

## AGENDA PAPER

**Item Number:** 4  
**Date of Meeting:** 3 June 2022  
**Subject:** Proposed conforming amendments to APES 110 for Quality Management

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Action required     For discussion     For noting     For information

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### Purpose

To obtain the Board's approval, subject to the Board's feedback and review comments, to issue an Exposure Draft on *Proposed 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 conforming amendments to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), [Quality Management-related Conforming Amendments to the Code](#) in April 2022 (effective 15 December 2022). The revisions result from the 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 international quality management standards in March 2021, which will apply to Australian assurance practices from 15 December 2022, and consist of (AUASB Quality Management Standards):

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

At the 7 February 2022 APESB meeting, the Board approved the reissue of APES 320 *Quality Control for Firms* as APES 320 *Quality Management for Firms that provide Non-Assurance*

*Services* (reissued APES 320). The reissued APES 320 was released on 22 February 2022 (effective 1 January 2023) and will now only apply to non-assurance services.

As a result of the finalisation of the above standards, APESB needs to update APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to ensure it remains consistent with the IESBA Code, the reissued APES 320 and AUASB Quality Management Standards.

At the March 2022 Board meeting, the Board approved a [project plan](#) to revise the Code and other APESB's pronouncements for conforming amendments for quality management relating to changes to the IESBA Code, the reissued APES 320 and AUASB Quality Management Standards.

## **Matters for Consideration**

To maintain alignment with the IESBA Code, Technical Staff are proposing to issue for exposure conforming amendments to the Code for:

- alignment with the changes made to the IESBA Code; and
- conforming and consequential amendments to the Code for terminology, concepts and principles used in the reissued APES 320 and the AUASB Quality Management Standards.

The *Proposed Quality Management-related Conforming Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence)* Exposure Draft (Proposed Quality Management ED) is presented as a marked-up and clean version at Agenda Items 4(a) and 4(b), respectively. Technical Staff recommend a [public comment period of 45 days](#) as the proposed revisions are not substantive and are conforming amendments to the Code only.

The following highlights some differences between the IESBA's [Quality Management-related Conforming Amendments to the Code](#) and the Proposed Quality Management ED:

- A definition for ASQM 1 has been added as this term is used frequently and simplifies the drafting. The final interactive PDF will also display the full name as a pop-up.
- The definitions for Engagement Quality Review and Engagement Quality Reviewer show no-mark ups as these definitions were previously updated in *Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers* (Objectivity Amending Standard). These definitions have been included for clarity and context purposes.
- The IESBA standard updates the definition of Key Audit Partner. However, this was updated by APESB in the Objectivity Amending Standard.
- Paragraph 120.14 A1 is not included in the IESBA standard as this was amended in *Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) to Promote the Role and Mindset Expected of Professional Accountants* (Role and Mindset Amending Standard). However, due to the timing of the Role and Mindset Amending Standard, APESB needs to update the name of APES 320 and change quality control to quality management. APES 320 has been maintained in this paragraph as it might apply to 'related services engagements' such as agreed-upon procedures.

- APES 320 has been deleted from paragraph 120.15 A3 as this relates to Independence in the context of audits, reviews and other assurance engagements to which APES 320 will not apply.
- Paragraphs 300.7 A5 and 320.3 A4 include all the dot points for the respective paragraphs for completeness.
- Paragraph 325.5 A1 has been amended to delete the full name of ASQM 1 as this is now proposed to be a defined term.
- The Proposed Quality Management Exposure Draft does not include changes to paragraph R400.73 as this was previously updated in the Objectivity Amending Standard.
- The Proposed Quality Management Exposure Draft does not include the change to paragraph 400.73 A1 for Engagement Quality Control Review to Engagement Quality Review as this was updated in the Objectivity Amending Standard.
- The Proposed Quality Management Exposure Draft does not include any changes to Section 540 as these were updated in the Objectivity Amending Standard.
- Reference to APES 320 has been deleted from paragraph 905.3 as it will not apply to assurance engagements. This paragraph has also been amended to reflect changes made to the mirror paragraph 410.4 A4 in Part 4A.

Technical Staff will consider Quality Management conforming amendments to other APESB pronouncements after the June 2022 Board meeting.

### **Recommendation**

That the Board approve, subject to the Board's review comments and editorials, the issue of the proposed Exposure Draft *Proposed Quality Management-related Conforming Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* for public comment.

### **Materials Presented**

Agenda Item 4(a)      Draft Exposure Draft Proposed Quality Management conforming amendments to APES 110 (Marked-up)

Agenda Item 4(b)      Draft Exposure Draft Proposed Quality Management conforming amendments to APES 110 (Clean)

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**Date:**                      18 May 2022