments in ED 06/22 consisted of the following:

- quality management-related conforming amendments;
- aligning APES 345 and APES 350 with paragraph R114.1(d) of APES 110 in respect of a duty or right to disclose ([APESB Issues Register](#) numbers 345.1 and 350.1);
- aligning paragraph 3.15 of APES 345 with the intent of Whistleblower protection legislation and NOCLAR provisions of APES 110 ([APESB Issues Register](#) number 345.2);
- conforming amendments to APES 315 resulting from changes to APES 205 *Conforming with Accounting Standards* (APES 205), which amended 'significant accounting policies' to 'material accounting policies';
- aligning definitions with *Amendments to Part 4B of APES 110* for Assurance Client (APES 350), Assurance Engagement (APES 315, APES 345 and APES 350) and Subject Matter Information (APES 350);
- updating cross-references in paragraphs 5.1 (footnote 1) and 6.3 (footnote 2) of APES 345 to paragraph 120.5 A6 of APES 110;
- including references in APES 315 Appendix 3 to paragraphs 6.1 and 6.2 of APES 315 and a cross-reference to APES 305 *Terms of Engagement*;
- including introductory paragraphs at the start of Appendices 4 and 5 of APES 315; and
- minor editorials.

Public Submissions

APESB received three submissions on ED 06/22 from the accounting bodies, Chartered Accountants Australia and New Zealand (CA ANZ), CPA Australia and the Institute of Public Accountants (IPA). Stakeholders' comments on ED 06/22 are tabulated in a General Comments Table at Agenda Item 4(a), which support the proposed amendments in ED 06/22.

Consultation with AUASB

Technical Staff consulted with AUASB Technical Staff on proposed quality management-related conforming amendments in ED 06/22. AUASB Technical Staff recommended minor changes to subparagraphs 7.1(c)(ii) of APES 345 and 6.1(c)(ii) of APES 350 to include 'design and implement' before 'responses' to align to the wording in ASQM 1.

APESB Technical Staff propose that instead, 'designed and implemented' should be included after 'quality risk(s)' in these two subparagraphs to facilitate the readability of the provisions. The AUASB Technical Staff were informed of this approach and have not raised any concerns in relation to this proposal.

Technical Staff Recommended Amendment

Technical Staff recommend amending proposed paragraph 3.19 of APES 350 to 'duty or right' rather than 'right or duty' to better align to paragraph R114.1(d) of APES 110 and for consistency with proposed paragraph 3.15 of APES 345.

Proposed amendments to APES 345 and APES 350 are marked-up Agenda Items 4(d) and 4(e). Technical Staff do not propose any amendments to APES 315, APES 325 and APES GN 31 from ED 06/22, which are attached as clean versions of the pronouncements at Agenda Items 4(b), 4(c) and 4(f). The proposed effective date for the four standards is 1 April 2023 and for the guidance note, the date of issue for APES GN 31.

Small and Medium Practices (SMPs)

As the proposed revisions predominantly consist of quality management-related conforming amendments, amendments to APES 315 to conform with APES 205 and to address minor matters on APESB's Issues Register, no substantive impacts on SMPs have been identified.

Staff Recommendation

That the Board approve, subject to the Board's review comments and editorials, the issue of revised APES 315, APES 325, APES 345, APES 350 and APES GN 31.

Material Presented

Agenda Item 4(a)	General Comments Table ED 06/22
Agenda Item 4(b)	Proposed Revised APES 315 2023 (Clean)
Agenda Item 4(c)	Proposed Revised APES 325 2023 (Clean)
Agenda Item 4(d)	Proposed Revised APES 345 2023 (Marked-up)
Agenda Item 4(e)	Proposed Revised APES 350 2023 (Marked-up)
Agenda Item 4(f)	Proposed Revised APES GN 31 2023 (Clean)

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