

Agenda Item 5(b) – Comparison of main components of ISQM 1 and 2 and ISQC 1/APES 320

Current ISQC 1/APES 320	ISQM 1 and 2	Proposed Revised APES 320 (excluding ISQM 2)
Applying and complying with relevant requirements	Applying, and Complying with, Relevant Requirements	Applying and complying with relevant requirements
Elements of a system of quality control	The Firm's System of Quality Management The Firm's Risk Assessment Process	The Firm's System of Quality Management The Firm's Risk Assessment Process
Leadership responsibilities for quality within a Firm	Governance and Leadership	Governance and Leadership
Relevant ethical requirements	Relevant Ethical Requirements	Relevant Ethical Requirements
Acceptance and continuance of Client relationships and specific Engagements	Acceptance and Continuance of Client Relationships and Specific Engagements	Acceptance and Continuance of Client Relationships and Specific Engagements
Engagement performance	Engagement Performance	Engagement Performance
Human Resources	Resources	Resources
	Information and Communication	Information and Communication
	Specified Responses	
Monitoring	Monitoring and Remediation Process	Monitoring and evaluating the system of quality management
	Network Requirements or Network Services	
	Evaluating the System of Quality Management	
Documentation of the system of quality control	Documentation	Documentation
Engagement Quality Control Review	ISQM 2	Engagement quality review or appropriate reviewer (non-assurance services)

Explanatory Notes

- Two new elements have been included in ISQM 1, namely, 'The Firm's Risk Assessment Process' and 'Information and Communication':
 - The 'Firm's Risk Assessment Process' focuses on the firm and engagement risks and requires the design and implementation of quality objectives to identify and assess quality risks and implement responses to address the quality risks ([paragraphs A39-A41 of ISQM 1](#)).
 - The Firm's quality objectives for 'Information and Communication' must address obtaining, generating or using information regarding the system of quality management and communication of information within the Firm and/or to external parties ([paragraphs A110-A115 of ISQM 1](#)).
- The elements of a system of quality control highlighted will extend from the 6 elements currently in APES 320 to 8 components.
- Proposed amended elements of APES 320 include 'Leadership responsibilities for quality within a Firm' and 'Human Resources.' Leadership responsibilities will include relevant requirements relating to Governance in ISQM 1 and 'Human Resources' will become 'Resources.' This element will be extended to include human, technology, intellectual and services providers. Quality objectives and specified responses in ISQM 1 will be assessed for relevance to these new proposed components in APES 320.
- Network requirements are addressed throughout the body of APES 320. It is proposed that this approach will remain consistent in revised APES 320.
- The remediation process contained in ISQM is extensive and inconsistent with the associated risk of non-assurance engagements. It is proposed to extend the current Monitoring element in APES 320 to include the evaluation of the system of quality management.
- Specified responses in ISQM 1 prescribe requirements for addressing matters rather than allowing responses to be designed by the Firm. APES 320 adopts a 'specified approach' throughout the standard prescribing fundamental requirements that must be addressed. Technical Staff anticipate minimal changes will be needed to existing requirements and application material in APES 320