Updated Project Proposal – Revision of APES 320 *Quality Control for Firms* to focus on non-assurance services

Introduction

To revise APES 320 to remove duplication with ASQC1 and develop a guidance note on Quality Control for Members in Public Practice who provide non-assurance services.

Background

Refer to Technical Staff paper.

Project Objective:	To revise APES 320 and develop a guidance note that provides quality control requirements and guidance for Members in Public Practice engaged to provide non-assurance services. The guidance note will be based on the principles of the existing APES 320 *Quality Control for Firms* and will be tailored as appropriate to quality control matters in respect of non-assurance engagements.
Project Steps:	- The current APES 320 Taskforce members can be approached to participate in the taskforce to develop a guidance note. - APESB Board Member Stuart Black will function as an observer on the taskforce. - Conduct task force meetings between September 2013 and April 2014 to identify and discuss the approach to be taken in developing the exposure draft. - Develop an exposure draft for the Board review that addresses key issues and provides sufficient guidance on quality control matters. - Present the first draft of the exposure draft to the APES Board for consideration at the May 2014 Board meeting. - Release the pronouncement for exposure by August 2014 requesting comments on both specific issues highlighted and also general comments on the document as a whole. - Consider respondents' comments and their impact on the exposure draft and amend as required. - Prepare a basis of conclusions document detailing key issues that were identified and considered during the development of the pronouncement. - Present the final pronouncement and basis of conclusions document to the Board for approval at the November 2014 Board meeting. - Release the pronouncement in November 2014 and upload the pronouncement and basis of conclusions document onto the APESB website.

Project Structure:	• Board – provide feedback and oversee development of the pronouncement
	• APESB Technical Director – manage the task force, provide technical support, role of principal drafting editor of the pronouncement, provide guidance to the task force on APESB policies and procedures
	• Task Force – provide APESB with advice on development and review of pronouncement
	• APESB Secretariat – provide administrative support to the taskforce

Project Risk Assessment	• Risk area 1: Risk of costs rising significantly during the project
	o Probability: Low
	o Impact: Low
	o Effect on Project: Minimal
	o Risk reduction actions: Monitoring of costs on a regular basis
	• Risk area 2: Risk of overcomplicating quality control at the Firm level through introducing a third pronouncement (guidance note, APES 320 and ASQC1)
	o Probability: medium
	o Impact: Medium
	o Effect on Project: Users may find it difficult to understand and use multiple pronouncements
	o Risk reduction actions:
	▪ Work closely with the professional accounting bodies and taskforce members from across all different tiers of accounting Firms (i.e. big four, mid-tier, SMP);
	▪ Build awareness of the proposed guidance note and its focus on the application of APES 320 for non-assurance services and that it is complementary to APES 320.

Resource Requirements:	• Teleconference facilities, Travel of APESB staff (as required) and taskforce members (by invitation only), printing and stationary.
	• It is estimated that the staff time on this project will be approximately 2-3 months.
	• Budgeted taskforce costs for 10 taskforce meetings:

Conference calls $300 per unit (10)	$3,000
Travel & accommodation $1,000 per unit (6)	$6,000
Sundry expenses $200 per unit (6)	$1,200
Total Budgeted Costs	$10,200

Timeline:		
	August 2013	Approve project proposal
	September 2013	Reconvene task force

September 2013	Conduct initial task force meeting
Sept 2013 – Apr 2014	Develop exposure draft
May 2014	Initial presentation of exposure draft for Board review
August 2014	Release exposure draft for a 60 day comment period
September 2014	Collate feedback received
October 2014	Revise pronouncement taking into consideration feedback received and prepare basis of conclusions
November 2014	Present final pronouncement and basis of conclusions to Board for approval
November 2014	Issue pronouncement

Impact on other APESB pronouncements

APES 320 impacts on professional standards issued in the APES 200 and 300 series and has effectively become a foundation standard for Members in Public Practice for quality control matters. For example, when references are made in the APES 200 series (i.e. APES 225 *Valuation Services* or APES 215 *Forensic Accounting Services*) to quality control issues or engagement management issues, members are directed to APES 320.

Impact on accounting, auditing or other relevant standards

The revised pronouncement and guidance note will have an impact on the existing APES 320 and other non-assurance service line specific professional standards issued by the APESB.

Related legislative developments

None noted

Related international developments

The International Federation of Accountants (IFAC) issued guidance in 2012 for Small- and Medium-Sized Practices (SMPs) on the application of ISQC1. The *Guide to Quality Control for Small- and Medium-Sized Practices, Third Edition* was issued in August 2011 and the *Companion Manual - Guide to Quality Control for SMPs/Guide to Using ISAs in the Audits of SMEs* was issued in April 2012.

Benefits of developing the pronouncement

Revision of APES 320 and the development of a guidance note to focus on non-assurance services would serve to meet the needs of a large group of members in public practice who are sole practitioners or SMPs and add to the overall clarity of the quality control requirements for non-assurance services.