

Exposure Draft 05/21: Proposed Standard APES 320 Quality Management for Firms that provide Non-Assurance Services

Review of Submissions – General Comments	
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Note: Specific comments relating to Exposure Draft 05/21 are addressed in a separate table. This table excludes minor editorial changes.

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
1	N/A	CA ANZ	<p>Exposure Draft on Proposed Standard: APES 320 Quality Management for Firms that provide Non-Assurance Services.</p> <p>Chartered Accountants Australia and New Zealand (“CA ANZ”) appreciates the opportunity to submit comment on the proposals outlined in the above Exposure Draft (“ED”) to reissue APES 320 Quality Control for Firms (“extant APES 320”) as APES 320 Quality Management for Firms that Provide Non-Assurance Services (“APES 320”) resulting from recent changes to the Australian Standards on Quality Management (“ASQM 1 & ASQM 2”).</p> <p>Our responses to the APESB’s request for specific comment are contained in Appendix 1. Our general comments in response to the ED are included in Appendix 2 to this submission. Our overall recommendations are provided below.</p>	No
2	N/A	CPAA	<p>Exposure Draft: Proposed Standard: APES 320 Quality Management for Firms that provide NonAssurance Services</p> <p>CPA Australia represents the diverse interests of more than 168,000 members working in over 100 jurisdictions and regions around the world. We make this submission on behalf of our members and in the broader public interest. We value the opportunity to provide comments on the proposed Standard: APES 320 <i>Quality Management for Firms that provide Non-Assurance Services</i>.</p>	No
3	N/A	CPAA	<p>Responses to these questions are drawn from on our policy and advocacy work, our experience of the current standard in practice through our CPA Australia Best Practice Program assessments of members in public practice, and responses and feedback from public practitioners who participate in CPA Australia’s Public Practice and Best Practice Program advisory committees.</p>	No

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4	N/A	Craig Allen	<p>As background I was a quality assurance reviewer for CPA Australia for 16 years, I sat on CPA Australia's National Board of Quality Review and over the past 5 years I have been operating a business helping practitioners from all three accounting bodies improve their practice, and meet the quality standards expected by the bodies and APES Board pronouncements.</p> <p>I believe over my time I have helped over 500 practice including QA reviews I completed.</p> <p>In regard to the proposed changes to APES320 my comments are below</p>	No
5	N/A	Deloitte	<p>Re: Exposure Draft 05/21 - Proposed Standard: APES 320 Quality Management for Firms that provide Non-Assurance Services</p> <p>We appreciate the opportunity to comment on Exposure Draft 05/21 - Proposed Standard: APES 320 Quality Management for Firms that provide Non-Assurance Services issued by the Accounting Professional & Ethical Standards Board (APESB) in September 2021 (the ED). This response includes our view on the areas that you have sought specific comments in addition to other matters that we have identified from our review of the ED.</p>	No
6	N/A	IPA	<p>Exposure Draft 05/21 – Proposed Standard: APES 320 Quality Management for Firms that provide Non-Assurance Services</p> <p>Thank you for the opportunity to comment on Exposure Draft 05/21 – Proposed Standard: <i>APES 320 Quality Management for Firms that provide Non-Assurance Services</i>.</p>	No
7	N/A	IPA	<p>Our response to the matters APESB has sought specific comment on are addressed by way of Attachment.</p>	No

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8	N/A	KPMG	<p>Proposed Standard APES 320 Quality Management for Firms that provide Non-Assurance Services</p> <p>Thank you for the opportunity to provide a submission in relation to the Exposure Draft <i>APES 320 Quality Management for Firms that provide Non-Assurance Services</i> (Proposed Standard).</p> <p>As a leading professional services firm, KPMG Australia (KPMG) is committed to meeting the requirements of all our stakeholders – not only the organisations we audit and advise, but also employees, governments, regulators and the wider community. We strive to contribute to debate that seeks to develop a strong and prosperous economy and welcome the opportunity to provide a submission in response to the Proposed Standard.</p> <p>While not the focus of the Proposed Standard, financial statement audits and other assurance services play a critical role in creating and maintaining investor confidence and unlocking valuable insights into businesses. KPMG believes that independent auditors perform the valuable role of being a trusted intermediary between the providers of business information and the users of that information. Financial statement audits and other assurance services give assurance over information used by investors and the capital markets. KPMG employs a range of quality management processes, including compliance with ASQM 1 and ASQM 2, to uphold audit and assurance quality as outlined in our 2021 Transparency Report.</p>	No
9	N/A	Philip Priest	<p>Firstly, thank you for the excellent Zoom presentation on the proposed re-issue and re-focussing of APES 320.</p>	No

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10	N/A	PP	<p>APES 320 QUALITY MANAGEMENT FOR FIRMS THAT PROVIDE NON-ASSURANCE SERVICES</p> <p>We appreciate the opportunity to provide our comments to the APESB on exposure draft APES 320 <i>Quality Management for Firms that provide Non-Assurance Services</i>.</p> <p>Pitcher Partners is an association of independent firms operating from all major cities in Australia. Firms in the Pitcher Partners network are multidisciplinary firms and we are committed to high ethical standards across all areas of our practice. We focus primarily on the middle market, a distinct and differentiated component of the market from that primarily addressed by the “Big 4”, and our clients come from a wide range of industries and include listed and non-listed disclosing entities, large private businesses, family groups, not-for-profit entities, government entities, and small to medium sized enterprises.</p> <p>The APESB have requested that responses provide a clear overall opinion on whether the proposed amendments, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter.</p> <p>The APESB is also seeking specific comments and feedback on four specific questions on the reasons for issuing this exposure draft. We have set out our responses to these four questions in the table below.</p>	No
11	N/A	PwC	<p>APES 320: Quality Management for Firms that provide Non-Assurance Services</p> <p>We welcome the opportunity to provide comments on the APES 320 Quality Management for Firms that provide Non-Assurance Services, the reissuing of APES 320 Quality Control for Firms (extant APES 320).</p> <p>Firstly, we would like to thank the Accounting Professional and Ethics Standards Board (APESB) for considering the initial feedback provided by industry participants on the initial changes to APES320 following agreement within Australia to adopt ISMQ1 and 2, through the issuing of ASQM1 and 2 by the Australian Auditing and Assurance Standards Board in March 2021. Secondly, we would also like to thank APESB for undertaking comprehensive engagement with industry participants during this consultation period, including the hosting of a virtual roundtable discussion on this topic on 8 November 2021. We found this roundtable discussion very engaging and informative. We would encourage more of these types of discussions for future consultations.</p>	No

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Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
12	N/A	CA ANZ	<ul style="list-style-type: none"> • CA ANZ supports; <ul style="list-style-type: none"> ○ the APESB’s proposals to re-issue APES 320 as a standard applicable only to non-assurance engagements, ○ the APESB developing additional implementation material, ○ APES 320 and APES 325 remaining separate standards at this time, ○ the APESB’s approach to retain 19 of the 26 requirements from extant APES 320. We further support the partial use of 5 requirements from extant APES 320. CA ANZ commends the APESB for using existing application material wherever possible to minimise disruption especially for Small to Medium Practices (“SMPs”), ○ the APESB’s philosophy that APES 320 requirements are designed to address risks to engagement quality without the need for further ongoing risk assessment as prescribed by ASQM 1. An ongoing risk assessment may not be appropriate for all engagements and create unnecessary burden for members. Further, CA ANZ supports the concept that allows members to determine when requirements are not relevant for their practice and therefore do not need to be complied with. This latitude is particularly important for Sole Practitioners without staff and supports the exercise of professional judgement. <p>CA ANZ does not support;</p> <ul style="list-style-type: none"> ○ The inclusion of root-cause analysis in the re-issued APES 320. <p>.....</p> <p><i>[Note the remaining dot point of this comment from CA ANZ is set out in Specific Comment 38.]</i></p>	No
13	N/A	CPAA	CPA Australia supports the proposed standard as outlined in the exposure draft, noting our responses to the specific request for comment questions, detailed in the exposure draft, are provided in Attachment 1.	No

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14	N/A	IPA	IPA supports the proposal to revise APES 320 and to adjust its scope and application to firms that provide non-assurance services. We believe the redesign of the proposed standard complements the quality management requirements reflected in ASA 220 <i>Quality Management for an Audit of a Financial Report and Other Historical Financial Information</i> , ASQM 1 <i>Quality Management for Firms that Perform Audits or Review of Financial Reports and Other Financial Information</i> , or <i>Other Assurance or Related Services Engagements</i> and ASQM 2 <i>Engagement Quality Reviews</i> which are applicable to firms that provide assurance services.	No
15	N/A	IPA	We note that practices that provide a combination of non-assurance and assurance services (blended practices) will need to carefully consider the requirements of this new suite of standards when reviewing and revising their current risk management and quality control policies and procedures. In essence, blended practices may choose to establish and maintain two sets of policies and procedures, adopt the higher-level requirements of ASA 220, ASQM 1 and ASQM 2, or develop a set of intertwined requirements. For sole practitioners and firms that only provide non-assurance services, the revised APES 320 strikes the right balance in guiding practitioners to put in place relevant quality management policies and procedures commensurate with risk associated with providing such services.	No
16	N/A	KPMG	In addition to audit and assurance services, KPMG offers a range of non-assurance services to clients and we take pride in the systems and processes we have in place to ensure the quality of these services. KPMG welcomes the amendments made to the Proposed Standard to make it simpler and easier to navigate for firms of all sizes, including amending language to be more relevant to non-assurance services by removing assurance-based terminology and assurance-based roles or concepts. However, KPMG has identified language that may still require amending to further ensure it is more relevant to non-assurance services.	No

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17	N/A	KPMG	<p>In responding to the request for comment section of the Exposure Draft, KPMG has identified five recommendations:</p> <p>KPMG recommendations</p> <p>Recommendation 1: KPMG considers that APES 320 should apply to the non-assurance practices and engagements of firms and should not continue to apply to all firms and engagements given that the audit and assurance practices and engagements of firms are already covered by ASQM 1 and ASQM 2.</p> <p>Recommendation 2: APES 320 should not include root cause analysis as a means of identifying the root causes of deficiencies in the system of quality management given that in many instances cost would significantly outweigh the benefits that would arise.</p> <p>Recommendation 3: KPMG does not consider the development of additional implementation material for APES 320 necessary given that the Proposed Standard does not require new measures to be adopted by firms. However, if the APESB releases material for comment, KPMG would be happy to review.</p> <p>Recommendation 4: KPMG considers that APES 320 and APES 325 continue to be separate standards given the significant resourcing pressure on the sector as a result of the impact of the COVID-19 pandemic and implementation of testing controls required by ASQM 1 and ASQM 2.</p> <p>Recommendation 5: KPMG considers that there could be further changes to the Proposed Standard to better reflect the broad array of services and advice provided by contemporary non-assurance practices.</p>	No
18	N/A	Philip Priest	That explained the new standard and reasons why certain decisions were made on its structure, and was most helpful. It was apparent from the survey questions that the majority agreed with the approach being adopted, albeit that agreement was not universal. .For what its worth, I agree with the approach taken on the various aspects/issues that were surveyed.	No
19	N/A	Philip Priest	<p><i>Other Comments</i></p> <p>I support the change in the title of 320, ie from "Quality Control" to "Quality Management" - which better reflects the approach for non assurance services.</p>	No

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20	N/A	PP	<p>Overall Opinion</p> <p>The alignment of APES 320 with ASQM 1 will assist firms that provide both assurance and non-assurance services (which includes the Pitcher Partners network of firms) with the implementation of both standards such that firms should be able to implement them in conjunction with each other and we are supportive of this approach.</p> <p>Maintaining the relevant extant APES 320 requirements will result in firms continuing to use their existing policies and procedures and will result in less disruption. As mentioned in the APESB webinar held on 8th November 2021, there is no evidence to suggest that the extant APES 320 is not fit for purpose in respect of non-assurance services, so it makes sense to minimise the changes and just remove the assurance aspects of the standard as these are now contained within ASQM 1. We agree that the new APES 320 standard should be more general in its terminology (removing audit terminology) and focus on non-assurance services.</p> <p>With limited resources available, Firms are directing the resources they do have, to focus on the ASQM 1 project over the next 24 months or so as they implement and monitor the system of quality management required by this new standard. Therefore, the approach taken by the APESB to minimise disruption is both supported and appreciated.</p>	No
21	N/A	Deloitte	<p>Other matters</p> <p>In relation to the detailed requirements and application material in the ED, we have the following comments:</p> <p>1. <u>Use of should</u></p> <p>We recommend that the APESB revisit the use of word should in the application material in the ED and in other APESB pronouncements. Where an APESB standard contains a requirement, the word shall is used to denote that requirement. This is consistent with the approach taken by the International Ethics Standards Board for Accountants and the approach taken by the AUASB. The word should is used extensively in the application material in the ED which we believe could create confusion due to the fact that the verb should is used to create an obligation which is not the intent of application material.</p>	Yes paragraph 1.3

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22	N/A	Deloitte	2. <u>Reasonable Confidence</u> The ED uses the term reasonable confidence however, we note that this is not a defined term in the standard and there is no application material to guide firms as to what is required in order to demonstrate that the System of Quality Management (SQM) provides reasonable confidence. We appreciate that the APESB has concluded that it was not appropriate to use the term Reasonable Assurance in the ED as this is an assurance term and APES 320 is not an assurance standard. However, we do believe that a definition for the term reasonable confidence and related application material will support the implementation of the ED.	No
23	N/A	Deloitte	3. <u>Nature of engagements</u> The ED is intended to apply to all non-assurance services and engagements performed by Firms. As drafted, there is an assumption that all non-assurance services and engagements result in the issuance of a report at the conclusion of the engagement, this is not correct, for example, some engagements relate to the systems implementations or the provision of managed services.	Yes – refer Specific Comment 44
24	N/A	KPMG	Other comments - Assurance v non-assurance KPMG appreciates that the APES Board has made a significant effort to remove all material specific to assurance practices from the Proposed Standard. However, KPMG considers that further enhancements can be made to recognise the varied nature of non-assurance practices and the services they offer. In particular, in a number of paragraphs of the standard, there is an inference that all engagements result in the forming of conclusions or the production of a report. KPMG suspects this reflects the historic focus on audit and assurance reports, however in a non-assurance context there are many services and engagements which do not lead to the forming of conclusions or the production of a report. While KPMG have not proposed this change in the list below, APESB could consider changing all references to 'engagements' to 'non assurance services'.	Yes – refer Specific Comment 44 and Appendix 1
25	N/A	KPMG	Recommendation 5: KPMG considers that there could be further changes to the Proposed Standard to better reflect the broad array of services and advice provided by contemporary non-assurance practices.	Yes – refer Specific Comment 44
26	N/A	Philip Priest	Interestingly, there is no definition of "quality", as such - in either the current standard or the ED. I suspect this is because it's so very difficult to define. And in the context of non-assurance services, can mean very different things, according to the nature of engagement and the client's desires	No

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27	N/A	CA ANZ	Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact Josephine Haste CA, Josephine.haste@charteredaccountantsanz.com .	No
28	N/A	CPAA	Should you have any questions regarding this submission, please do not hesitate to contact Melissa Read, Senior Manager, Professional Standards on 0481 476 275 or melissa.read@cpaaustralia.com.au	No
29	N/A	Craig Allen	I hope this helps.	No
30	N/A	Deloitte	We would be pleased to discuss our comments with you. If you wish to do so, please do not hesitate to contact me on 9322 7288.	No
31	N/A	IPA	If you have any queries with respect to our comments or require further information, please don't hesitate to contact Vicki Stylianou, Group Executive, Advocacy & Policy, at vicki.stylianou@publicaccountants.org.au or on mobile 0419 942 733.	No
32	N/A	KPMG	We have sought to answer the request for comment questions set out in the Exposure Draft at Attachment A . If you would like to discuss this submission further at any stage, please do not hesitate to reach out.	No
33	N/A	Philip Priest	Happy to discuss any of these comments further.	No
34	N/A	PP	If you would like to discuss any of the comments made in our response please contact Maxine Ambrosini, Director Independence & Quality, or myself.	No
35	N/A	PwC	Should you need any further information, please feel free to contact myself on the number below or Benjamin Carr on 0419 165 080.	No

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36	N/A	CA ANZ	<p>About Chartered Accountants Australia and New Zealand</p> <p>Chartered Accountants Australia and New Zealand (CA ANZ) represents 131,673 financial professionals, supporting them to make a difference to the businesses, organisations and communities in which they work and live. Chartered Accountants are known as Difference Makers. The depth and breadth of their expertise helps them to see the big picture and chart the best course of action.</p> <p>CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.</p> <p>Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with mentored practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.</p> <p>We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate boldly in the public good. Our thought leadership promotes prosperity in Australia and New Zealand.</p> <p>Our support of the profession extends to affiliations with international accounting organisations.</p> <p>We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 15 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.</p> <p>We have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.</p> <p>We employ more than 500 talented people across Australia, New Zealand, Singapore, Malaysia, Hong Kong and the United Kingdom.</p>	No
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37	N/A	Deloitte	Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.	No

RESPONDENTS

1	CA ANZ	Chartered Accountants Australia and New Zealand
2	CPAA	CPA Australia
3	Craig Allen	Craig Allen
4	Deloitte	Deloitte Touche Tohmatsu
5	IPA	Institute of Public Accountants
6	KPMG	KPMG
7	Philip Priest	Philip Priest
8	PP	Pitcher Partners
9	PwC	PricewaterhouseCoopers