

Factsheet - 2022

NEW QUALITY MANAGEMENT REQUIREMENTS FOR FIRMS

ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (ASQM 1), replaces the Australian Auditing and Assurance Standards Board (AUASB) standard on Quality Control (ASQC) 1, which addresses firms' systems of quality control.

Under ASQM 1, firms are required to design a system of quality management to manage the quality of engagements performed by the firm. ASQM 1 applies to all firms, regardless of size, that perform audits or reviews of financial statements, or other assurance or related services engagements (i.e., if the firm performs any of these engagements **including pro-bono engagements**, ASQM 1 applies to managing quality for those engagements). APES 320 *Quality Control for Firms* continues to apply for firms that provides other services that are not audit, assurance and review engagements.

Who is impacted and types of engagements.



The above illustration provides **some common examples** of services provided by accounting firms and practitioners. **Professional judgement** is required when assessing other services that are not listed above (e.g., a *Sophisticated Investor Certificate* required by Chapter 6D or 7 of *Corporations Act 2001*) as to whether the engagement requires the practice to comply with ASQM 1 or with APES 320.

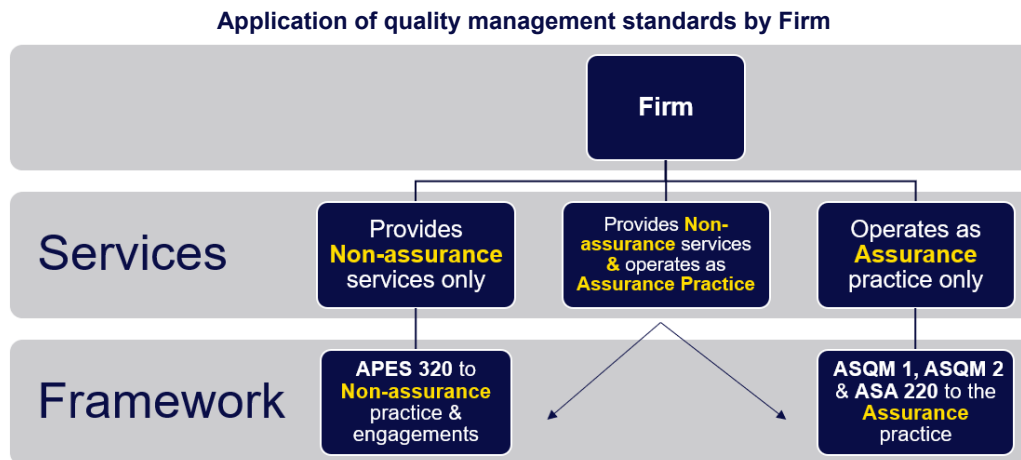
Key Changes: 8 iterative and integrated components



- New focus on quality management, through a risk-based approach
- Evolved from a linear and siloed system to a system that operates in an iterative and integrated manner
- Proactive approach, with a continual flow of remediation and improvement
- Tailored system, scalable to the nature and circumstances of the firm and the engagements it performs
- Proactive monitoring of quality management systems and timely and effective remediation of deficiencies

Source: IAASB ISQM 1 First-Time Implementation Guide, September 2021

It is critical for practitioners and firms to apply their professional judgment when accepting and assessing engagements and determining the applicable quality management framework.



Source: [Appendix 1 of APESB APES 320 Quality Management for Firms that provide non-assurance services](#)

The term “Assurance Engagement” is defined in ASQM 1 as follows:

Assurance engagement means an engagement in which an assurance practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users, other than the responsible party, about the outcome of the evaluation or measurement of a subject matter against criteria.

Source: [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](#)

Although there is no definition of the term “non-assurance engagement”, all engagements that do not meet the above definition would be classified as non-assurance engagements.

Reminder:



ASQM 1:

- needs to be implemented by 15 December 2022
- needs to be evaluated 15 December 2023

Implementation support materials:

Link to CPA Australia ASQM Tool	Link to AUASB ASQM Implementation Support
Link to CPA Australia ASQM Webinars	Link to IAASB ISQM 1 Implementation Guide
Link to CPA Australia APES 320 Tool	Link to IAASB Quality Management Resources
Link to APES 320, Appendix 1 Application of Quality Management Standards by Firms	Link to ASRS 4400, Appendix 3 Differentiating Factors between Agreed-Upon Procedures Engagements and Assurance Engagements

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