

**ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED**  
**MINUTES OF THE 3<sup>rd</sup> MEETING OF THE COMPILATION OF FINANCIAL INFORMATION**  
**TASKFORCE**

**13 August 2013 3.30 PM – 5.15 PM**

**Teleconference**

**1. Present and Apologies**

Present

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

In Attendance

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

Apology

Mr Reece Agland

**2. Minutes of Previous Meeting**

The minutes of the 2<sup>nd</sup> Compilation of Financial Information Taskforce meeting held by teleconference on 16 April 2013 were accepted without amendments.

**3. Drafting approach since May 2013 Board meeting**

The Chairman informed the taskforce of the decision made by the Board in relation to the drafting approach of the proposed revised APES 315 (proposed Standard) following the May 2013 Board meeting. The Board determined to use the existing APES 315 as the base standard and incorporate additional requirements and guidance from the revised ISRS 4410.

**4. Discussion on the proposed revised APES 315**

The taskforce discussed the following matters in respect of the additions to the proposed Revised APES 315:

***Section 2 – Definitions***

*Definition of “Compilation Engagement”*

The taskforce was of the view that the current definition of Compilation Engagement is too broad and clarity on the scope of the engagement should be provided. As such, the taskforce agreed that activities listed in paragraph 4.4 of the proposed Standard which fall outside of the scope of APES 315 may be appropriately moved from the current ‘Objectives of a Compilation Engagement’ section to either Section 1 (‘Scope and Application’) or Section 2 (‘Definitions’) of the proposed Standard.

### *Definition of “Misstatement”*

A taskforce member raised concerns on the international definition of “Misstatement” based on ISRS 4410 and whether there is a need to include ‘omission’ as a type of misstatement. APESB Technical Staff agreed to further consider the definition by reviewing the definitions in the published glossaries of AASB and AUASB.

### *Definition of “Engagement Partner” and “Engagement Team”*

The taskforce further noted that the terms “Engagement Partner” and “Engagement Team” are appropriately not included in the definitions of the proposed Standard. ISRS 4410 uses these terms in the context of quality control and this subject matter is covered sufficiently through reference to APES 320 *Quality Control for Firms* and as such APES 315 does not intend to replicate these terms nor the requirements for quality control.

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

The taskforce discussed the significance of making an explicit note regarding the application of financial reporting and accounting expertise when performing a Compilation Engagement. The taskforce members were of the view that the comprehensive statement of the required skills and expertise assist to enhance understanding of the scope of work of Members and it provides Members, Clients and the Court (in the case of a legal proceedings) with clarity that the engagement being performed is not intended to be an assurance engagement.

## **Section 5 – Planning**

The taskforce was of the view that the requirement for Members to plan the Compilation Engagement requires some guidance as to what constitutes appropriate planning, especially in the context of small or non-complex Clients and recurring engagements.

The taskforce agreed to introduce a new grey letter guidance paragraph 5.2 that provides guidance on the planning requirement depending on factors such as the level of engagement complexity. It was agreed that Members are also required to have the appropriate expertise to perform a Compilation Engagement.

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

The taskforce raised concerns on the implication of paragraph 7.2(g)(i) of the proposed Standard to Clients and was of the view that the ‘form and content’ of the financial information constitutes a broad area of consideration for Clients. It was agreed that this provision should be redrafted so that it applies only where a Member is using an Applicable Financial Reporting Framework.

The taskforce agreed that paragraph 7.2 aims to provide Members with matters to consider for inclusion in the Engagement Document depending on the context and circumstances of their Clients and does not create a mandatory obligation for the Member to include all matters under paragraph 7.2 in the Engagement Document.

## **Section 8 – Procedures**

### *Paragraph 8.1*

The taskforce raised concerns on the requirements of paragraph 8.1 that requires Members to obtain an understanding of the Client’s business and operations and the Member to be familiar with the form and content of the financial information. Following the previous discussion on the ‘form and content’ of financial information raised by the taskforce in paragraph 7, it is similarly unclear as to what constitutes ‘form and content’ in paragraph 8.1(c).

The taskforce agreed that the requirement for a Member to understand a Client's business should not be made mandatory as per ISRS 4410 but rather should remain as guidance as per the existing APES 315 with minor editorial amendments.

#### *Examples in paragraph 8.2, 8.5 and 8.6*

The taskforce was of the view that the examples provided in paragraphs 8.2, 8.5 and 8.6 of the proposed Standard may not be appropriate in the context of compilations of other than financial reports. The taskforce discussed that the examples included are assurance-focussed and may potentially give rise to enforcement and documentation issues for the Members. It was agreed that some of these provision could be more appropriately placed under the new section Applicable Financial Reporting Framework.

APESB Technical Staff will review paragraph 8.2 and consider the issues discussed by the taskforce. The taskforce determined to remove the proposed examples provided in paragraphs 8.5 and 8.6 of the proposed Standard.

#### *Paragraph 8.13*

A taskforce member noted the enforcement issue arising with the requirement of the Member to read the Compiled Financial Information, i.e. that it was difficult for a Member to evidence that this has taken place. The taskforce raised concerns on the approach to documenting that the Member has read the Compiled Financial Information. The taskforce agreed that despite the difficulty of enforcement, having the requirement for Members to read the Compiled Financial Information prior to completion of the Compilation Engagement is a valid procedure to manage engagement risk and quality.

### **Section 9 – Misstatements and Going Concern**

#### *Paragraph 9.3*

The taskforce agreed that references to AASB 1053 are unnecessary as APES 205 *Conformity with Accounting Standards* adequately covers this subject matter.

#### *Paragraph 9.5*

The taskforce discussed the Member's understanding of the concept of going concern. The taskforce raised concerns on the degree of understanding and the work Members need to evidence to determine and document the Client's ability to continue as a going concern. It was agreed that this matter is relevant only when the engagement is to compile a financial report and therefore should be relocated under a separate heading 'Applicable Financial Reporting Framework'.

The taskforce was of the view that the inclusion of the going concern concept in the proposed Standard is a significant addition that should be carefully considered by the taskforce. It was agreed to seek Board direction on the matter.

#### **Other matters**

A taskforce member who was involved in the development of ISRS 4410 explained that ISRS 4410 was intentionally drafted to elevate the level of a Compilation Engagement to be an alternative service to assurance and review services.

The taskforce agreed that some of the requirements and guidance related to the Applicable Financial Reporting Framework apply solely to the compilation of financial reports and therefore it may be more appropriate to group all relevant requirements under a separate section to minimise risk of misunderstanding by the Member, the Client or in legal proceedings (refer to paragraphs 8.2 & 9.5 of the proposed Standard).

The taskforce further discussed making the proposed Standard more scalable for SMPs and flexible for use on Clients of varying complexities, i.e. sole traders, complex private companies, or those filing Compilation Reports under ASIC Class Order CO 98/1417 *Audit relief for proprietary companies*.

## **5. Way Forward**

APESB Technical Staff will make necessary amendments to the proposed Revised APES 315 and seek the Board's direction on the key issues at the August 2013 Board meeting.

## **6. Closing of Meeting**

The meeting was closed at 5.15 PM.

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