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Ref: KLB

24 November 2021

Mr Channa Wijesinghe
Chief Executive Officer
Accounting Professional & Ethical Standards Board
Level 11
99 William Street
Melbourne
Victoria 3000

Dear Channa

APES 320 QUALITY MANAGEMENT FOR FIRMS THAT PROVIDE NON-ASSURANCE SERVICES

We appreciate the opportunity to provide our comments to the APESB on exposure draft *APES 320 Quality Management for Firms that provide Non-Assurance Services*.

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.

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.

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.

Adelaide Brisbane Melbourne Newcastle Perth Sydney

Pitcher Partners is an association of independent firms.

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Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

Overall Opinion

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.

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.

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.

Request for Specific Comment

Request for Specific Comment 1	Comment
<p>Do you agree that APES 320 should apply to the non-assurance practices and engagements of firms as set out in this Exposure Draft or should APES 320 continue to apply to all firms and engagements? Please provide reasons and justification for your response.</p>	<p>In our opinion, APES 320 should apply only to the non-assurance practices and engagements of firms. It is no longer necessary for APES 320 to apply to assurance engagements as ASQM 1 and ASQM 2 now contain the requirements for assurance engagements.</p> <p>It makes sense to remove the assurance sections from APES 320 and have this standard focus on non-assurance engagements. This will make it easier for firms that do not provide assurance services as they will follow the requirements of APES 320 whereas hybrid firms will apply both the ASQM standards (to assurance practice areas and engagements) and APES 320 (to non-assurance practice areas and engagements).</p>
<p>Request for Specific Comment 2</p> <p>Should APES 320 include root cause analysis as a means of identifying the root causes of deficiencies in the system of quality management? Please provide reasons and justification for your response.</p>	<p>Comment</p> <p>As mentioned in our overall opinion, there is no evidence to suggest that the extant APES 320 is not fit for purpose in respect of non-assurance engagements. It is our view that the existing requirement in extant APES 320 to identify deficiencies and put forward recommendations to remediate them is an adequate process for monitoring and remediation with respect to non-assurance services and will meet the 'reasonable confidence' expectation of the new standard.</p>

	<p>Root cause analysis requires time and resources to perform properly. It is unlikely that small/medium firms will have the resources to perform root cause analysis.</p> <p>Whilst there may be benefits obtained from performing root cause analysis in an assurance environment where 'reasonable assurance' is the standard required, in a non-assurance environment, the cost of performing root cause analysis would outweigh the benefits obtained in our opinion. It would add a layer of complexity to APES 320 that is unnecessary for the service areas and engagements it is applicable to.</p>
<p>Request for Specific Comment 3</p> <p>Would practitioners find the development of additional implementation material for APES 320 useful? For example, the development of the Independence Guide by APESB in conjunction with the professional bodies, to demonstrate the application of independence standards has been favourably commented on by stakeholders. APESB is open to the development of similar implementation material for quality management of non-assurance practices. Please provide reasons and justification for your response.</p>	<p>Comment</p> <p>The development of additional implementation material for APES 320 may be useful to firms that only provide non-assurance services. Having access to material that contains non-assurance engagement examples and scalability examples would be helpful for firms that just provide non-assurance services i.e., not also implementing the ASQM standards.</p> <p>For firms that are implementing the ASQM standards alongside APES 320 we think that guidance materials on the ASQM standards would be preferable (if we had to choose). APES 320 will not require a significant change for these firms and is unlikely to be as disruptive as the ASQM implementation project.</p>
<p>Request for Specific Comment 4</p> <p>Do you agree that APES 320 and APES 325 should continue to be separate standards or should APES 320 be incorporated into, or otherwise combined with, APES 325? Please provide reasons and justification for your response.</p>	<p>Comment</p> <p>In our opinion, APES 320 and APES 325 <i>Risk Management for Firms</i> should continue to be separate standards.</p> <p>APES 325 provides the framework that applies across the entire firm/network firm including all practice areas. The APES 325 standard is generally used by those within a firm that are responsible for governance and risk.</p> <p>APES 320 applies at the engagement level and the users of this standard extends to professional, client facing staff in addition to those responsible for quality, risk and compliance. We believe that combining the two standards would create confusion.</p>

If you would like to discuss any of the comments made in our response please contact Maxine Ambrosini, Director Independence & Quality, or myself.

Yours sincerely



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