



## ISSUES REGISTER FOR APESB PROFESSIONAL PRONOUNCEMENTS

Current as at February 2016

### **Note to Stakeholders**

The following is a summary of issues raised by stakeholders in relation to APESB pronouncements. Issues have been compiled by standard or guidance note, with the intended response and current status. Members of the professional accounting bodies, firms, professional bodies and other stakeholders are encouraged to report to APESB via the APESB website ([www.apesb.org.au](http://www.apesb.org.au) then **Standards & Guidance/Issues Register**) any new issues that need to be addressed by APESB when a pronouncement is next updated or reviewed.

Issues are entered into the register when brought to the attention of APESB by external stakeholders or through identification during internal reviews of the standard or guidance note. The issue remains on the register until it has been resolved to the satisfaction of the Board.

**APES 110 : Code of Ethics for Professional Accountants  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
110.1	During a meeting held with the NSW Audit Office, the issue of what is a Public Interest Entity (PIE) in the public sector was identified as an issue for further consideration.	This issue was considered during the Annual Review of APES 110.	Discussions were held with representatives of the New South Wales Audit Office and the Board communicated directly with the ACAG Chairman and offered APESB's assistance to define PIE for the public sector. APESB is currently waiting on a response from ACAG.
110.2	The Technical Staff review identified that the Definitions section in APES 110 requires revision. It is recommended that the defined term "Professional Bodies" be added to APES 110 in accordance with the legal advice received from Gagens.	This issue was considered during the Annual Review of APES 110.	APESB will incorporate the editorials at the next revision of the Code which is scheduled for the second half of 2016.

APES 205 : Conformity with Accounting Standards  
Issues Register

No.	Issue	Response	Current Status
	No current issues		

**APES 210 : Conformity with Auditing and Assurance Standards  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
	<b>No current issues</b>		

**APES 215 : Forensic Accounting Services  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
	<b>No current issues</b>		

APES 220 : Taxation Services  
Issues Register

No.	Issue	Response	Current Status
	No current issues		

APES 225 : Valuation Services  
Issues Register

No.	Issue	Response	Current Status
	No current issues		

**APES 230 : Financial Planning Services  
Issues Register**

No.	Issue	Response	Current Status
230.1	<p>Members in Public Practice who provide credit advice are regulated under the <i>National Consumer Credit Protection Act</i> and not the <i>Corporations Act 2001</i>. APES 230 requires Members to act in the best interests of their Client, which is defined in the standard as Division 2 of Part 7.7A of the <i>Corporations Act</i>.</p> <p>While Members in Public Practice providing credit advice can comply with the general obligation to act in their Client's best interest, they cannot comply with the remaining obligations defined in Division 2. However, ASIC has stated in RG 175.239 that satisfying the safe harbor of Section 961B in Division 2 is not the only way to demonstrate an individual is acting in their Client's best interest.</p>	This matter has been raised in the Six Month Review of APES 230.	The Board will continue to monitor APES 230 and at this stage do not consider any further changes are necessary in respect of clarification of the application of best interest duties.
230.2	The Technical Staff review identified editorial amendments to the definition of "Member in Public Practice".	The required change has been raised in the Six Month Review of APES 230.	APESB will incorporate the editorials at the next review of APES 230.
230.3	Some stakeholders continue to raise issues in respect of the professional fees requirements in APES 230 and their effectiveness in practice.	The Board discussed this issue and determined to engage with key stakeholders to explore the issues.	The Board is planning to engage with key stakeholders during 2016 to determine whether future action is required.

APES 305 : Terms of Engagement  
Issues Register

No.	Issue	Response	Current Status
	No current issues		

**APES 310 : Dealing with Client Monies  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
310.1	A stakeholder noted the difficulties members have to open a trust account with the term 'trust account' in the title with their banks (as required by paragraph 5.1).	Issue has been noted.	<p>The requirement to open a Trust Account to hold monies received in trust which exists in paragraph 5.1 of APES 310 also existed in the previous APS 10 which was originally issued in 1997.</p> <p>Technical Staff are in the process of consulting with the ABA to explore ways of making this process smoother for Members in Public Practice.</p>
310.2	<p>A stakeholder raised concern on the applicability of paragraph 6.10 that requires a member to disburse client monies within 3 business days of receipt of instructions in respect of the disbursement or in accordance with the terms of the engagement.</p> <p>The stakeholder was of the view that the "3 business days" should be calculated from the point at which all of the information is available to the firm to make a disbursement. Paragraph 6.10 could therefore be reworded to remove the receipt of instructions as the sole trigger for the 3 business day period.</p>	Required changes have been raised in the Annual Review of APES 310.	Issue is being considered as part of the current project to review APES 310.
310.3	The Technical staff review identified that due to amendments made to the IESBA International Code and subsequent changes to APES 110, the Definitions section in APES 310 require revision.	Required changes have been raised in the Annual Review of APES 310.	APESB will incorporate the editorials as part of the current project to review APES 310.

**APES 310 : Dealing with Client Monies  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
310.4	<p>The requirements of paragraph 7.7(d) state that a Member in Public Practice shall provide a statement detailing the application of Client Monies and interest earned in respect of all transactions, at least annually (unless previously communicated during the year). Paragraph 7.8(c) specifies that this must be done within 30 Business Days of the applicable year end.</p> <p>A stakeholder advised that his Firm provides Clients with quarterly reports that include bank account statements throughout the year. At year end however, the 30 Business Day deadline is difficult to achieve as the quarterly and year end reporting packages that are sent to Clients are time consuming to prepare. This makes it challenging to finalise within the 30 Business Days timeframe. The result is that for first 3 quarters of the year, the Firm is in compliance with APES 310 and then for the final quarter's transactions, there is a potential breach of APES 310.</p>	The issue raised by the stakeholder is noted.	Additional guidance on the deadlines in APES 310 is being considered as part of the current review of APES 310.
310.5	An internal review of APES 310 found that the term 'Engagement' is used in its capitalised form in Paragraph 1.1. However, the term Engagement is not defined in the Standard.	Required changes noted.	APESB will incorporate the editorials as part of the current project to review APES 310.

APES 310 : Dealing with Client Monies Issues Register			
No.	Issue	Response	Current Status
310.6	A stakeholder noted that the term “dealing” is an antiquated term that requires revision.	The issue raised by the stakeholder is noted.	To address this issue, APESB is considering renaming this standard to 'Client Monies'. This will highlight the broader application of the standard to Members. The term 'dealing with' should still be used in the body of the standard as it adequately captures the activities that APES 310 addresses, unlike other terms such as 'holding or receiving money' which could be too restrictive.
310.7	<p>Professional Body quality review processes have identified that a number of Members in Public Practice providing bookkeeping services do not realise that APES 310 must be complied with when they transact on Client Bank Accounts.</p> <p>Further the cost impost to Members for the dealing with Client Monies audit may be disproportionate to the fees generated from the services provided. The audit requirements associated with APES 310 introduce significant costs to a sole practitioner who is providing bookkeeping services in a part-time capacity.</p> <p>Members have queried whether in instances where a financial audit is performed, this audit may be extended to cover the requirements of APES 310.</p>	The issue raised by the stakeholder is noted.	<p>Awareness and understanding of APES 310 are considered member education matters for Professional Bodies to address. However, APESB will assist with this process by developing a technical article for Professional Bodies' journals.</p> <p>Where financial audits are completed for a Client for another purpose, consideration could be given to engage the auditor to sign off on APES 310 compliance as well. While this may be an efficient approach, this approach would still require two audit opinions to be issued and the agreement of the various parties concerned.</p>

**APES 310 : Dealing with Client Monies  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
310.8	A Professional Body quality review auditor noted that it is unclear whether all Members in Public Practice understand the nature of APES 310 and when it applies to them. It was suggested that additional guidance throughout APES 310 may be beneficial in particular to Members operating in smaller practices who are not aware of the standard or that it is applicable to their circumstances.	The issue raised by the stakeholder is noted.	Awareness and understanding of APES 310 are considered member education matters for Professional Bodies to address. However, APESB will assist with this process by developing a technical article for Professional Bodies' journals.
310.9	A stakeholder noted that where a Member in Public Practice transacts on a Client Bank Account with the Client and the Client's authorisation is required for the transaction to occur (compared to where the Member is authorised to transact on an account in isolation), consideration needs to be given as to whether these circumstances should fall within the scope of APES 310.	The issue raised by the stakeholder is noted.	This issue has been considered. Where an accountant is engaged by a client to act as co-signatory on a Client Bank Account, the accountant is entrusted with some responsibility for that account. Accordingly this is within the scope of APES 310 as the standard provides a safeguard to protect the accountant and their reputation when transacting Client Monies.
310.10	A stakeholder noted that a number of financial institutions do not specify in their terms and conditions that there is no right of setoff when Trust Accounts are opened. This is not in accordance with the requirements of APES 310. Paragraph 5.4(a) of the standard requires that the terms and conditions of the Trust Account specify there is no right of set-off.	The issue raised by the stakeholder is noted.	This matter is being followed up with the Australian Bankers Association (ABA) as part of the dialogue in respect of opening of Trust Accounts.

**APES 310 : Dealing with Client Monies  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
310.11	A stakeholder raised an issue in respect of unclaimed monies. APES 310 does not currently include any guidance in respect of unclaimed monies when the amount is below the threshold for unclaimed monies legislative requirements.	The issue raised by the stakeholder is noted.	The APESB is considering including additional guidance proposing that amounts below the threshold should be donated to charity.
310.12	<p>Professional Body quality review processes have found that Members in Public Practice have been able to obtain Clients' signatures on initial engagement letters. However, difficulties have been encountered when Members request access to documentation from the Client for the purposes of an APES 310 audit. Members are experiencing difficulties obtaining permission from their Client to allow for an APES 310 audit to occur. Members may potentially breach the confidentiality requirements of APES 110 by complying with APES 310.</p> <p>It was also noted that in some instances, documentation is kept at the Client's premises which introduces additional difficulties when providing auditors with access to work papers for audit testing.</p>	The issue raised by the stakeholder is noted.	As part of the current review of this standard, additional guidance is proposed that will address this issue.

**APES 315 : Compilation of Financial Information  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
315.1	<p>A stakeholder has suggested that the <i>Decision tree to determine when a Compilation Report should be issued</i> in Appendix 2 of the Standard should specify that an Accountant's Report Disclaimer is issued when the financial information is compiled for the Client's internal use. The decision tree currently states that a Compilation Report is not required and refers to paragraph 10.3 of the Standard that recommends the issue of an Accountant's Report Disclaimer. The Stakeholder suggests that the appendix could be enhanced with a specific reference to the Accountant's Report Disclaimer</p>	<p>The issue raised by the stakeholder is noted.</p>	<p>APESB will consider minor editorials to the diagram to make specific reference to the Accountant's Disclaimer Report at the next revision of the standard.</p>

APES 320 : Quality Control for Firms  
Issues Register

No.	Issue	Response	Current Status
	No current issues		

**APES 325 : Risk Management for Firms  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
325.1	A stakeholder has suggested including in this standard a requirement for practitioners to formally document a succession plan.	The suggestion raised by the stakeholder is noted.	APESB will consider the suggestion in the next annual review of APES 325.

APES 330 : Insolvency Services  
Issues Register

No.	Issue	Response	Current Status
	No current issues		

**APES 345 : Reporting on Prospective Financial Information Prepared in Connection with a Public Document  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
	<b>No current issues</b>		

**APES 350 : Participation by Members in Public Practice in Due Diligence Committees in Connection with a Public Document**

**Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
350.1	A stakeholder noted that there is a need for further guidance with respect to low doc offerings and on when it would be appropriate to provide an APES 350 sign-off in a low doc situation.	The issue raised by the stakeholder is noted.	<p>At the August 2015 Board meeting the Board noted the issue and requested that technical staff develop an issues paper that explores the key issues associated with low doc offerings in the due diligence environment, and the benefits of developing further guidance.</p> <p>The Board considered an issues paper at the February 2016 Board meeting and requested that the APES 350 Taskforce develop guidance for the Board's consideration.</p>

**APES GN 20 : Scope and Extent of Work for Valuation Services  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
	<b>No current issues</b>		

**APES GN 21 : Valuation Engagements for Financial Reporting  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
GN21.1	Following the issue of APES 225 <i>Valuation Services</i> in 2008 the Board recognised the need to consider whether further guidance notes are required to assist valuation practitioners and users. In 2011 the Board agreed that there is a need for further guidance to address the diverse situations under which Valuations are prepared.	Develop a pronouncement to address Valuation Engagements for Financial Reporting.	An exposure draft was issued in November 2015 on APES GN 21. This guidance note is expected to be finalised and released mid 2016.

APES GN 30 : Outsourced Services  
Issues Register

No.	Issue	Response	Current Status
	No current issues		

APES GN 40 : Members in Business Guidance Note  
Issues Register

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
	<b>No current issues</b>		

**APES GN 41 : Management representations  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Response</b>	<b>Current Status</b>
GN41.1	<p>During the development of APES GN 40 <i>Ethical Conflicts in the Workplace - Considerations for Members in Business</i> the issue of management representations was raised. Members in Business are commonly required to sign such representations as part of the year-end reporting responsibilities. The guidance for this topic was expected to be substantial and so the taskforce for APES GN 40 believed that a separate guidance note should be developed. The guidance note should assist members in business to form a greater understanding of the contents, implications, and responsibilities associated with management representations.</p>	<p>Develop a pronouncement to address Management Representations.</p>	<p>An exposure draft was issued in November 2015 on APES GN 41. This guidance note is expected to be finalised and released mid 2016.</p>