

**ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED**  
**MINUTES OF THE 4<sup>th</sup> MEETING OF THE COMPILATION OF FINANCIAL INFORMATION**  
**TASKFORCE**

**26 September 2013 1.10 PM – 4.45 PM**

**ICAA, Level 9 Burke Room**  
**33 Erskine Street, Sydney NSW 2000**

**1. Present and Apologies**

Present

Mr Channa Wijesinghe (Chairman), Ms Dianne Azoor-Hughes, Mr Michael Cain, Mr Paul Meredith, Mr Dennis Robertson and Dr Mark Shying (alternate to Mr Amir Ghandar).

In Attendance

Mr Stuart Black (APESB Board member) and Ms Margareth Lioe.

Apology

Ms Vicky Stylianou

**2. Minutes of Previous Meeting**

The minutes of the 3<sup>rd</sup> Compilation of Financial Information Taskforce meeting held by teleconference on 13 August 2013 were accepted subject to minor amendments.

**3. Update from APESB August Board Meeting**

The Chairman informed the taskforce of the outcome of the proposed revised APES 315 deliberations at the APESB Board meeting held on 27 August 2013. APESB had considered a number of issues such as:

- to adopt the drafting style of the existing APES 315 to ensure conciseness of the proposed standard;
- the disclosure in the copyright notice due to the revised copyright agreement between APESB and IFAC;
- paragraph 5.2 of the proposed standard – discussion on the planning requirement for Members in Public Practice and whether to provide principles based guidance;
- the taskforce to consider the scalability of the proposed standard for SMPs and other Clients; and
- how to address the issue of ‘going concern’ in the proposed standard.

#### **4. Discussion of the proposed revised APES 315**

The taskforce discussed the following matters in respect of the proposed revised APES 315:

##### ***Section 1 – Scope and application***

###### *Paragraph 1.9*

A taskforce member raised the issue of the applicability of the proposed standard to prospective financial information in comparison with the scope of ISRS 4410 that is limited to historical financial information. The proposed revised APES 315 is intended to apply to a broader spectrum than ISRS 4410 and accordingly it was determined that it is appropriate to have within its scope prospective financial information.

##### ***Section 2 – Definitions***

###### *Definition of “Compilation Engagement”*

The taskforce discussed editorial amendments to the definition of “Compilation Engagement”. The taskforce further agreed on the addition of ‘audit and assurance activities’ into the list of activities that fall outside the scope of the Compilation Engagement to enhance the clarity on the scope of the proposed standard.

The taskforce discussed the non-applicability of the proposed standard to smaller practices preparing financial statements for tax purposes. Accordingly, the taskforce considered the possibility of the professional accounting bodies providing additional education and implementation support. The taskforce further discussed the use of a disclaimer by Members in Public Practice. A taskforce member agreed to provide an example of the disclaimer report used by the mid-tier firm for the taskforce’s consideration.

###### *Definition of “Professional Activity”, “Professional Bodies”, “Professional Services” and “Those Charged with Governance”*

The taskforce noted the addition of the above definitions in accordance with the IESBA amendments to its Code.

##### ***Section 4 – Objectives of a Compilation Engagement***

###### *Paragraph 4.2*

The taskforce agreed on editorial amendments to paragraph 4.2. The taskforce was of the view that paragraph 4.2 provides clarity that a Compilation Engagement is not an assurance Engagement.

###### *Paragraph 4.3*

The taskforce agreed on minor editorial amendments to paragraph 4.3.

##### ***Section 5 – Planning***

The taskforce considered the extent to which the planning requirement for a Compilation Engagement is appropriate. A taskforce member raised concerns on the possible manner in which to monitor compliance with Section 5 of the proposed standard. A taskforce member noted that due to the nature of some Compilation Engagements where the planning process is simple, there is minimal documentation to support the planning process. This has caused some difficulty in the quality review process when assessing Member’s compliance with the proposed standard. The taskforce also discussed the development of a work program or checklist a Member in Public Practice may utilise to demonstrate compliance with the planning and other requirements of the proposed standard.

The taskforce noted that it is challenging for sole practitioners with smaller Clients to document each engagement plan for a Compilation Engagement due to limited resources. The taskforce agreed that APES

315 needs to be a practicable standard to suit a broad spectrum of users, especially in the context of small Clients.

A taskforce member further noted the reference to APES 320 *Quality Control for Firms* in paragraph 10.1 of APES 315 which requires Members in Public Practice to apply appropriate documentation procedures in accordance with APES 320 when documenting the work performed for the Engagement.

## **Section 6 – General Purpose or Special Purpose Financial Statements**

### *Paragraph 6.2*

The taskforce agreed on the following matters to redraft paragraph 6.2:

- references to Clients and Members in Public Practice are to be stated in a clear manner to avoid confusion;
- paragraph 6.2 to be relocated to paragraph 6.7 for improved relevance and flow of Section 6; and
- where Members in Public Practice obtain significant judgements in respect of financial information from Clients, Members must not assume responsibility for these significant judgements. Members may assist Clients to understand the financial reporting issues and advise on the options available. However, the final responsibility for those judgements should be with the Clients.

### *Paragraph 6.7*

The taskforce agreed on minor editorial amendments to paragraph 6.7.

### *Paragraph 6.9*

The taskforce agreed that guidance on going concern is a contentious matter and a matter that is sufficiently addressed in the Accounting Standards and Auditing Standards. Accordingly, the taskforce determined to remove paragraph 6.9 of the proposed standard. While it is acknowledged that going concern is a fundamental concept in respect of the preparation of a financial report, the taskforce noted that the requirement for Members in Public Practice to comply with APES 205 *Conformity with Accounting Standards* in paragraph 6.1 sufficiently mandates Members' compliance with the Accounting Standards and thus the use of going concern concept.

## **Section 7 – Defining the Terms of Engagement**

### *Paragraph 7.2*

A taskforce member raised concerns on the mandatory obligation imposed by the black letter paragraph 7.2 in accordance with the ISRS 4410 requirements. The existing APES 315 and the *General contents of an Engagement Document* section of APES 305 referred to in paragraph 7.2 are grey letter paragraphs which serve as guidance paragraphs. Accordingly, the taskforce determined that paragraph 7.2 should be changed to grey letter guidance in the proposed standard.

The taskforce further agreed that in paragraph 7.2(h) the disclosure of any known departures should be made to Those Charged with Governance of the Client.

### *Paragraph 7.3*

The taskforce agreed to remove paragraph 7.3.

## **Section 8 – Procedures**

### *Paragraph 8.2*

The taskforce discussed the extent to which Members in Public Practice are required to make enquiries of management in relation to the information provided. The taskforce was of the view that Members will only be

required to make further enquiries of management should they come across significant information discrepancies.

#### *Paragraph 8.6*

The taskforce agreed to remove paragraph 8.6.

### **Section 9 – Misstatements**

#### *Paragraph 9.1*

The taskforce discussed the significance of the concept of material misstatement and its impact on Members in Public Practice. The taskforce further noted the importance of having guidance on the concept of material misstatement in Australia. The taskforce was of the view that the definition of 'Misstatement' in Section 2 of the proposed standard provides sufficient guidance for Members in Public Practice.

Due to the withdrawal of AASB 1031 *Materiality*, the taskforce agreed to delete reference to the term 'material' in paragraph 9.1 to prevent confusion for Members.

#### *Paragraph 9.2*

The taskforce agreed to remove paragraph 9.2 as this has been sufficiently covered by the new definition of 'Misstatement' in section 2.

#### *Paragraph 9.3*

The taskforce agreed to relocate paragraph 9.3 of the proposed standard to Section 2 and to create a new definition of 'Alternative Financial Reporting Framework'.

#### *Paragraph 9.4*

The taskforce agreed on editorial amendments to paragraph 9.4 to clarify that Members in Public Practice shall take reasonable steps to agree appropriate amendments with Clients for Misstatements discovered during the Engagement process prior to the completion of the Engagement.

### **Section 10 – Documentation**

The taskforce discussed the extent to which Members in Public Practice are required to keep records and documentation of Client's information. Paragraph 10.2 which is derived from ISRS 4410 is less relevant in the Documentation section of the proposed standard. Accordingly, the taskforce agreed to remove paragraphs 10.2 and 10.3 as paragraph 10.3 has been adequately covered by paragraph 6.2 of the proposed standard.

### **Section 11 – Responsibility of the Client**

#### *Paragraph 11.1*

The taskforce held a discussion on the practicability of paragraph 11.1 to small Clients and practices. A taskforce member was of the view that obtaining an acknowledgement from the Client in relation to their responsibility for the information provided to Members in Public Practice is challenging and difficult for small Clients due to a variety of factors. No action was recommended at this time.

#### *Paragraph 11.5*

The taskforce agreed to remove the last sentence of paragraph 11.5.

## **5. Way Forward**

APESB Technical Staff will make necessary amendments to the proposed revised APES 315 for the taskforce's consideration.

## **6. Closing of Meeting**

The meeting was closed at 4.45 PM.