INSTITUTE OF CHARTERED ACCOUNTANTS AUSTRALIA

The Institute is the professional body for Chartered Accountants in Australia and members operating throughout the world.

Representing more than 73,000 current and future professionals and business leaders, the Institute has a pivotal role in upholding financial integrity in society. Members strive to uphold the profession’s commitment to ethics and quality in everything they do, alongside an unwavering dedication to act in the public interest.

Chartered Accountants hold diverse positions across the business community, as well as in professional services, government, not-for-profit, education and academia. The leadership and business acumen of members underpin the Institute’s deep knowledge base in a broad range of policy areas impacting the Australian economy and domestic and international capital markets.

The Institute of Chartered Accountants Australia was established by Royal Charter in 1928 and today has more than 61,000 members and 12,000 talented graduates working and undertaking the Chartered Accountants Program.

The Institute is a founding member of both the Global Accounting Alliance (GAA), which is an international coalition of accounting bodies and an 800,000-strong network of professionals and leaders worldwide; and Chartered Accountants Worldwide, which brings together leading Institutes of Chartered Accountants in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support, develop and promote over 320,000 Chartered Accountants in more than 180 countries around the world.

charteredaccountants.com.au

DISCLAIMER

The Quality Review Program is not an audit of the practices or files of any members of the Institute of Chartered Accountants in Australia. By conducting the Quality Review Program and reviewing particular members in the course of the Quality Review Program, the Institute is not certifying or representing that the work done or the opinions given by the member generally, or for particular clients or on particular files, is correct or of a high or any particular standard. The Institute expressly disclaims all liability for any loss or damage arising from any reliance upon the fact that the Institute conducts the Quality Review Program or has reviewed a particular member in the course of the Quality Review Program, or upon any annual reports, overviews, reports on particular members or practices, or other materials produced by the Institute regarding or in connection with the Quality Review Program.

COPYRIGHT

Copyright © The Institute of Chartered Accountants in Australia 2013. All rights reserved.

This publication is copyright. Apart from any use as permitted under the Copyright Act (1968), it may only be reproduced for internal business purposes, and may not otherwise be copied, adapted, amended, published, communicated or otherwise made available to third parties, in whole or in part, in any form or by any means, without the prior written consent of the Institute of Chartered Accountants in Australia.

Published by: The Institute of Chartered Accountants in Australia (0713-18)
Address: 33 Erskine Street, Sydney NSW Australia 2000
First published August 2013
ISSN 2200-9272
## Contents

<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Foreword</td>
</tr>
<tr>
<td>6</td>
<td>Executive Summary</td>
</tr>
<tr>
<td>8</td>
<td>About the Institute’s Quality Review Program</td>
</tr>
<tr>
<td>13</td>
<td>Quality Review Results 2012–2013</td>
</tr>
<tr>
<td>21</td>
<td>Focus Areas for 2013–2014</td>
</tr>
<tr>
<td>23</td>
<td>Role of the Quality Review Program in Our Co-Regulatory Framework</td>
</tr>
<tr>
<td>26</td>
<td>Quality Review Committee</td>
</tr>
<tr>
<td>28</td>
<td>Appendices</td>
</tr>
</tbody>
</table>
ACHIEVING PROFESSIONAL EXCELLENCE
In a world characterised by significant change, greater business complexity and increasing client and stakeholder expectations, it’s essential for Chartered Accountants to maintain and promote high level service delivery. Within the co-regulatory regime in Australia, the Institute has an important role in ensuring members meet regulatory requirements and uphold high educational, professional and technical standards.

Under our professional compliance framework, the Quality Review Program (the Program) assesses whether members in practice have appropriate quality control policies and procedures in place to maintain compliance. We are able to assist practices in identifying areas of improvement and work with them to remediate any shortcomings or problem areas. Importantly, we also use the knowledge gained from this process to promote continuous improvement throughout the accounting profession.

This Quality Review Report 2013 is part of our suite of annual reporting on the Institute’s performance and member support programs. The report summarises the results of the Program for the past financial year, based on quality reviews of practices ranging in size from national partnerships to sole practitioners.

In the interests of transparency and confidentiality, we report only aggregated data, trends and issues arising from the findings.

This past year we continued the evolution of our Program to include insolvency and financial advisory services. And on the back of our successful innovative research into the drivers of audit quality in the large firms, we extended our research to mid-tier firms, surveying more than 1,150 partners and staff across 74 offices. As well as providing in-depth analysis of the research to the individual firms, we publicise aggregated results to our stakeholders and the wider audit profession. We also use the results within the Institute to inform our approach to supporting all firms to improve audit quality.

I would like to acknowledge the Quality Review Committee and the dedication of the Program reviewers. Their professionalism in offering technical and peer support is central to the success of the Program. This approach is also imperative to maintain the trust and confidence of members and their clients and assists us in upholding financial integrity in society.

Tim Gullifer FCA
President
Institute of Chartered Accountants Australia
Executive summary

ACHIEVING PROFESSIONAL EXCELLENCE

The Institute’s Quality Review Program (the Program) is an integral part of the complex matrix of co-regulation of the accounting profession, upholding the integrity of the accounting profession in the public interest. Through quality reviews we work with our practitioner members to uphold and improve the standard of professional service they provide to their clients.

The Program assesses whether our practitioner members have implemented appropriate quality control policies and procedures in their accounting practices. By identifying any areas where these policies and procedures are not appropriate to maintain compliance with standards and legal requirements, we work with individual practices to remediate problem areas. Importantly, we also use the knowledge gained from this process to promote continuous improvement throughout the accounting profession.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.

Practices are reviewed in a three or five year cycle. The overall results for practices reviewed during 2012–2013 improved slightly compared with results in previous years. The majority of practices with technical reviews (80%) were reported to have either met all of the professional standards and regulatory requirements, we work with individual practices to remediate problem areas.
SUPPORTING PROFESSIONAL EXCELLENCE

The Program’s role in fulfilling the Institute’s obligations to the International Federation of Accountants (IFAC) continued this year and we have also been liaising with the Australian Securities and Investments Commission (ASIC) in relation to quality in the audit and insolvency arenas.

During the year, we launched two innovative tools to support our practitioner members in their professional practice. One was an online Risk Management Framework Tool and the other an updated and enhanced Quality Control Guide. These tools are part of the Institute’s suite of tools and resources to support members in delivering professional excellence to their clients.

PROFESSIONALISM UNDERPINS PROGRAM

Recent quantitative research of over 2,400 members in practice supports the value of the Program in upholding professional excellence. Of those surveyed who had been involved in a quality review over the last three years, the majority believed the process had been extremely valuable.

Dedicated and professional reviewers are central to the effectiveness of the Program. The reviewers add value to the Program far beyond the review process by visiting practices as peers. Their practical experience is invaluable to many members who have been reviewed.

QUALITY REVIEW PROGRAM: KEY ACHIEVEMENTS 2012–2013

<table>
<thead>
<tr>
<th>ACHIEVING PROFESSIONAL EXCELLENCE</th>
<th>ADDRESSING AUDIT QUALITY</th>
<th>EVOLVING THE PROGRAM</th>
<th>SUPPORTING PROFESSIONAL EXCELLENCE</th>
<th>PROFESSIONALISM UNDERPINS PROGRAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 406 practices reviewed</td>
<td>• Key priority for the Institute</td>
<td>• Audit quality research extended to mid-tier firms</td>
<td>• Compliance with IFAC requirements</td>
<td>• Dedicated pool of CA reviewers providing face-to-face peer reviews</td>
</tr>
<tr>
<td>• Review results demonstrate robustness compared to other accounting bodies and overseas jurisdictions</td>
<td>• First round of audit quality research results published</td>
<td>• Specialist reviews of insolvency practices successfully piloted and now extended across all insolvency practices</td>
<td>• Collaboration with key stakeholders including regulators (ASIC and the Australian Taxation Office (ATO))</td>
<td>• Positive feedback from practitioners</td>
</tr>
<tr>
<td>• Remediation by practices improves quality</td>
<td>• Research findings will be applied to improve audit quality across the profession</td>
<td>• Tailored reviews of practices offering financial planning services have commenced</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Recent quantitative research of over 2,400 members in practice supports the value of the Program in upholding professional excellence. Of those surveyed who had been involved in a quality review over the last three years, the majority believed the process had been extremely valuable.

Dedicated and professional reviewers are central to the effectiveness of the Program. The reviewers add value to the Program far beyond the review process by visiting practices as peers. Their practical experience is invaluable to many members who have been reviewed.

Recent quantitative research of over 2,400 members in practice supports the value of the Program in upholding professional excellence. Of those surveyed who had been involved in a quality review over the last three years, the majority believed the process had been extremely valuable.

Dedicated and professional reviewers are central to the effectiveness of the Program. The reviewers add value to the Program far beyond the review process by visiting practices as peers. Their practical experience is invaluable to many members who have been reviewed.
About the Institute’s Quality Review Program

The Program’s role is to work with our practitioner members to uphold the quality of the services they provide to their clients.

In the interests of transparency, we report our findings to our members, regulators, standard-setters and the general public. While individual practices are not identified in this report, the trends, issues and results of reviews are summarised as the basis of the findings.

MEASURING THE EFFECTIVENESS OF THE PROGRAM

We measure the effectiveness of the Program by closely monitoring the results of reviews, both in terms of the number and the significance of non-compliance issues that arise during reviews. These results are included in this report. We also measure the effectiveness of the Program in terms of the remediation implemented by practices to address any non-compliance revealed during their review.

FREQUENCY OF REVIEWS

The Program is a risk-based model with an overall objective of reviewing eligible practices at least once every five years.

FIVE YEARS

No systemic risk factors

THREE YEARS

Sign-off on audits requiring RCA registration

WITHIN ONE YEAR

Re-review for practices with systemic non-compliance issues

The frequency of reviews is increased for two key risk factors:

- Practices that sign-off on audits requiring a Registered Company Auditor (RCA) registration sit within a three-year rather than five-year program. This reflects the higher level of public accountability incumbent in these audits. In conducting reviews of RCAs, the Institute will consider ASIC’s inspection findings (where available) and modify the timing and scope of its reviews as a result.

- If systemic non-compliance issues are revealed during a review, the practice is reviewed again within one year to ensure appropriate remedial action has been implemented by the practice.
Institute of Chartered Accountants Australia

9

what happens in a quality review?
All reviews have the same objective; to assess whether a practice has implemented an appropriate system of quality control, as set out in APES 320: Quality Control for Firms and ASQC 1: Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements.

These standards require practices to address the following elements of quality control:
- Leadership responsibilities for quality within the practice
- Ethical requirements, including compliance with APES 110: Code of Ethics for Professional Accountants (Code of Ethics)
- Acceptance and continuance of client relationships and specific engagements
- Engagement performance, including compliance with relevant standards and/or legislation
- Monitoring.

To achieve this objective we apply a variety of review approaches, tailored to the differing sizes, structures and engagements of practices.

TYPES OF REVIEWS

AUDIT PRACTICES OF MAJOR AND MID-TIER FIRMS
(with internal review processes and subject to ASIC inspection)
- Analysis of the drivers of audit quality in the firm
- Utilise ASIC reviews of audit engagement files

OTHER PRACTICES
Mid-tier and smaller practices
- Reviewer:
  - Examines the practice’s manuals and working papers to evaluate the quality control system
  - Reviews a cross section of engagement files to assess whether quality control policies and procedures are being implemented

SPECIALIST PRACTICE
Insolvency practice/Financial planning practice
- Review conducted by a specialist reviewer
- Approach tailored to the speciality

SOLE PRACTITIONER
Conducting a micro practice
- Eligible for a self-assessment review
- Scope will be more extensive for auditors from 1 January 2014

WHAT HAPPENS IN A QUALITY REVIEW?

Analysis of the drivers of audit quality in the firm
- Utilise ASIC reviews of audit engagement files
AUDIT PRACTICES OF MAJOR AND MID-TIER FIRMS

Reviews of the audit practices of major and mid-tier firms apply an innovative, online quantitative audit quality survey to assess the perceptions of various respondent groups on the firms’ commitment to the drivers of audit quality. This approach evolved from our 2010 analysis of quality review as a concept, both in Australia and internationally, thoroughly exploring the future direction of quality review.

We identified the following key outcomes to shape the future of audit inspections/review processes:

- To develop an efficient approach, without duplicating the already extensive work conducted by regulators and the global firms
- To provide ‘audit measures’
- To obtain, deliver and share new/additional information on audit quality
- To provide positive influence over commentary by delivery of new selected data
- To show the lead globally on the future of audit quality reviews and inspections
- To develop a timely process, which adds immediate value to the firm being reviewed.

To deliver these outcomes, we needed to fundamentally and radically redesign the review approach, particularly for the major firms. In our view, while detailed audit file reviews are important, and carried out by the firms’ networks and other regulators, a deeper understanding of the auditors’ mindsets to the key drivers of audit quality was missing. Understanding these mindsets is key to the continuing development of audit quality.

‘It is refreshing that the Institute uses this innovative research methodology rather than file inspection – which is the approach used by our internal quality program and by the regulators.’

DENIS THORN CA, PARTNER – EY

To do this we use a tailored, online quantitative survey seeking the views of partners, managers and qualified staff on the key drivers of audit quality:

1. The culture of audit quality in the firm
2. The skills and competencies of audit partners and staff
3. The effectiveness of the audit process
4. Factors outside of the control of auditors
5. Commitment to audit quality.

Graduates, being the future of the profession, were also surveyed in relation to skills and competencies. A more indepth discussion of these drivers of audit quality is included in Appendix 2.

Firms eligible for this approach must:

- Be subject to ASIC’s Audit Inspection Program
- Conduct their own national and/or international reviews.

From the responses we compile a masked report for each firm, as the focus firm, benchmarked to the other firms. By sharing with the firms benchmark data about their responsiveness to the drivers of audit quality, we provide firms with insights into the effectiveness of their quality systems, assisting them to promote internal attitudes towards audit quality. Conducting and examining the research in a much shorter timeframe than the traditional approach to audit inspections allows the participating firms to respond and employ remediation in a timely manner that will only add to audit quality.

1. Quality Review: past, present and future, Getting the balance right, 2010, Institute of Chartered Accountants Australia
2. The benefit of audit: A guide to audit quality, 2009, Institute of Chartered Accountants Australia
REVIEWS OF OTHER MID-TIER AND SMALLER PRACTICES

Reviews of other mid-tier and smaller practices are conducted by a reviewer visiting the practice and examining the practice’s manuals and workpapers across all types of engagements conducted by the practice. The reviewers base their reviews on questionnaires developed by the Institute, tailored to reflect the standards and regulatory requirements relevant to the specific engagements conducted by the practice (questionnaires available on the Institute website). This enhances the transparency of the Program, as well as providing a tool for practices to use for their own internal reviews between Institute visits.

Reviewers focus on assessing whether practitioners have applied policies and procedures that appropriately reflect standards and legislation in conducting engagements, rather than directly assessing the appropriateness of the opinions issued, or the advice provided, by members. After reviewing an engagement, reviewers come to an opinion as to whether there is any indication that:

- The engagement was not conducted in accordance with relevant professional standards
- The working papers are inadequate or insufficient.

For audit engagements the reviewer assesses whether there is any indication that:

- The audit was not conducted in accordance with Australian auditing standards
- The audit opinion was not based on sufficient documented and appropriate audit evidence.

Once the reviewer has completed their review, the outcome is presented to the practice in two ways:

- Firstly, the reviewer presents a report of their findings, and in many cases best-practice recommendations, to the practice. Practitioners are encouraged to comment on the report, which is then returned to the Institute together with the completed review questionnaires.
- Secondly, based on the reviewer’s report and practice comments, the Institute prepares and sends the practice a review results letter. This review results letter falls into one of four categories, and each letter explains to the practice any departures from standards and/or regulatory requirements and the remediation action required.

If these practices offer a range of services, including audit, tax, insolvency and financial planning, these services are included in the review.

OUTCOME OF REVIEWS

**REVIEW RESULTS LETTER**

| NO DEPARTURES FROM PROFESSIONAL STANDARDS | Following the review, we do not require the practice to take any further action as it appears there are adequate quality control procedures in place in the practice. |
| DEPARTURE(S) FROM PROFESSIONAL STANDARDS, NOT CLASSIFIED AS SYSTEMIC | We require the practice to confirm to us in writing that the issues identified in the review results letter have been addressed. Members are referred to guides/advice to help address the issues that were identified. |
| FOLLOW-UP REVIEW REQUIRED | The practice is required to develop an action plan within two months to outline how the issues identified are being addressed. A follow-up review is conducted within 12 months. If the action plan is not provided within the timeframe or it has not been adequately implemented at the time of the follow-up review, the practice will be referred for investigation. |
| REFERRAL TO THE INSTITUTE’S DISCIPLINARY PROCESSES FOR INVESTIGATION | The practice is referred to the Institute’s Professional Conduct team for investigation. |

These categories cover a range of departures from professional standards and regulatory requirements, including:

- Quality control policies and procedures
- Specific professional standards relevant to audit
- Audit evidence
- Supervision and review

In these cases, the remediation actions are designed to assist practices to correct departures from professional standards and regulatory requirements.
SPECIALIST PRACTICES
Reviews of specialist practices are conducted by following the same procedures as for other practices visited by reviewers; the difference is these reviews are tailored to the specific characteristics of these specialist practices:

- Reviewers conducting these reviews are specialists in the relevant practice specialty
- Tailored review questionnaires are used, developed in conjunction with industry experts.

SPECIALIST PRACTICES

Specialist financial planning practices, operating either under their own Australian Financial Services Licence (AFSL) or as an Authorised Representative, are also subject to review where one or more practitioner in the practice is required to hold a Certificate of Public Practice.

Chartered Accountants who are liquidators and administrators are typically also members of the IPA. To review these members effectively, the Institute and the IPA work cooperatively. Reviews are conducted by specialist insolvency reviewers under the auspices of the Institute’s Program, with technical input from the IPA. During the year we completed pilot reviews of 10 specialist insolvency practices. Building on this pilot we have now extended the program to all our practitioners who conduct insolvency practices. These reviews are accepted by both bodies as satisfying the professional obligations of each body.

MICRO PRACTICES
Currently sole practitioners holding a full Certificate of Public Practice (CPP) are eligible to request a self-assessment review, rather than be visited by a reviewer, if they are not an RCA and have gross fees under $50,000. This also applies to sole practitioners holding a concessional CPP at a one-third rate.

From 1 January 2014, the scope of self-assessment reviews for all micro practices conducting assurance engagements will be more extensive, as outlined on page 21.

Throughout a review, or at any other time, practitioners are welcome to contact the Quality Review team, managed by Assunta Corbo FCA, to discuss any queries or issues.
During the year we reviewed 406 practices. The headline results from these reviews are outlined below, separated into research into audit quality in the larger firms, and technical reviews in the smaller firms.

**PRACTICES REVIEWED ACCORDING TO SIZE**

The proportion of practices reviewed in each size category reflects the approximate distribution of practices by size across the Institute as a whole. The only exceptions are in relation to mid-tier and Big 4 firms, which are reviewed periodically as a group:

- The audit practices of six mid-tier firms across 74 offices were reviewed in 2012–2013.
- The audit practices of all the Big 4 firms (Deloitte, EY, KPMG and PwC) were reviewed in 2011–2012.

**AUDIT QUALITY RESEARCH**

In October 2012, we reported on the results of the first survey of the audit practices of five major firms: Deloitte, EY, KPMG, PwC and Grant Thornton. The key research findings are discussed below.

**PROFESSIONAL SCEPTICISM:** Our analysis of the research data shows clearly that auditors at all levels are fully aware of the importance and implications of professional scepticism to the quality of their work. It ranks in the top three most important skills. There is room for improvement in training and mentoring in this area to ensure that professional scepticism and judgement is nurtured to sustain the delivery of quality auditing.

**COMMUNICATION:** Communication is rated as one of the top skills, with less senior respondents citing effective communication throughout the audit team as the most pertinent skill necessary to their roles.

**CORPORATE GOVERNANCE:** Effective audit is enhanced by the mutual respect between auditor and auditee. Senior members of the audit engagement team see their communication with the audit committee as moving decisively away from compliance based dialogue in the direction of meaningful, effective interchange.

**SUSTAINABILITY OF THE PROFESSION:** External auditing requires specialist skills and knowledge in a constantly evolving and dynamic business environment. Attracting, retaining and developing the right people for the profession is vital to ensuring Australia has the appropriately skilled accounting and finance professionals needed to maintain and build sustainable organisations that will enhance Australia’s prosperity.
More details on the research, and a copy of the resulting publication, *Preserving capital market confidence through audit quality*, are available on our website (charteredaccountants.com.au/auditresearch).

In May 2013, we completed the second round of research. Over 1,150 partners, managers, qualified staff and graduates, across 74 mid-tier offices, were invited to participate in the survey, with an 87% response rate. We are currently collating the responses of these surveys.

**WHERE TO NOW?**

- We are working with the firms to finalise the correlation of findings from the survey with issues arising from their internal review program and ASIC inspection. Supplementary to this, we will assess whether this approach can be adapted for other practice areas within the firms other than audit.
- We will continue to expand our approach through our global profession.
- We envisage using the results from the two surveys to develop ‘measures’ around the drivers of audit quality, so these measures can be used by the firms, and the wider auditing community on an ongoing basis to self assess their quality status.
- We see significant value in further work being undertaken around the human tendencies that could limit the exercise of professional scepticism, such as when auditors are often confronted (sometimes deliberately) with an incomplete definition of the problem, knowing or sensing that limitation is vital.
- The Institute will use the findings to inform our integrated activities, including the Chartered Accountants Program, T&D and policy development and engagement.

**REVIEW RESULTS**

Although it is pleasing to see the number of practices requiring a follow-up review falling slightly, the Institute takes the view that any non-compliance is preventable and works in three key ways to promote continuous improvement:

- Working closely with individual practices to remediate their policies and procedures
- Analysing review results in detail to direct Institute resources and services where they are most needed
- Using the results and issues arising from the Program to inform our advocacy with regulators and standard-setters.

Practices requiring a follow-up review predominantly fell into one, or more, of the following categories:

- Practice had not documented its quality control policies and procedures
- Practices where the reviewer was of the opinion that, overall, one or more engagements were not conducted in accordance with regulations and/or professional standards
- One or more audit reports were not supported by sufficient, appropriate documented audit evidence (applicable to practices that conduct assurance engagements).

Practices are reviewed in a three or five year cycle (see page 8) so the results included in this report for the last three years relate to different accounting practices. Therefore care needs to be taken interpreting the results as the practices, and the engagements reviewed, are not necessarily comparable.
COMMON NON-COMPLIANCE ISSUES ARISING FROM TECHNICAL REVIEWS

Having established these top-line figures, we look deeper into the review results to establish any patterns of non-compliance. The number and significance of systemic non-compliance issues, and the level of remediation, has improved slightly compared with recent years. This demonstrates the Program, together with other Institute activities to improve the standards of professional work, is achieving its objective when considered against a backdrop of:

- Evolving the Program from an educational focus to a compliance-based approach, so some issues initially regarded as minor are now regarded as significant. This reflects the Institute’s ongoing policy of ‘raising the bar’ in the public interest
- The increasing number and complexity of standards and other regulatory requirements since the Program commenced
- Challenges of ongoing global economic uncertainty conditions.

In the section below we break down common non-compliance issues into categories.

QUALITY CONTROL POLICIES AND PROCEDURES THROUGHOUT THE PRACTICE

Most practices have adapted to the requirement to maintain documented quality control policies and procedures, introduced in 2006, and the results for the current year indicate this trend is continuing. We regard a practice that has not documented its quality control policies and procedures as having a systemic deficiency and these practices require a follow-up review within a year. More commonly, practices need to refine their systems by improving aspects of their quality control documentation. We require these practices to confirm to us that this has been done.

Detailed analysis reveals that around half of all practices reviewed that revealed systemic deficiencies had failed to document their quality control policies and procedures, constituting 13% of practices that do not conduct assurance engagements, and 9% of practices that do conduct assurance engagements. Most of these practices were sole practitioners. To assist members the Institute has updated and enhanced the Quality Control Guide, providing sample policies and procedures that members can use in applying all the components of quality specified in the standards APES 320 and ASQC 1. A significant enhancement to the 2013 edition is the inclusion of sample policies and procedures tailored for a sole practitioner.

TRAINING AND DEVELOPMENT

Quality reviews revealed a shortfall in some practitioner members meeting regulatory requirements surrounding minimum required hours of training and development. This was mainly in respect of their statutory registrations.

Members are required to complete a minimum of 120 hours of T&D on a three-year basis. As part of their T&D hours, they must complete 40% of their hours in each of their specialist areas.

SMSF auditors must dedicate at least 30 hours of their T&D to professional development activity relevant to auditing SMSFs each three-year period. The Institute endeavours to supply sufficient opportunities for a member to undertake adequate and appropriate T&D activities. An Institute initiative is LiveOne, interactive online training, accessible by members from any location.

When a shortfall in hours has been identified, the Institute contacts the member to ensure the shortfall is addressed. A member may be excluded from membership of the Institute if they fail to meet their T&D requirements for two consecutive years.

The Institute is investigating the reasons for the increase in non-compliance with R7: Regulations Relating to Training and Development as a high priority.

NON-COMPLIANCE WITH APES 320 AND ASQC 1

- A system of quality control does not appear to have been implemented and/or documented
- A system of quality control has been documented but does not address all the elements required by APES 320/ASQC 1
- No annual written confirmation of compliance on independence

NON-COMPLIANCE WITH R7

- Minimum required hours of T&D not completed
- Minimum required hours of T&D in respect of one or more statutory registrations not completed
- Minimum required hours of T&D as set out in the Competency Requirements for Auditors of Self-Managed Superannuation Funds (SMSF) not completed
AUDIT

• Systemic deficiencies in practices that conduct audit engagements have declined overall compared to previous years (see page 20). We categorise a practice as having systemic deficiencies when:
  – The practice has no documented system of quality control in place; and/or
  – There is a significant breach of independence requirements; and/or
  – The audit opinion is not based on sufficient documented and appropriate audit evidence. This includes where the practice has fundamental deficiencies around obtaining and documenting an understanding of the entity as part of developing the audit strategy and plan.

• Some specific areas of non-compliance with auditing standards have increased, typically new requirements introduced through the Clarity standards. For most audit engagements, the Clarity auditing standards first applied to audits of financial periods ending 30 June 2011. For most of the issues identified, the procedure had been completed (e.g. an audit strategy prepared) but not all the requirements of the standards had been applied (e.g. has documented most but not all of the components of the audit strategy required by ASA 300). This was particularly apparent where the Clarity standards introduced new requirements not in the previous versions of the standards.

In many instances where there was a lack of documentation, the member said adequate audit work had been completed, but not all had been documented. The Institute takes the view that if the work is not documented, it does not constitute sufficient appropriate audit evidence. Documentation is critical as:

• It provides evidence that the audit was adequately performed in accordance with Australian auditing standards
• It provides a record of the basis for conclusions, including the auditor’s report
• It is mandatory under the legally-enforceable Australian auditing standards.

Under the standards, the test of sufficient documentation is whether another auditor, with no prior knowledge of the engagement, can review and evaluate the audit and understand how the conclusions were reached. This is the approach taken by our reviewers.

For the majority of practices that have fully documented their audit work, the reviewer will also consider whether this evidence is appropriate as outlined in the auditing standards. At the end of reviewing an audit engagement, the reviewer assesses whether there is any indication that the audit opinion was not based on sufficient documented and appropriate audit evidence.

Reviews were split as follows:

<table>
<thead>
<tr>
<th>TYPE OF ENTITY REVIEWED (audit/assurance files only)</th>
<th>% OF AUDIT FILES REVIEWED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed entity</td>
<td>3%</td>
</tr>
<tr>
<td>Non-Corporations Act/SMSF</td>
<td>28%</td>
</tr>
<tr>
<td>Corporations Act (excluding listed entities)</td>
<td>30%</td>
</tr>
<tr>
<td>SMSF</td>
<td>39%</td>
</tr>
</tbody>
</table>

BASIS OF AUDIT FINDINGS

These results came from the review of audit engagement files constituting audits of a range of entities:
• Public listed entity
• Non-listed public company (including company limited by guarantee)
• Large proprietary company
• Small proprietary company
• SMSF
• Incorporated association
• Non-corporate disclosing entity
• Other incorporated body
• Solicitor’s trust account
• Real estate agent trust account
• Other.
NON-COMPLIANCE WITH AUDITING STANDARDS

The reviews revealed an increased number of departures (not systemic) from auditing standards, predominantly where practices were continuing to adapt their policies and procedures to the new requirements of the Clarity standards. Some practices still need to ensure their audit methodology has been amended according to the new requirements. Our previous experience is that when amendments are introduced it takes time for practices to adjust to the changes.

The vast majority of audit engagements reviewed in 2012–2013 were conducted under the Clarity auditing standards (in 2011–2012 only some of the audit engagements reviewed were under Clarity*).

ASA 230: Audit Documentation; and
ASA 500: Audit Evidence
- Audit documentation exists but does not constitute sufficient audit evidence to support the audit opinion

ASA 210: Agreeing the Terms of Audit Engagements*
- No engagement letter, or letter not issued for all audit clients
- Engagement letter does not contain all required information*; and/or
- Recurring audit: need for revised engagement letter not assessed; and/or
- Auditor did not establish preconditions for audit*

ASA 220: Quality Control for an Audit of a Financial Report and Other Historical Financial Information
- No evidence regarding compliance with independence requirements; and/or
- Workpapers don’t show evidence of engagement partner review

ASA 240: The Auditor’s Responsibilities Relating to Fraud in an Audit of a Financial Report*
- No enquiries made and documented with regard to fraud; and/or
- Engagement team did not discuss risk of material misstatement including from fraud and related parties
- No presumption of risk of material misstatement due to fraud in revenue recognition*

ASA 300: Planning an Audit of a Financial Report
- Audit strategy and/or audit plan not documented
- Inadequate audit strategy and/or inadequate audit plan documented

ASA 315: Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment; and
ASA 520: Analytical Procedures*
- No analytical review performed and documented as risk assessment; and/or
- No documentation of internal control; and/or
- No analytical review performed and documented prior to forming an opinion on the financial reports

ASA 560: Subsequent Events
- No subsequent events review documented

ASA 320: Materiality in Planning and Performing an Audit*
- No materiality determined for financial report as a whole

ASA 580: Written Representations*
- No written management representations to support other evidence, re: fraud, laws and regulations; and/or
- No written representations regarding management’s responsibility for the financial report

* New or amended requirements were introduced in the Clarity version of this standard.
NON-COMPLIANCE WITH AUDITOR INDEPENDENCE REQUIREMENTS

APES 110: Code of Ethics for Professional Accountants
- No documentation or inadequate documentation when considering threats to independence; safeguards exist but not fully documented
- Appropriate safeguards were not adequately applied when carrying out audit and accounting functions for a client
- Auditing the SMSF of a partner in their practice

OTHER PRACTICE AREAS
We found compliance with standards governing practice areas, other than audit, also revealed areas of weakness. Close analysis of the results revealed this was where new standards have been introduced, and practices are taking a while to adjust to the changes. We have taken these results on board by being more proactive in alerting members to changes and providing tools to assist members in the transition to these new standards.

NON-COMPLIANCE WITH OTHER STANDARDS

APES 205: Conformity with Accounting Standards
- Financial reports do not clearly state that they are special purpose and/or the special purpose financial reports did not clearly identify significant accounting policies

APES 305: Terms of Engagement

APES 315: Compilation of Financial Information
- Compilation reports not in accordance with APES 315
- Financial reports do not always clearly state that the financial information has not been audited
- No acknowledgement was obtained from the client of their responsibility for the reliability, accuracy and completeness of accounting records and disclosure of all relevant information
PRACTICES THAT PROVIDE CERTAIN SERVICES

We also analyse review results by considering the different types of services provided by practices. This assists us to identify the types of practices and services with a higher risk of non-compliance with requirements.

Audit services are governed by an exhaustive set of standards when compared with those for, say, compilation or tax engagements. Therefore, reviews of practices that conduct audits focus strongly in this area and we have identified audit services as a high-risk area during a review.

Consistent with the overall results, practices that conduct audits under the Corporations Act (2001) revealed fewer systemic deficiencies than in previous years. Practices that undertake audits under the Corporations Act are subject to a more stringent regulatory regime than for other audits, including being subject to ASIC audit inspections and three yearly Institute quality reviews.

Results from practices that conduct audits, but not Corporations Act audits, did not reveal the same overall improvement and reinforce the need for practices to invest in updating their skills and systems in relation to audit, regardless of the size of practice or type of audits they conduct.

During the year, we continued to see a trend of members either specialising in audit, or resigning from all audit engagements. This reflects the increasing complexity and regulation of audit, requiring a significant investment of practice resources to maintain audit competence and therefore audit quality.

Quality reviews are an important mechanism to help practitioners decide whether they are competent and adequately equipped to perform audits. The Institute assists practitioners who wish to specialise in audit in a number of ways (see page 30).

TYPES OF PRACTICES REVIEWED DURING THE YEAR
(excluding audit quality survey)

<table>
<thead>
<tr>
<th>TYPE OF PRACTICE</th>
<th>% OF REVIEWS IN 2012–13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practices that undertake insolvency services</td>
<td>2%</td>
</tr>
<tr>
<td>Practices that undertake audits under the Corporations Act, non-Corporations Act audits and other services</td>
<td>27%</td>
</tr>
<tr>
<td>Practices that undertake services other than audit and insolvency</td>
<td>34%</td>
</tr>
<tr>
<td>Practices that undertake non-Corporations Act audits and other services</td>
<td>37%</td>
</tr>
</tbody>
</table>
The charts below indicate the results for practices conducting different types of engagements. The results for each practice type include all the engagements reviewed for those practices. For example, for practices that undertake audits under the Corporations Act, the results include all Corporations Act and other audits, as well as other engagements conducted by the practice.
Focus areas for 2013–2014

UPHOLDING AUDIT EXCELLENCE
PROFESSIONAL SCEPTICISM
The value of exercising professional scepticism in auditing is front and foremost for auditors in practice, yet more work can be done to build capability in this area, according to the first round of audit quality research undertaken by the Institute. The Institute has taken this on board as a key priority area:

- Reviewers will be specifically discussing professional scepticism with practices during their reviews
- The Institute has renewed its focus on providing tools and resources to assist auditors address and evidence audit scepticism during audits. A key publication is the paper Practical Ways to Improve the Exercise and Documentation of Professional Scepticism in an ISA Audit released in June 2013. This provides members with a useful reference tool, through a series of questions for different members of the engagement team, at different stages, to consider how to demonstrate the scepticism that has been applied during an audit
- Professional scepticism has been a core theme of audit and T&D throughout 2012–2013 and will continue to be so in the next year.

Our focus on professional scepticism exercised by auditors aligns with the focus areas identified by regulators internationally, including ASIC in its latest audit inspections.

AUDITORS OF SELF-MANAGED SUPERANNUATION FUNDS
Auditors of SMSFs are required to be registered with ASIC from 1 July 2013 in order to conduct SMSF audits. ASIC’s responsibilities with regard to the registration process include disqualifying non-compliant auditors and developing a competency exam. SMSF auditors are also required to undertake 120 hours of T&D every three years. The total 120 hours of T&D must include 30 hours on superannuation and at least eight hours on auditing SMSFs. This is now a legislative requirement for all SMSF auditors and aligns with the existing professional requirement for our members.

Importantly the SMSF auditor register will assist us to identify our members conducting SMSF audits so we can monitor that they are meeting their professional obligations, such as holding a CPP and undertaking the required T&D hours.

The Institute has consistently supported the federal government’s new registration process for SMSF auditors to assist in raising the bar in SMSF audit quality in Australia.

DISSEMINATING THE RESULTS OF QUALITY REVIEWS
To assist members prepare for their June 2013 audits, the Institute produced a new guidance document Audit Focus Areas 2013. The document identifies the key audit focus areas identified by ASIC’s latest Audit Quality Report and the common areas of non-compliance identified by the Institute’s 2011–2012 Quality Reviews, as set out in the Institute’s Lessons from quality review checklist. It directs members to Institute resources for each of the areas, including highlighting relevant content and tools available in the Australian Audit Manual and Toolkit, to enable them to plan their audits to address these areas appropriately.

A list of all guidance and tools the Institute provides for auditors is available in Appendix 3.

MICRO PRACTICES
To enhance audit quality at the smallest end of the profession, we are enhancing our review approach for very small practices that conduct assurance engagements. From 1 January 2014, all micro practices conducting assurance engagements will be subject to a more comprehensive desk review/telephone call approach than other micro practices. These reviews may also involve a reviewer visit, depending on the types of assurance engagement conducted and results of the review. This aligns with the requirement from 1 January 2014 to conduct reviews of all practices that conduct assurance engagements, regardless of size, to fulfil our international obligations to IFAC as outlined in Statement of Membership Obligations 1: Quality Assurance (SMO 1).
**FINANCIAL PLANNING UNDER THE SPOTLIGHT**

A growing number of accounting practices are providing financial planning services, with an increasingly significant fee base. At the same time, instances of poor or unethical advice given by some financial advisors has highlighted shortcomings in the skills, knowledge and ethics of some participants in the financial planning industry.

To date, Institute reviews of financial planning services have been limited. We have relied, to an extent, on the regulatory framework and external reviews to monitor practitioners offering financial planning services. It is appropriate that financial planning services be monitored as vigorously as other services offered by practices. Quality reviews are a fundamental component of upholding the public interest and securing and enhancing the Institute’s brand and reputation. Reviewing, and being seen to review, financial planning services is an important part of this process.

Recent professional and regulatory enhancements have reinforced the need for the Institute to more closely monitor our members practicing in this area:

- The Accounting Professional and Ethical Standards Board (APESB) issued APES 230 on 5 April 2013. The new standard is effective from 1 July 2014, with transitional provisions for some requirements commencing from 1 July 2015. Under the new standard, members will have to adhere to new obligations when advising their clients, encompassing a range of areas including disclosure, written, informed consent and allowing sufficient time for the client to form an opinion about a proposed transaction.

- The FoFA reforms commenced on 1 July 2013. These reforms introduce a range of measures to strengthen regulation over the industry. All practitioners will be able to apply for a licence to provide broad strategic financial advice to their clients, through the conditional AFSL, which will replace the accountants’ exemption from 1 July 2016.

Our challenge is to develop a review methodology that provides our stakeholders and the Institute with an appropriate level of assurance that practitioners offering financial planning services have quality control policies and procedures in place that appear adequate to comply with professional standards and regulatory requirements. This is in the context of a relatively heavily regulated area where practices offer financial planning services through a variety of models. Our approach to these reviews is detailed in the diagram below.

As well as enhancing our review approach, the Institute (jointly with CPA Australia) is developing a range of resources to assist members and their practices through the transitional period of APES 230 and the FoFA reforms including:

- Accountants’ exemption guidance, including checklists, an updated FSR Accounting Industry Guide and a guide on how to apply for a licence and other tools to assist members transition to the new limited licensing regime to replace the ‘accountants’ exemption’.

The Institute will also be hosting road shows and engaging an RG 146 training provider to assist members in preparing for and understanding the new limited AFSL process.

- FoFA fact sheets and checklists to assist members in implementing the various FoFA reforms, which address the best interests duty, conflicted remuneration and fee disclosure statements.

---

**ACCOUNTING PRACTICE OFFERING FINANCIAL PLANNING SERVICES**

- **Practice offers a range of services including financial planning**
  - Financial planning as an Authorised Representative under dealer group
  - Institute review assesses APES 230 policies and procedures and Corporations Act compliance issues, plus consideration of dealer review and remediation action

- **Specialist financial planning practice**
  - Practice/practitioner holds AFSL
  - Institute review conducted by specialist reviewer, tailored to the practice
  - Institute review assesses APES 230 policies and procedures and Corporations Act compliance issues
  - May be subject to ASIC inspection or compliance review. Consider review and remedial action
  - If not subject to review, or review report not available, conduct engagement file review
Role of the Quality Review Program in our co-regulatory framework

INTEGRAL TO CO-REGULATORY RECOGNITION

The Australian accounting profession exists within a co-regulatory environment. This means the Institute works with other bodies in Australia and internationally to regulate and govern the work of Chartered Accountants. The co-regulatory environment is illustrated in Appendix 1.

The Program is an integral part of this co-regulatory environment, maintaining quality within the profession and retaining the Institute’s position as a leading professional accounting body. Some of the key ways we do this are explained below.

- Ongoing liaison with regulatory bodies including ASIC and the ATO. For example, auditors of SMSFs are required to register with ASIC and are subject to an ‘approved auditor compliance program’ under the auspices of the ATO.
- Quality assurance is a compulsory obligation of full membership of IFAC. Membership of IFAC enables Institute members to benefit from the Institute being classified under legislation, such as the Corporations Act, as a ‘professional accounting body’. SMO 1 requires the Institute to conduct quality reviews of auditors of listed entities as a minimum, and to report annually on these reviews.

IFAC has recently extended SMO 1 to require reviews of all auditors of financial statements from 1 January 2014, and recommends quality reviews of all practice areas.

PROFESSIONAL, EXPERIENCED QUALITY REVIEWERS

All our reviewers are experienced practitioners who work, or have worked, in public practice, recruited because of their professional reputation and practice experience. Before they undertake any reviews they are required to complete a training day with the Institute and to sign strict terms and conditions. Reviewers who are in practice are also required to have recently, satisfactorily undergone a review of their practice.

As Chartered Accountants, our reviewers are bound by the profession’s Code of Ethics. They are also bound by strict agreements under the terms and conditions of their appointment with the Institute. These ensure a standard and professional approach to reviews and the confidentiality of all information encountered during a review. Reviewers are bound not to disclose any identifying information about the practice, its personnel or its clients, other than to the Institute’s quality review staff, except:

- Where the review results in a referral to the Institute’s disciplinary processes for investigation
- If compelled to by law.

The Program’s effectiveness is reliant on the independence and quality of the work of our reviewers. Their expertise and experience is matched as closely as possible to the types of engagements conducted by the practice under review to enhance the efficiency and effectiveness of reviews.

To monitor their work, and to promote consistency between reviewers, we have implemented a number of strategies:

- Reviewers for a practice are nominated by the Institute.
- Reviewers and practitioners are required to declare any conflict of interest that would result in the reviewer not being independent of the practice. If there is a conflict of interest a different reviewer is nominated for the review.
- Reviewers are evaluated by practitioners at the end of each review.
- The reviewers’ workpapers are assessed by one of the Program’s technical advisors before the Institute sends the review results letter to the practice. All the technical advisors are experienced Chartered Accountants.
- A different reviewer is appointed to a practice for each cyclical review.
PROGRAM GOVERNANCE
The strategic direction and content of the Program is monitored by the Institute’s Quality Review Committee, comprising Chartered Accountants and non-members. The committee includes a quality reviewer and practitioner members from a cross-section of public practices, varying in size, specialisation and geographical location. The committee also includes an accounting academic and two non-members, independent of the profession and the membership, to represent the public interest and to increase the transparency of the Program.

The committee monitors the Program’s efficiency and effectiveness, and keeps a close eye on regulatory changes and developments in other quality review programs in Australia and overseas to identify relevant issues and trends. Through this process, the committee assists the Institute Board and management to oversee and develop the Program, ensuring it maintains its relevance and retains its ‘international best-practice’ status.

More information on each member of the committee is included on page 26.

HOW DOES THE PROGRAM MAINTAIN ITS INTEGRITY?
The Program is conducted in accordance with strict quality control procedures to ensure consistency and confidentiality of reviews, under the oversight of the Quality Review Committee.

We also benchmark our Program against programs conducted by regulators and other accounting bodies in Australia and overseas. In recent years we have made detailed comparisons with the programs of professional accounting associations in the US, the UK, New Zealand and Canada. We found that our Program meets or exceeds international best-practice in most respects, and where we find areas of improvement we incorporate them into our Program. It is interesting to note that the non-compliance issues we identify most commonly are also identified in many other jurisdictions and by regulators.

Ensuring the integrity of the Institute’s membership records is another important aspect of maintaining the integrity of the Program. Members holding an Institute CPP are subject to specific Institute requirements, including an obligation to undergo a quality review in accordance with Regulation 715.

The Institute has a range of strategies in place to identify any members conducting a practice without holding a CPP or equivalent, or who hold a CPP unnecessarily.

• During 2010 – 2013 we undertook a project matching members of the Institute with ASIC’s register of RCAs. We know a number of members maintain their RCA status but are no longer conducting audits or any other client engagements, and we categorise these as ‘monitored members’. We have now written to all members who are RCAs and not monitored members or holding a CPP to clarify their status, and importantly to confirm they are not conducting audits or undertaking any other engagements that would require them to hold a CPP

• We are continuing this initiative with members holding other statutory registrations

• As of 1 July 2013, all SMSF auditors are required to be registered with ASIC to conduct SMSF audits. This will assist us to identify our members conducting SMSF audits

• As part of monitoring our members who conduct financial planning services, we will be focussing on ensuring members who are Authorised Representatives or hold an AFSL also hold a CPP or are ‘monitored members’ in accordance with the Institute’s Regulations.

CYCLE OF CONTINUOUS IMPROVEMENT
An effective Program contributes to continuously improving the quality of professional services being delivered by practices.

SUPPORTING PROFESSIONAL EXCELLENCE
The Institute supports our practitioner members in many ways as they strive to provide professional excellence.

The Program contributes to this directly from the remediation action taken by the practices in response to any issues identified as a result of their quality review. It also comes from the close collaboration between the Institute’s Quality Review team and other teams at the Institute.

• Quality reviewers have a unique relationship with practitioners, as peers who meet in practitioners’ own offices. This can add value to the process well above conducting quality reviews. Reviewers play a very important role in suggesting to practitioners how they can improve their practice, or sometimes simply by being a fellow practitioner they can talk to about professional and practice issues. Practitioners from small practices and/or regional areas often tell us how useful they find this face-to-face interaction. We facilitate this by providing samples of Institute tools and training materials to reviewers to demonstrate to practitioners how they can remediate or improve any issues that have come to light during reviews. Reviewers also play a vital role in communicating the views and challenges facing practitioners to Institute staff.

• If reviewers identify non-compliance areas common to a number of practices, the Institute uses this intelligence to target these areas through T&D, publications and tools
In May 2013, the Institute published an updated and enhanced version of our popular Quality Control Guide. This provides an overview of quality control in accounting practices, and offers a pro-forma toolkit, designed for practitioners to download and tailor to their individual practices. Major changes in this 2013 version of the Quality Control Guide include:

- Presenting the guide as an online tool, assisting practitioners to navigate more easily
- Providing a pro-forma toolkit containing policies and procedures for a sole practitioner with no staff, as well as for firms with staff
- Updating and enhancing the content of the guide
- Linking to the Institute’s Risk Management Framework Tool assisting practitioners to comply with APES 325.

The Quality Control Guide has been converted into an online tool with the assistance of Star Grant funding received from the Professional Standards Council (PSC). Star Grants, an initiative of the PSC, offer funding to members of Cover of Excellence® Schemes for projects which focus on improvements to professional standards.

ADVOCATING IMPROVEMENTS TO REGULATION

The Institute represents the public interest and the interests of our members to government, regulators, standard-setters, industry, academia and the general public by engaging our membership and local and international bodies on public policy, government legislation and regulatory issues. In this way, we inform the public debate and are also able to update members on the latest developments.

The Program is integral to our advocacy, particularly on issues relating to public practice. Quality reviewers visit individual accounting practices, giving reviewers a unique insight into how regulations are applied in practice. The input of reviewers to the Institute’s advocacy is especially important in relation to issues for smaller practices, where the practitioners themselves rarely have time to be involved in advocacy activities.

QUALITY REVIEWS REGARDED AS VALUABLE BY PRACTITIONERS

Quantitative research in 2012 demonstrates how strongly supportive the majority of members in practice are of the Program. These members also tell us they highly value quality reviews.

Of those surveyed who had been involved in a quality review over the last three years, the majority believed the process had been extremely valuable in:

- Identifying breaches of standards and quality control deficiencies in their practice
- Upholding the standards in the profession through reviews of accounting practices
- Providing a useful check of whether their practice is up-to-date.

Other elements of quality review that members in practice found valuable include:

- Recognition of the quality review process by regulators and other bodies to enable the Institute to retain its position as a ‘professional body’ and members their recognition as professionals
- Suggestions from the reviewer regarding practice issues
- Availability of review questionnaires as used by reviewers for member’s own self-review
- Reviewer referring member to Institute tools and resources that may be useful
- Being able to benchmark member’s practice against the results arising from all Institute quality reviews
- Visit to the practice by a peer to confidentially discuss practice issues.

WHAT ARE THE LIMITATIONS OF THE PROGRAM?

There are a number of limitations including:

- A review is conducted on a professional basis. It is not an investigation, as the Institute does not have legal power to obtain information including details of clients
- Our members provide us with information as to who their clients are. We cross reference this information to publicly available information for auditors of public listed companies and to ASIC Annual Statements for Corporations Act audits, and for auditors of SMSFs to the newly established SMSF auditor register. For non-audit clients we are reliant on information from the practice as this information is not publicly available
- Prior to reviewing a client’s file, the practice is required to obtain written permission from the client. This is due to the duty of confidentiality owed by our members to their clients and we do not have the legal power to access information without the client’s written consent. Accordingly, the practice is aware of the files that the reviewer will review prior to client consent having been obtained and the files becoming available for review. We continue to encourage members to seek permission from their clients in the initial terms of engagement.

QUESTION: HOW IMPORTANT IS THE QUALITY REVIEW PROCESS?

<table>
<thead>
<tr>
<th>Members in Practice (2,407)</th>
<th>Completed a Quality Review in Last 3 Years (987)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Per Cent</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td></td>
</tr>
<tr>
<td>60</td>
<td></td>
</tr>
<tr>
<td>70</td>
<td></td>
</tr>
<tr>
<td>80</td>
<td></td>
</tr>
<tr>
<td>90</td>
<td></td>
</tr>
<tr>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Based on a survey of 2,407 members in practice 19 July to 12 August 2012 (representing a response rate of 16.7% based on email invitations to participate to 14,384 live emails) 41% of the respondents have been involved in a quality review in the last 3 years. The survey was conducted by Beaton research and consulting in conjunction with the Institute of Chartered Accountants Australia.
Quality Review Committee

ANDREW RIGELE CA (CHAIR)
Andrew joined the committee in February 2009 and was appointed chair in 2011. He is currently a partner in the Audit and Assurance team of Grant Thornton. Andrew is responsible for coordinating the partner lead audit and other associated assurance services required to meet the requirements of a diverse portfolio of clients, including audits of privately owned businesses, not-for-profit organisations and listed public companies.

BILL HASSELL AM
Bill joined the committee in August 2008. Bill’s consultancy work over the past 20 years has involved him in activities for a wide range of major corporations, SMEs and industry bodies. Bill is also a former company director, and a former member of several Commonwealth Government Boards and Committees. Bill is a qualified lawyer with experience in company, commercial and property law, and a former Member of Parliament and Minister of the Crown in Western Australia. He was formerly Honorary Consul for Germany in Western Australia and is now working in a number of voluntary capacities.

PROFESSOR ROBYN MORONEY CA
Robyn joined the committee in February 2013. Prior to joining the Department of Accounting and Finance at Monash University in 2005, Robyn held positions at the University of Melbourne, the University of Auckland, the University of New South Wales and La Trobe University. Robyn has published widely in various journals including Auditing: A Journal of Practice & Theory, Behavioral Research in Accounting, Advances in Accounting Behavioral Research, and Accounting and Finance. Robyn’s research interests include auditor judgment and decision making, audit quality, audit regulation, industry specialisation, assurance of environmental disclosures, and corporate governance.
**ROD PAGE FCA**
Rod joined the committee in August 2008. He is a partner in a two-partner practice, which provides business advisory, taxation, and superannuation compliance services. Rod is also a reviewer for the Quality Review Program.

**LYNN RALPH FAICD**
Lynn joined the committee in November 2010. She was co-founder of corporate governance advisory firm, Cameron Ralph, and she has held the positions of Deputy Chairman of ASIC and CEO, Financial Services Council. Lynn is currently Commissioner, Private Health Insurance Administration Council; Chairman, BT Funds Management, and a non-executive director of a number of companies.

**DENIS THORN CA**
Denis joined the committee in December 2011. He is an audit partner in the Melbourne office of EY and is also the Professional Practice Director for the Australian and New Zealand Assurance practice and the Financial Services Office. Denis worked in the Assurance practice of Arthur Andersen for over 20 years commencing in London then transferring to Sydney in 1983. He also manages the Firm’s quality review program and regulatory inspections.

**DR MAX BESSELL FCA**
Max is a senior lecturer at the Adelaide Business School, in the University of Adelaide. He teaches and researches in accounting/auditing and has also held the position of Associate Dean (International). His other experience in universities encompasses quality reviews and accreditations, degree developments and structures, strategic initiatives and academic management. Prior to joining the university sector Max spent over 18 years in legal and accounting firms. He joined the Quality Review Committee in 2003 and was Chair from June 2007 to December 2011. Max retired from the committee in June 2013.
Appendices

1. CO-REGULATORY ENVIRONMENT

The following diagram illustrates the co-regulatory environment regulating the work of Chartered Accountants in Australia.

**IFAC**
- Obliges member bodies to conduct a mandatory Quality Review Program.

**INSTITUTE OF CHARTERED ACCOUNTANTS AUSTRALIA**
- Quality reviews consider the review work conducted by other bodies, provided there is sufficient documentation to rely on.
- Conducts quality reviews

**ATO**
- Conducts compliance reviews of SMSF auditors as part of its compliance program in relation to Australia’s tax and superannuation laws.
- Compliance reviews of SMSF auditors

**FRC**
- Responsibility for providing strategic advice in relation to audit quality in Australia.

**ASIC**
- Has responsibility, under the Corporations Act, for the surveillance, investigation and enforcement of audit independence and audit standards. Its Audit Inspection Program is currently focused primarily on auditors of listed entities. From 2013 all SMSF auditors must be registered with ASIC.
- ASIC is also responsible for the supervision of registered and official liquidators who accept formal appointments as external administrators of companies in Australia.

**OTHER REGULATORY BODIES**
- The activities of accounting practices are monitored by a range of regulatory and other bodies depending on the nature of the practice and type of engagement conducted. This includes the Tax Practitioners Board.
2. DRIVERS OF QUALITY

The following table illustrates the five drivers of quality relevant to an accounting practice (including audit).

|-----------------------------|-------------------------------------------------------|----------------------------------------|------------------------------------------|------------------------------------------|
| 1. Governance and structure of firm, including the involvement of independent non-executives | 1. Recruitment  
- Technical skills and knowledge  
- Leadership skills  
- Personal skills and attributes  
- Communication skills  
- Team skills  
- Motivation | 1. Involvement of partners (including engagement quality control reviewer (EQCR)) and managers in planning process | 1. Quality of graduates to recruit | 1. Findings and results, systemic risks arising from internal review processes and external reviews |
| 2. Strategy | 2. Assignment of staff to engagement teams  
- Competence  
- Engagement size and complexity  
- Industry knowledge  
- On-the-job training  
- Need for specialists  
- Average experience level of staff on individual engagements  
- Average ratio of staff to partners on individual engagements | 2. Involvement of partners (including EQCR) and managers in review process | 2. Skills shortage | 2. PI claims/litigation costs |
| 3. Tone at the top | 3. Performance management  
- Technical excellence  
- Values  
- Knowledge of policies and procedures  
- Demonstrating compliance  
- Contribution within the firm  
- Reward and remuneration  
- Recognition of quality and risk indicators | 3. Consultation to reach appropriate conclusions | 3. Limitation of liability | 3. Communication with clients/stakeholders |
| 4. Risk management  
- Reputational risk  
- Behaviours which may result in a risk(s) which may impair or threaten to impair quality | 4. Career development/mentoring | 4. Resolution process (where a disagreement arises) | 4. Effective reporting framework | 4. Any restatements of financial statements? |
| 5. Values | 5. Training  
- Cost of training  
- Training costs per staff  
- Training hours per staff | 5. Identification of fraud  
- Policies and procedures to detect fraud  
- Number of frauds discovered? | 5. External factors which may impact on the ‘viability’ of the client (for example, global financial crisis) | 5. Payments of penalties on behalf of clients. |
| 6. Ethics and integrity | 6. Staff retention | 6. Internal review processes and external reviews  
- Findings and results, systemic risks  
- Remedial actions  
- Skills and knowledge of reviewers  
- Costs of internal review process | 6. Quality of audit committee or others charged with governance at clients. | 6. |
### 3. CLARITY SUITE OF AUDITING STANDARDS: GUIDANCE AND TOOLS FOR MEMBERS

#### KEY GUIDANCE AND TOOLS


<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australian Audit Manual and Toolkit 2012</strong></td>
<td>Clarity version: an up-to-date guide to assist practitioners, incorporating the requirements of the ASAs in Clarity format</td>
</tr>
<tr>
<td><strong>Australian Audit Guide and Toolkit for Self Managed Superannuation Funds 2012</strong></td>
<td>Designed with audit practitioners in mind, addressing the revised and redrafted ASAs in Clarity format</td>
</tr>
<tr>
<td><strong>Clarity project website resources</strong></td>
<td>Articles and a series of QBAs</td>
</tr>
<tr>
<td><strong>Mandatory Requirements of Clarity Auditing Standards Checklist</strong></td>
<td>A tool to assist with compliance with Clarity auditing standards</td>
</tr>
<tr>
<td><strong>Framework for managing audit quality sustainability</strong></td>
<td>A concise guide to the components needed to manage a sustainable audit process</td>
</tr>
<tr>
<td><strong>Independence Guide</strong></td>
<td>The Institute, together with the two other professional accounting bodies released the 4th edition of this Guide in 2013. This Guide provides an explanation of the conceptual approach to independence in the Code of Ethics, and guidance and practical examples on the application of that approach for assurance practitioners</td>
</tr>
<tr>
<td><strong>Practical Ways to Improve the Exercise and Documentation of Professional Scepticism in an ISA Audit</strong></td>
<td>Provides members with a useful reference tool, through a series of questions for different members of the engagement team at different stages to consider how to demonstrate the scepticism that has been applied during an audit</td>
</tr>
<tr>
<td><strong>Institute’s reporting and assurance enquiry service</strong></td>
<td>Free service to discuss audit issues with members and help them access technical resources and guidance (02 9290 5702)</td>
</tr>
<tr>
<td><strong>Members’ Handbook</strong></td>
<td>Containing regulations and standards that members must abide by in their work</td>
</tr>
</tbody>
</table>
| **Audit Engagements Questionnaires** | Prepared for use by Institute reviewers when reviewing engagements conducted under the Clarity standards, these are also useful for members when conducting a self-review of their audit practice. Tailored questionnaires cover:  
  - Audit questionnaire  
  - Publicly listed entity audit questionnaire  
  - Superannuation questionnaire  
  - Review engagement questionnaire. |
| **Accounting & Assurance News Today** | Weekly email newsletter prepared by the Institute’s reporting and assurance team including updates on Australian and internal auditing developments, and a Query of the Week on topical practical issues |
| **Institute’s Quality Control Guide** | Guidance as well as sample policies, letters and workpapers, to help members meet the requirements of APES 320 and ASQC 1. Re-issued in 2013 as an updated and enhanced online tool |
| **Institute’s Risk Management Framework Tool** | Provides a step-by-step guide to establishing a risk management framework for sole practitioners to mid-size firms |
### INSTITUTE AUDITING AND ASSURANCE TRAINING AND DEVELOPMENT 2012 – 2013

<table>
<thead>
<tr>
<th>MONTH</th>
<th>TRAINING OFFERING</th>
<th>TYPE OF OFFERING</th>
</tr>
</thead>
</table>
| **MARCH to MAY 2013** | Audit Conference 2013 | - Face to face conference  
- 2 days Sydney, Melbourne  
- 1 day Brisbane, Adelaide, Perth |
| **DECEMBER 2012 to FEBRUARY 2013** | Aged Care Industry Day | - Face to face 1 day  
- Sydney, Brisbane, Perth, Adelaide, Melbourne |
| **NOVEMBER 2012 to FEBRUARY 2013** | Not for Profit Industry Day | - Face to face  
- ½ day seminar  
- Sydney, Brisbane, Perth, Adelaide, Melbourne |
| 25 JUNE 2012 | Assurance & related services – The Opportunities & challenges | - LiveOne (e-learning)  
- 2 hour session |
| **OCTOBER to DECEMBER 2012** | 1. Auditor Essentials  
   Session 1: Quality control, independence and fraud  
   Session 2: Audit planning, programs and assertions  
   Session 3: Materiality and audit evidence  
   Session 4: Finalisation procedures  
   Session 5: Evidence assessment and reporting | - LiveOne (e-learning)  
- 1.5 hours each session |
| **APRIL 2013 and NOVEMBER 2012** | 1. Audit of SMSFs – Introductory Workshop  
   Session 1: Regulatory overview  
   Session 2: Planning, controls and review  
   Session 3: Substantive testing  
   Session 4: Substantive testing and reporting | - LiveOne (e-learning)  
- 2 hour each session |
| **APRIL 2013 and NOVEMBER 2012** | 1. Audit of SMSFs – Advanced Workshop  
   Session 1: SIS Compliance – SMSF operations and records  
   Session 2: Investment rules and auditing investments  
   Session 3: Borrowings, benefit payments and audit reporting | - LiveOne (e-learning)  
- 2 hour each session |
| **JULY 2012** | The accountants’ exemption and SMSF auditor registration – details from the government | - LiveOne (e-learning)  
- 2 hour each session |
4. OVERVIEW OF STANDARDS

The table below provides further information around the key standards identified and referred to in the report.

**CLARITY AUDITING STANDARDS**

(Applicable to audits of financial reporting periods beginning on or after 1 January 2010)

<table>
<thead>
<tr>
<th>Standard</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASQC 1: Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</td>
<td>Requires practices to establish a system of quality control to provide reasonable assurance that the practice and its staff comply with professional standards and regulatory and legal requirements and that reports issued by the practice are appropriate in the circumstances. ASQC 1 applies to all assurance practices regardless of size.</td>
</tr>
<tr>
<td>ASA 210: Agreeing the Terms of Audit Engagements</td>
<td>Requires the auditor to agree on the terms of engagement, document this agreement and forward it to the entity. It also requires the auditor to establish the preconditions for the audit.</td>
</tr>
<tr>
<td>ASA 220: Quality Control for an Audit of a Financial Report and Other Historical Financial Information</td>
<td>Requires the engagement partner to review the audit documentation to ensure sufficient appropriate evidence has been obtained before the auditor’s report is issued and that the engagement partner formed a conclusion on compliance with independence requirements that applied to the engagement.</td>
</tr>
<tr>
<td>ASA 230: Audit Documentation</td>
<td>Requires the auditor to prepare audit documentation that provides a sufficient and appropriate record of the basis for the auditor’s report.</td>
</tr>
</tbody>
</table>
| ASA 240: The Auditor’s Responsibilities Relating to Fraud in an Audit of a Financial Report | Requires the auditor to:  
  - Identify and assess the risks of material misstatement due to fraud at the financial report level and the assertion level;  
  - Evaluate the design of the entity’s related controls to determine whether they have been implemented;  
  - Determine overall responses to address the risks of material misstatement due to fraud at the financial report level; and  
  - Design and perform audit procedures to respond to the risk of management override of controls.  
  
The standard also requires written management representations relating to fraud, communication with management and those charged with governance; and establishes documentation requirements.  
A new requirement under the clarity standard is that the auditor is required to assess which types of revenue, revenue transactions or assertions give rise to such risks based on the presumption that there are risks of fraud in revenue recognition. |
| ASA 300: Planning an Audit of a Financial Report | Requires the auditor to document the overall audit strategy, which considers the key decisions necessary to properly plan the audit. In addition, ASA 300 requires the auditor to prepare an audit plan setting out the nature, timing and extent of audit procedures at the assertion level. |
| ASA 315: Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment | Establishes mandatory requirements and provides explanatory guidance to the auditor on obtaining an understanding of the entity and its environment and assessing the risks of material misstatement in a financial report audit. This auditing standard:  
  - Requires the auditor to perform risk assessment procedures to obtain an understanding of the entity and its environment, including its internal control;  
  - Requires the engagement team to discuss the susceptibility of the entity’s financial report to material misstatements, including those due to fraud;  
  - Requires the auditor to understand specified aspects of the entity and its environment, including its internal control components;  
  - Requires the auditor to assess the risks of material misstatements both at the financial report and assertion level;  
  - Requires the auditor to identify significant risks and assertions where substantive procedures alone will not be sufficient;  
  - Requires the auditor to communicate with those charged with governance or management material weaknesses in the design and implementation of internal control that have come to the auditor’s attention; and  
  - Outlines the documentation requirements of the auditor. |
### ASA 320: Materiality in Planning and Performing an Audit
Requires the auditor to determine materiality for the financial report as a whole when planning the audit, and if applicable, materiality for particular classes of transactions, account balances or disclosures; and performance materiality.

### ASA 500: Audit Evidence
Requires the auditor to obtain sufficient appropriate audit evidence on which to base the opinion.

### ASA 520: Analytical Procedures
Requires analytical procedures to be applied to obtain an understanding of the entity and its environment: at the planning stage of the audit and prior to forming an opinion on the financial report.

### ASA 560: Subsequent Events
Requires the auditor to perform procedures designed to obtain sufficient appropriate audit evidence that all events up to the date of the auditor’s report that may require adjustment of, or disclosure in, the financial report were identified.

### ASA 580: Written Representations
Requires the auditor to endeavour to obtain written representations from those charged with governance and from management on matters material to the financial report, when other sufficient appropriate audit evidence does not exist.

### PROFESSIONAL AND ETHICAL STANDARDS AND REGULATION

<table>
<thead>
<tr>
<th>Standard</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>APES 110: Code of Ethics for Professional Accountants</td>
<td>Requires the practice to implement and document appropriate safeguards to reduce the threat to independence to an acceptable level.</td>
</tr>
<tr>
<td>APES 205: Conformity with Accounting Standards</td>
<td>Requires members involved with the preparation, presentation, audit, review or compilation of financial statements, which are either General Purpose Financial Statements or Special Purpose Financial Statements, to apply Australian Accounting Standards Board (AASB) accounting standards as appropriate.</td>
</tr>
<tr>
<td>APES 230: Financial Planning Services</td>
<td>Details the professional and ethical requirements for members providing financial planning and credit advice.</td>
</tr>
<tr>
<td>APES 305: Terms of Engagement</td>
<td>Requires members to document and communicate the terms of engagement when providing professional services. This can be done in a variety of ways, such as a letter, agreement, standard handout, brochure or electronic communication. APES 305 also requires a member who is a participant in a scheme to advise their clients that the member’s liability may be limited.</td>
</tr>
<tr>
<td>APES 315: Compilation of Financial Information</td>
<td>Requires a statement to be made, where relevant, that the member is not independent of the client and to identify the financial information to which it related. APES 315 also requires members to obtain an acknowledgement from the client of their responsibility for the reliability, accuracy and completeness of the accounting records and disclosure of all material and relevant information.</td>
</tr>
<tr>
<td>APES 320: Quality Control for Firms</td>
<td>Requires practices to establish a system of quality control to provide reasonable assurance that the practice and its staff comply with professional standards and regulatory and legal requirements and that reports issued by the practice are appropriate in the circumstances. APES 320 applies to all practices regardless of size.</td>
</tr>
<tr>
<td>R7: Regulations Relating to Training and Development</td>
<td>Requires all members to undertake a minimum level of training and development, to undertake at least 40% of the minimum training and development requirement in each specialty area, and to keep a personal record of the time spent on training and development activities. Members who audit SMSFs are required to dedicate 30 hours of their training and development activity over each three-year period to relevant activities in addition to the requirements above.</td>
</tr>
</tbody>
</table>
## 5. Glossary of Terms

<table>
<thead>
<tr>
<th>Abbreviation/ Acronym</th>
<th>Name</th>
<th>Website (where applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFSL</td>
<td>Australian Financial Services Licence</td>
<td></td>
</tr>
<tr>
<td>APESB</td>
<td>Accounting Professional &amp; Ethical Standards Board</td>
<td>apesb.org.au</td>
</tr>
<tr>
<td>ASAs</td>
<td>Australian Auditing Standards</td>
<td></td>
</tr>
<tr>
<td>ASIC</td>
<td>Australian Securities and Investments Commission</td>
<td>asic.gov.au</td>
</tr>
<tr>
<td>ATO</td>
<td>Australian Taxation Office</td>
<td>ato.gov.au</td>
</tr>
<tr>
<td>AUASB</td>
<td>Auditing and Assurance Standards Board</td>
<td>auasb.gov.au</td>
</tr>
<tr>
<td>CPP</td>
<td>Certificate of Public Practice</td>
<td></td>
</tr>
<tr>
<td>FoFA</td>
<td>Future of Financial Advice</td>
<td></td>
</tr>
<tr>
<td>GAA</td>
<td>Global Accounting Alliance</td>
<td>globalaccountingalliance.com</td>
</tr>
<tr>
<td>IAASB</td>
<td>International Auditing and Assurance Standards Board</td>
<td>ifac.org/iaasb</td>
</tr>
<tr>
<td>IFAC</td>
<td>International Federation of Accountants</td>
<td>ifac.org</td>
</tr>
<tr>
<td>IPA</td>
<td>Insolvency Practitioners Association of Australia</td>
<td>ipaa.com.au</td>
</tr>
<tr>
<td>RCA</td>
<td>Registered company auditor</td>
<td></td>
</tr>
<tr>
<td>SMSFs</td>
<td>Self-managed superannuation funds</td>
<td></td>
</tr>
<tr>
<td>T&amp;O</td>
<td>Training and development</td>
<td></td>
</tr>
<tr>
<td>The Committee</td>
<td>Quality Review Committee</td>
<td></td>
</tr>
<tr>
<td>The Institute</td>
<td>Institute of Chartered Accountants Australia</td>
<td>charteredaccountants.com.au</td>
</tr>
<tr>
<td>The Program</td>
<td>Quality Review Program</td>
<td>charteredaccountants.com.au/qualityreview</td>
</tr>
<tr>
<td>TPB</td>
<td>Tax Practitioners Board</td>
<td>tpb.gov.au</td>
</tr>
</tbody>
</table>
This paper has been printed on Nordset, an environmentally responsible paper produced from FSC Mixed Sources Chain of Custody (CoC) certified pulp from well managed forest, Elemental Chlorine Free and made Carbon Neutral. Nordset is manufactured by Nordland Papier, a company certified with environmental management systems ISO 14001 and EMAS, the EU Eco-Management and Audit Scheme (Reg No. D-162-00007). Nordset has also been awarded the EU ‘Flower’ eco-label certification.
CONTACT DETAILS

Customer Service Centre – 1300 137 322

NATIONAL OFFICE / NEW SOUTH WALES
33 Erskine Street
Sydney NSW 2000
GPO Box 9985 Sydney NSW 2001
PHONE 02 9290 1344
FAX 02 9262 1512

AUSTRALIAN CAPITAL TERRITORY
Level 10, 60 Marcus Clarke Street
Canberra ACT 2601
GPO Box 9985 Canberra ACT 2601
PHONE 02 6122 6100
FAX 02 6122 6122

QUEENSLAND
Level 32, Central Plaza One
345 Queen Street Brisbane Qld 4000
GPO Box 9985 Brisbane Qld 4001
PHONE 07 3233 6500
FAX 07 3233 6555

SOUTH AUSTRALIA / NORTHERN TERRITORY
Westpac Building
Level 29, 91 King William Street
Adelaide SA 5000
GPO Box 9985 Adelaide SA 5001
PHONE 08 8113 5500
FAX 08 8231 1982

VICTORIA/TASMANIA
Level 3, 600 Bourke Street
Melbourne Vic 3000
GPO Box 9985 Melbourne Vic 3001
PHONE 03 9641 7400
FAX 03 9670 3143

WESTERN AUSTRALIA
Level 11, 2 Mill Street
Perth WA 6000
GPO Box 9985 Perth WA 6848
PHONE 08 9420 0400
FAX 08 9321 5141

charteredaccountants.com.au