

Quality control for firms – comparison guide

Comparison of APES 320 (May 2009) with
ASQC 1 (October 2009)

October 2009

WARNING

This guide is NOT an alternative to appropriate education, training or experience. Practitioners must refer to the actual text of the standards, other professional requirements in the Members' Handbook and applicable legislative requirements as well as using the guidance given in this guide and the CPA Quality Control Manual. The material in this guide cannot be a substitute for the professional judgement that must be exercised when introducing quality control policies and procedures.

Pronouncements on quality control, and on other professional issues, will continue to be promulgated by CPA Australia. The requirements of newly released pronouncements prevail over any material to the contrary in this guide.

Disclaimer

A user of this guide must take care in applying this guide to particular circumstances. CPA Australia is not in the business or profession of providing legal, accounting or other professional advice or services. CPA Australia makes no representations or warranties about the accuracy or completeness of this guide. Nor do they accept any responsibility for any act or omission or any result of any act or omission in reliance on this guide. CPA Australia excludes and disclaims all responsibility for this guide and all liability (including, but not limited to, liability in negligence) for all expenses, losses, damages and costs any person may incur as a result of this guide having any error or omission or being inaccurate or incomplete in any way for any reason.

Copyright © CPA Australia, 2009

All rights are reserved. No part of this work covered by copyright may be reproduced or copied in any form or by any means (graphic, electronic, or mechanical, including photocopying, recording by taping, or information retrieval systems) without the written permission of CPA Australia except that members may make photocopies of the relevant sections for internal use only.

Support and Guidance

CPA Australia has a range of services specially tailored to support public practitioners, including an online monthly Public Practice Communiqué.

For further information please visit cpaaustralia.com.au/981 or contact your local office on 1300 737 373.

Issued December 2009

This guide is published by CPA Australia Ltd. ABN 64 008 392 452

cpaaustralia.com.au

About this comparison guide

This guide provides a comparative link between two firm-level standards on quality control:

- **APES 320 Quality Control for Firms**, as reissued by the Accounting Professional and Ethical Standards Board (APESB) in May 2009; and
- **Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information, and Other Assurance Engagements**, as issued by the Auditing and Assurance Standards Board (AUASB) in October 2009.

Both standards are based on ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, as issued by the International Auditing and Assurance Standards Board (IAASB). Note, however, that ASQC 1 does not apply to related services engagements.

Generally, compliance with APES 320 (including the 'Assurance Practices only' paragraphs) will ensure compliance with ASQC 1¹.

This guide is designed for use by public practitioners who provide auditing and assurance services. This guide cross-references specific quality control objectives, requirements and guidance between the two standards, helping to ensure that the firm's quality control system is compliant. However, this guide is not to be used as a substitute for reading APES 320, ASQC 1, or for use of professional judgement.

The following pages of this guide are in table form. A description of each column is provided below:

Column Header	Description
Section	Signifies the relevant section heading or title.
APES 320 (May 2009)	Identifies the relevant paragraph number in the reissued APES 320.
ASQC 1 (October 2009)	Identifies the relevant paragraph number in ASQC 1.
Comments	Provides commentary on each section, including where differences exist.

Users should note the following:

- APES 320 is structured such that guidance notes and discussion immediately precede or follow the relevant mandatory requirements, whereas ASQC 1 presents all the requirements in one section, which is then followed by a guidance section on application and compliance. This guide follows the structure of APES 320.
- APES 320 has a number of paragraphs that apply to 'Assurance Practices only'. In this guide, these paragraphs have been shaded to allow for easy identification.
- Where paragraphs in APES 320 or ASQC 1 have no equivalent in the corresponding international standard, they are denoted with the letters "AUST" (for APES 320) or "Aus" (for ASQC 1) before the paragraph number.
- Where APES 320 mentions compliance with "professional standards", ASQC 1 mentions compliance with "AUASB standards" and "relevant ethical requirements".
- Where APES 320 mentions "assurance engagement", ASQC 1 mentions "engagement".

¹ ASQC 1 paragraphs 34 and Aus 34.1 have an additional requirement for consultations when compared to APES 320.64.

Comparison of APES 320 (May 2009) with ASQC 1 (October 2009)

Section	APES 320 (May 2009)	ASQC 1 (Oct 2009)	Comments
Scope and application			
1.1		Aus 0.3	Systems of quality control in compliance with these standards are required to be established by 01 January 2010. Earlier adoption of APES 320 is permitted.
1.2		Aus 4.2, 5, 6, 7, 8, 9	APES 320 sets the standards for members in public practice and firms to establish and maintain a system of quality control at the firm level. The requirements of ASQC 1 apply to a firm, not to the individual auditor(s) within the firm. The standards contain both mandatory requirements, as well as application guidance and discussion.
1.3, 1.4		Aus 0.1, Aus 0.2, Aus 4.1	APES 320 applies to all members in public practice in Australia. For members practising outside Australia, APES 320 applies to the extent to which they are not prevented from complying by specific requirements of local laws and/or regulations. ASQC 1 applies to all firms of assurance practitioners in respect of audits or reviews of financial reports, complete sets of financial statements, other historical financial information, other than historical financial information, as well as other assurance engagements.
1.5		Aus 1.1	APES 320 – Members shall be familiar with relevant professional standards and guidance notes when providing professional services. Members shall comply with the fundamental principles outlined in the Code. ASQC 1 – Standard is to be read in conjunction with relevant ethical requirements.
1.6			APES 320 is not intended to detract from any responsibilities which may be imposed by law or regulation.
1.7			All references to professional standards, guidance notes and legislation are references to those provisions as amended from time to time.
1.8			In applying the requirements outlined in APES 320, members in public practice should be guided not merely by the words but also by the spirit of the standard and the Code.
1.9			In APES 320, firms that have an assurance practice are required to apply the whole of APES 320 as applicable to their assurance practice and assurance engagements. Firms that do not have an assurance practice, or the non-assurance parts of firms with an assurance practice, are required to apply all paragraphs of APES 320 where applicable other than those boxed and designated 'Assurance Practices only'.
1.10		2	A firm's personnel may be required to comply with additional standards and guidance regarding quality control procedures at the engagement level.
Definitions			
2		12	Main differences include: <ul style="list-style-type: none"> APES 320 – Also defines 'Assurance Practice', 'Client', 'Code', 'Engagement', 'Independence', 'Key Audit Partner', 'Professional Body(ies)', 'Professional Services', 'Professional Standards', 'Member', 'Member in Public Practice'. ASQC 1 – Also defines 'Assurance Practitioner', 'Limited Assurance', 'Other Financial Information'.

Section	APES 320 (May 2009)	ASQC 1 (Oct 2009)	Comments
Objective			
			Establish and maintain a system of quality control to provide reasonable assurance of compliance with standards and requirements and of issuing appropriate reports.
3		11	
4		3	A system of quality control is designed to achieve the objectives and the procedures necessary to implement and monitor compliance with those policies.
5		Aus 4.1	The nature and extent of the policies and procedures developed by an individual firm to comply will depend on various factors such as the size and operating characteristics of the firm, and whether it is part of a network.
AUST 5.1			The policies and procedures developed by a firm need not be complex or time-consuming to be effective.
Applying and complying with relevant requirements			
6		13	Personnel responsible for the firm's quality control system must understand the entire text of the standards.
7		14	Where relevant to the services provided, the firm shall comply with each requirement of the standards.
8		A1	Considerations specific to smaller firms – the standards do not call for compliance with requirements that are not relevant.
		Aus A1.1	Considerations specific to public sector entities – for assurance engagements conducted in the public sector by Auditors-General pursuant to legislation, public sector auditors should have regard to the public sector mandate and address any threats in that context.
9		15	The requirements are designed to enable firms to achieve the objective stated in the standards. However, firms shall consider whether there are particular matters or circumstances that require them to establish policies and procedures in addition to those required by the standards to meet the stated objective.
Elements of a system of quality control			
10		16	Address the five quality control elements.
11		17	Document and communicate the policies and procedures.
12		A2	Communication of quality control policies and procedures to firm's personnel and the importance of obtaining feedback.
13		A3	Considerations specific to smaller firms – documentation and communication of policies and procedures may be less formal and extensive.
Leadership responsibilities for quality within a firm			
14		18	Promote internal culture of quality and accept ultimate responsibility.
15		A4	The firm's leadership and the examples it sets significantly influence the internal culture of the firm.
16		A5	The firm's business strategy is subject to the overriding requirement for the firm to achieve quality in all engagements.
17		19	Person assigned operational responsibility has sufficient and appropriate experience and ability, and the necessary authority.
18		A6	Assigning operational responsibility for the firm's system of quality control.

Section	APES 320 (May 2009)	ASQC 1 (Oct 2009)	Comments
Relevant ethical requirements			
19		20	Comply with relevant ethical requirements
			APES 320 – ethical requirements are contained in the professional standards. The Code establishes the fundamental principles of professional ethics.
20		Aus A7.1	ASQC 1 – auditor is subject to relevant ethical requirements, including those pertaining to independence...as described in ASA 102.
21			APES 320 – Part B of the Code illustrates how the conceptual framework is to be applied. ASQC 1 – refer ASA 102.
22			APES 320 – Fundamental principles are reinforced by a number of mechanisms. ASQC 1 – refer ASA 102.
23			APES 320 – Definition of 'firm', 'network' and 'network firm' as per relevant ethical requirements. ASQC 1 – refer ASA 102.
<i>Independence</i>			
24		21	Maintain independence where required by relevant ethical requirements and, for ASQC 1 only, by laws and regulations.
		Aus A10.1	Examples of independence requirements that may be applicable are addressed in the Corporations Act 2001 Part 2M.3 Division 3, and relevant ethical requirements.
25		22	Requirements to be included in policies and procedures to ensure independence is maintained.
26		23	Notification of breaches of independence requirements and taking appropriate action to resolve such situations.
AUST 27			Guidance on threats to independence and safeguards, including application to specific situations, is set out in the Code.
AUST 28			Communication of information and taking appropriate action where there is a breach of independence policies and procedures.
29		Aus 24.1	Obtain written confirmation of compliance with independence from all staff required to be independent by relevant ethical requirements and, for ASQC 1 only, by laws and regulations.
30		A11	Written confirmation storage and demonstrating importance of independence.
31		25	Policies and procedures to reduce familiarity threats and, for audits of financial statements of listed entities, the rotation of engagement partners and engagement quality control reviewers.
32		Aus A12.1	Familiarity threats created by using the same senior personnel on an assurance engagement over a long period of time.
33		A13	Determining appropriate criteria to address familiarity threats.
34		Aus A14.1	Familiarity threats for audits of financial statements of listed entities. Relevant ethical requirements and, for ASQC 1 only, the Corporations Act 2001, specify the partner rotation requirements.
35		A15	Considerations specific to public sector entities – both statutory measures and the public sector mandate to address threats to independence.
36		A16	Considerations specific to public sector entities – significant public sector entities may require expanded quality control procedures.
37		A17	Considerations specific to public sector entities – may be in the public interest to establish policies and procedures to promote compliance with the spirit of rotation of engagement partner responsibility for significant public sector entities.

Section	APES 320 (May 2009)	ASQC 1 (Oct 2009)	Comments
Acceptance and continuance of client relationships and specific engagements			
			Undertake or continue relationships and engagements where the firm is competent, capable, can comply with relevant ethical requirements, and has considered the integrity of the client.
38		26	
39		A18	Consideration of whether the firm has the competence, capabilities and resources to undertake a new engagement from a new or an existing client.
40		A19	Matters to consider with regards to the integrity of a client.
41		A20	Sources of information of such matters obtained by the firm.
42		27	Establish policies and procedures to help determine whether to accept or continue a client relationship or specific engagement.
43		A21	Consideration of matters when deciding whether to continue a client relationship.
44		28	Establish policies and procedures on continuing an engagement and the client relationship where new information becomes available.
45		A22	Matters to address in the policies and procedures on withdrawal from an engagement or from both the engagement and the client relationship.
		Aus A22.1	Example of obtaining consent from ASIC prior to resigning from certain audits.
46		A23	Considerations specific to public sector entities - establishing relevant policies and procedures may provide valuable information to public sector auditors in performing risk assessments and in carrying out reporting responsibilities.
Human resources			
47		29	Establish policies and procedures for having sufficient personnel with the competence, capabilities and commitment to ethical principles.
48		A24	Personnel issues that are relevant to the firm's policies and procedures related to human resources.
49		A25	Competence can be developed through a variety of methods.
50		A26	Continuing competence depends on an appropriate level of continuing professional development to maintain knowledge and capabilities.
51		A27	Using a suitably qualified external person for training.
52		A28	Relationships and procedures relating to competence and commitment to ethical principles.
53		A29	Considerations specific to smaller firms - may employ less formal methods of evaluating the performance of their personnel.
<i>Assignment of engagement teams</i>			
54		30	Assigning responsibility for each engagement to an engagement partner and establishing policies and procedures with various requirements.
55		A30	Policies and procedures to enable engagement partners to have sufficient time to adequately discharge their responsibilities.
56		31	Establish policies and procedures to assign appropriate personnel with the necessary competence and capabilities.
57		A31	Considerations for the assignment of engagement teams and the determination of the level of supervision required.

Section	APES 320 (May 2009)	ASQC 1 (Oct 2009)	Comments
Engagement performance			
	58	32	Establish policies and procedures for engagement performance and the issuing of appropriate reports.
	59	A32	Promote consistency in the quality of engagement performance through policies and procedures.
	60	A33	Appropriate teamwork and training assist less experienced members of an engagement team.
	61	A34	Engagement supervision matters.
	62	A35	Considerations in a review.
	63	33	Determination of review responsibility policies and procedures.
<i>Consultation</i>			
	64	34, Aus 34.1	Establish policies and procedures for consultations, including that consultations are documented and agreed (Assurance Practices only for APES 320), and conclusions are implemented (or, for ASQC 1 only, the reasons alternative courses of action from consultations were undertaken, are documented).
	65	A36	Consultation with those who have specialised expertise.
	66	A37	Consultation resources, experience and expertise. Consultation promotes a quality culture.
	67	A38	Requirements for effective consultation on significant technical, ethical and other matters.
	68	A40	Considerations specific to smaller firms – firms needing to consult externally may take advantage of various advisory services (once consideration of their competence and capabilities has been undertaken).
	69	A39	Appropriate documentation of consultations contributes to a better understanding of the consultation issue and results.
<i>Engagement quality control review</i>			
	70	35	Establish policies and procedures requiring, for appropriate engagements, an engagement quality control review.
	71	A41	Criteria for determining which engagements other than audits of financial statements of listed entities are to be subject to an engagement quality control review.
	72	36	Establish policies and procedures setting out the nature, timing and extent of an engagement quality control review.
	73	37	Required inclusions in the policies and procedures for the engagement quality control review.
	74	A42	Engagement report to be dated after the engagement quality control review.
	75	A43	Benefits of conducting the engagement quality control review during the engagement.
	76	A44	The extent of the engagement quality control review.
	77	38	Considerations for engagement quality control reviews of audits of financial statements of listed entities.

Section	APES 320 (May 2009)	ASQC 1 (Oct 2009)	Comments
78		A45	Other matters relevant to evaluating the significant judgements made by the engagement team in an audit of financial statements of a listed entity.
79		A46	Considerations specific to public sector entities – certain public sector entities may be of sufficient significance to warrant performance of an engagement quality control review.
80		39	Establish policies and procedures to address the appointment of engagement quality control reviewers and establish their eligibility.
81		A47	Sufficient and appropriate technical expertise, experience and authority depends on the circumstances of the engagement.
82		A48	Issues to consider where the engagement partner consults the engagement quality control reviewer during the engagement.
83		40	Establish policies and procedures designed to maintain the objectivity of the engagement quality control reviewer.
84		A49	Policies and procedures to maintain objectivity of the engagement quality control reviewer.
85		A50	Considerations specific to smaller firms – selecting the engagement quality control reviewer.
86		A51	Considerations specific to public sector entities – the selection of the engagement quality control reviewer should include consideration of the need for Independence and the ability to provide an objective evaluation.
87		41	Replacement of the engagement quality control reviewer.
88		42	Policies and procedures on documentation of the engagement quality control review.
<i>Differences of opinion</i>			
89		43	Establish policies and procedures for dealing with and resolving differences of opinion.
90		44	Difference of opinion conclusions and dating of report.
91		A52	Benefits of effective procedures on differences of opinion.
92		A53	Consulting with external parties.
<i>Engagement documentation</i>			
93		45	Establish policies and procedures for engagement teams to complete the assembly of final engagement files.
94		A54	Time limits for assembly of final engagement files.
95		A55	Time limits for assembly of final engagement files where two or more different reports are issued in respect of the same subject matter information of an entity.
96		46	Establish policies and procedures designed to maintain engagement documentation.
97		A56	Observe confidentiality of information contained in engagement documentation, unless specific client authority has been given to disclose information, or there is a legal duty (or for ASQC 1 only, a professional duty) to do so.
98		A57	Controls for access to, and storage of, engagement documentation.
99		A58	Examples of controls to maintain engagement documentation.
100		A59	Maintaining documentation that has been scanned.

Section	APES 320 (May 2009)	ASQC 1 (Oct 2009)	Comments
	101	47	Retention of engagement documentation for sufficient periods.
	102	A60	Factors influencing the needs for retention of engagement documentation and retention periods.
	103	A61	Audit engagement retention period no shorter than seven (7) years (APES 320) and five (5) years (ASQC 1).
	104	A62	Procedures to adopt for retention of engagement documentation.
	105	Aus A63.1	Ownership and disclosure of engagement documentation. APES 320 notes that disclosure must not undermine the validity of the work performed, or, in the case of assurance engagements, the independence of the firm or its personnel. ASQC 1 notes that disclosure must not undermine the validity of the work performed, and also, in the case of assurance engagements, the independence of the firm or its personnel.
Monitoring			
	106	48	Establish a monitoring process to ensure that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively.
	107	A64	Purpose of monitoring compliance with quality control policies and procedures.
	108	A65	Matters for ongoing consideration and evaluation of the system of quality control. Includes written confirmation of compliance with policies and procedures on independence (Assurance Practices only for APES 320).
	AUST 109		Quality reviews conducted by the professional bodies or regulator may help determine scope of inspections.
	AUST 109	A66	Inspection cycle policies and procedures.
	110	A67	The inspection process and scope.
	111	A68	Considerations specific to smaller firms – performance of monitoring procedures.
	112	49	Evaluating the effect of deficiencies noted as a result of the monitoring process.
	113	50	Communicate of deficiencies noted as a result of the monitoring process and recommendations.
		Aus A68.1	Considerations specific to public sector organisations – monitoring process and inspection where auditors appointed under statute delegate responsibility for an engagement.
	114	A69	Reporting of identified deficiencies to individuals other than the relevant engagement partners.
	115	51	Recommendations for appropriate remedial actions for deficiencies noted.
	116	52	Establish policies and procedures to address inappropriate reports or performance of procedures.
	117	53	Communicate at least annually the results of the monitoring of its system of quality control.
	118	54	Policies and procedures for network firms that place reliance on network-wide monitoring procedures.

Section	APES 320 (May 2009)	ASQC 1 (Oct 2009)	Comments
<i>Complaints and allegations</i>			
119	55		Establish policies and procedures to deal appropriately with complaints and allegations of non-compliance.
120	A70		Origination of complaints and allegations.
121	A71		Policies and procedures established for the investigation of complaints and allegations.
122	56		Process where quality control system deficiencies are identified during investigations into complaints and allegations.
123	A72		Considerations specific to smaller firms – person/firm in charge of carrying out an investigation.
Documentation of the system of quality control			
124	57		Establish policies and procedures for documentation to provide evidence of the operation of each element of its system of quality control.
125	A73		Form and content of documentation is a matter of judgment and depends on a number of factors.
126	A74		Appropriate documentation relating to monitoring.
127	A75		Considerations specific to smaller firms – informal methods of documentation acceptable.
128	58		Establish policies and procedures for retention of documentation.
129	59		Establish policies and procedures for documentation of complaints and allegations.

