



ISSUES REGISTER FOR APESB PROFESSIONAL PRONOUNCEMENTS

Current as at January 2008

Note to Stakeholders

The following is a summary of issues raised with the APESB in relation to professional and ethical standards. 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 then **Standards & Guidance/Issues Register**) any new issues they believe should be addressed by APESB when a pronouncement is next updated or reviewed.

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

No.	Issue	Proposed response	Current Status
110.1	Currently there is no footnoting of the Code to identify the corresponding reference/section in the <i>Corporations Act 2001</i> .	Stakeholders raised this issued in 2006 at the time the Code was issued. APESB intends to monitor the issues raised in this context to evaluate whether there is a need to cross reference the Code with the <i>Corporations Act 2001</i> .	APESB is monitoring concerns in this regard on an ongoing basis.
110.2	As part of its revision of Sections 290/291 of the Code, IESBA have removed the definition of the term "Financial Statement Audit Client" and has included a definition of "Audit Client". It appears that there is no longer a need to distinguish between the different forms of an audit client.	Update the Code's terminology to achieve international consistency.	APESB will continue to monitor this issue with the intent to resolve it following finalisation of Sections 290 and 291 at the international level, which is expected in April 2008.
110.3	The Board had resolved to use the terminology "financial statement" rather than "financial report" in the Code. The IFAC Code defines "Financial statement" whereas the term "financial report" is used by Australian auditing standards.	APESB continues to monitor this issue and will consider updating the definition in line with the new International Code due to be issued in April 2008.	Awaiting the final version of the IFAC Code.
110.4	APES 110 does not currently have a statement of conformity with its international equivalent issued by the IESBA.	Include a statement of conformity in the next revision of the Code.	APESB will carry out a comprehensive review and update of the Code subsequent to the issue of the IFAC Code in April 2008. At this stage a conformity paragraph will be inserted comparing it to the IFAC Code.

No.	Issue	Proposed response	Current Status
110.5	The Code has a definition of “professional services” which is adapted from the IFAC code. The ICAA defines a concept of “Public Accountancy Services”. There are subtle differences and the ICAA has proposed that the Code’s definition could be expanded by the addition of words such as “and other services as identified by a professional body that has adopted this Code as applicable to its members”.	APESB to determine whether the proposed change is appropriate and consider amending the definition of Professional Services in the next revision of the Code.	The professional bodies will prepare a paper on the definition of professional services to be considered by the APES Board.
110.6	The heading of paragraph 290.170 of the Code is in bold as opposed to italics.	Change formatting to italics.	Item noted for change in the next revision of the Code.
110.7	The definition of assurance engagement in the Code refers to AUS108 which has been replaced by the Framework for Assurance Engagements by the AUASB.	The revised definition Assurance Engagement should incorporate the following: “This would include an Engagement in accordance with Framework for Assurance Engagements issued by the Auditing and Assurance Standards Board (AUASB) or in accordance with the specific relevant standards for Assurance Engagements.”	Item noted for change in the next revision of the Code.
110.8	The definition of audit engagement in the Code refers to a high level of assurance whilst the AUASB standards include a reasonable level of assurance. The provision of a “high level” of assurance reflects outdated terminology with current auditing standards describing audit engagements as providing a reasonable level of assurance.	The definition of audit engagement to be amended.	Item noted for change in the next revision of the Code.

No.	Issue	Proposed response	Current Status
110.9	The definition of "Firm" in the Code is not consistent with recent exposure drafts and standards. APES 205 Conformity with Accounting Standards and APES 320 Quality Control for Firms define Firm using the following: "A sole practitioner, partnership, corporation or other entity of professional accountants". The additional words "or other entity" are not currently incorporated in the Code.	Update the definition of "Firm" in the Code to incorporate the words "or other entity".	Item noted for change in the next revision of the Code.
110.10	Current text of paragraph 200.3 of the Code is a little confusing and reads as follows: "The nature and significance of the threats may differ depending on whether they arise in relation to the provision of services to a Financial Statement Audit Client, a non-financial statement audit Assurance Client or a non-Assurance Client."	Enhance clarity of paragraph 200.3 with the following amendment: "The nature and significance of the threats may differ depending on whether they arise in relation to the provision of services to a Financial Statement Audit Client, an Assurance Client that is not a non-Financial Statement Audit Client, or a non-Assurance Client."	Item noted for change in the next revision of the Code.
110.11	The Corporations Legislation amendment (Simpler Regulatory System) is now effective resulting in some changes to the auditor independence requirements. The main change will be the removal of the restriction on all partners in a firm from holding a financial interest in an audit client to only those persons who are professional members of the audit team. This will in effect mean reverting to the financial interest rules contained in the IFAC Code and F.1 prior to CLERP 9.	APESB to issue an exposure draft with the proposed change to the Code.	An exposure draft was issued in December 2007 and comments from respondents will be considered at the February 2008 Board meeting.

No.	Issue	Proposed response	Current Status
110.12	<p>APES 110 states that an assurance engagement is one in which "a conclusion is expressed by a Member in Public Practice or Auditor-General or his or her delegate" which implies that the definition of Member in Public Practice does not include the 'Auditor-General or his or her delegate'. However the current definitions of "Member in Public Practice" and "Firm" imply that members working as Auditors-General, or in an Auditor-General's office or department, are Members in Public Practice.</p>	<p>Whilst the definition is consistent with the international Code, to eliminate confusion, amend APES 110 so that Auditors-General and their delegates are not separately identified in the definition of an Assurance Engagement.</p>	<p>Item noted for change in the next revision of the Code.</p>

APES 205 : Conformity with Accounting Standards (Formerly APS 1)
Issues Register

No.	Issue	Proposed response	Current Status
205.1	An exposure draft has been issued by the AASB which proposes changes to the differential reporting regime in Australia. If the proposals are accepted, the Reporting Entity concept will no longer operate in Australia.	If the APESB disposes of the Reporting Entity Concept then APESB will have to amend APES 205 which makes references to the Reporting Entity.	APESB will continue to monitor the actions of the AASB in relation to the proposed changes to the differential reporting regime.

**APES 210 : Forensic Accounting
Issues Register**

No.	Issue	Proposed response	Current Status
210.1	Forensic Accounting Special Interest Group (FASIG) of The Institute of Chartered Accountants in Australia have requested a review of APS 11 Statement of Forensic Accounting Standards.	APESB to liaise with FASIG and prepare a project proposal for the Board's consideration. Thereafter establish a taskforce to develop the pronouncement.	The project proposal was developed and submitted to the Board for consideration at the August 2007 Board meeting. A taskforce has been established to develop the forensic accounting pronouncements and it is expected that the exposure drafts will be presented at the May 2008 Board meeting.

**APES 220 : Taxation Services (Formerly APS 6)
Issues Register**

No.	Issue	Proposed response	Current Status
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No Current Issues

**APES 225 : Business Valuations
Issues Register**

No.	Issue	Proposed response	Current Status
225.1	The Business Valuation Special Interest Group (BVSIG) of The Institute of Chartered Accountants in Australia lobbied the APESB to develop a pronouncement in this regard. The BVSIG developed an initial exposure draft for the Board's Consideration. The Board considered the exposure draft and stated that it required more subject matter content to be considered as a stand alone standard.	APESB to establish a taskforce which includes representation from BVSIG to develop an exposure draft.	APESB Business Valuation Taskforce prepared an exposure draft which was reviewed and approved by the Board in December 2007. The comment period is open until April 2008 and thereafter a standard is expected to be issued taking into consideration submissions received from stakeholders.

**APES 230 : Outsourcing of Accounting Services
Issues Register**

No.	Issue	Proposed response	Current Status
230.1	CPA Australia lobbied APESB to develop a pronouncement in this area due to the increasing involvement of members in outsourcing activities.	Develop a pronouncement to address member obligations when certain aspects of the finance function are outsourced.	The Board approved the project proposal at the August 2007 Board meeting. A task force will be set up in early 2008 to manage the development of the pronouncement.

**APES 2XX : Management Consulting (Formerly APS 8)
Issues Register**

No.	Issue	Proposed response	Current Status
240.1	No issues identified. However based on discussion with the professional bodies, use of APS 8 is limited in practice.	Prepare an agenda paper to evaluate usefulness of the existing standard.	APESB will prepare an agenda paper for the February 2008 Board meeting.

**APES 305 : Terms of Engagement (Formerly APS 2)
Issues Register**

No.	Issue	Proposed response	Current Status
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No Current Issues

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

No.	Issue	Proposed response	Current Status
315.1	APS 9 Statement on Compilation of Financial Reports was issued in 1996. This is now overdue for revision with the issue of an international equivalent (ISRS 4410) and the New Zealand Institute of Chartered Accountants issuing a revised standard in 2006.	Develop an exposure draft for consideration, leading to the issue of a new standard.	An exposure draft will be tabled at the February 2008 Board meeting.
315.2	The revised standard needs to state that if a financial report is subsequently audited, then there is no requirement to attach a compilation report.	This issue to be clarified in the exposure draft wording of the requirements.	The exposure draft will address this issue.
315.3	The Professional Bodies Quality Review program has uncovered instances where members are preparing financial reports to accompany income tax returns, and are not attaching compilation reports to these. Members are quoting paragraph 6 of APS 9, which states that preparation of an income tax return is outside the scope of APS 9. This is not a correct interpretation of APS 9, and it is suggested that the wording of APS 9 be amended to clarify this issue. Further, it is noted that ISRS 4410 deals with compiled financial information, rather than with financial reports.	Clarify wording of the exposure draft to eliminate the identified issue. Consider aligning APS with ISRS 4410.	The exposure draft to be tabled at February 2008 Board meeting will clarify these identified issues.
315.4	All references to UIG Consensus Views should be removed from the standard as they are no longer issued or in force.	Remove references to UIG Consensus Views in the exposure draft. Consider whether the reference to "accounting standards" is adequate or whether alternative wording is required.	All references to UIG Consensus Views have been deleted from the exposure draft.

No.	Issue	Proposed response	Current Status
315.5	<p>APS 9 defines the term "financial report", a term also defined in the <i>Corporations Act</i>. The two definitions are inconsistent. The international equivalent to APS 9, ISRS 4410, does not use the term "financial report".</p>	<p>Consider the need to use the term "financial report" in the exposure draft and the requirement for consistency between the <i>Corporations Act</i> and standards.</p>	<p>The exposure draft is consistent with the international equivalent. APESB propose to use the term Financial Statements. However, it will be noted that the term Financial Report will be an equivalent term for the purposes of this standard similar to the approach taken in APES 205 Conformity with Accounting Standards.</p>

**APES 320 : Quality Control of Firms
Issues Register**

No.	Issue	Proposed response	Current Status
320.1	Paragraph 56 of the standard is boxed. This highlights the fact that it applies to assurance practices only, with the second part of the paragraph intended to provide guidance. The differences in formatting make the paragraph confusing.	Include additional text in the unboxed part of the paragraph to improve clarity of the requirements that apply to assurance and other practices.	Noted for inclusion in the next review and revision of the standard.
320.2	Paragraph 73(e) of the international standard states that information is confidential unless there is a professional or legal duty to disclose. Under Australian law, there is only a legal duty to disclose.	Consider the need to ensure consistency of the standard with Australian Law. Remove reference to professional duty to disclose.	Noted for inclusion in the next review and revision of the standard.
320.3	The IAASB proposes to update ISQC 1 and ISA 220 Quality Control for Firms that perform audits, reviews of financial statements and other assurance and related service engagements. In doing so, they will be redrafted to indicate requirements as mandatory by use of the word "shall".	APESB to submit a response on ISQC1 and once the IAASB issues the final version in September 2008, commence a process to update APES 320.	APESB has made a submission to IAASB in respect of ISQC1. The revised international pronouncement is expected in September 2008.
320.4	AUASB replaced AUS 108 in July 2007, resulting in a change to the definition of assurance engagement. The definition currently included in APES 320 is no longer consistent with the revised AUS 108.	Amend the definition of assurance engagement to include the following "This would include an engagement in accordance with <i>Framework for Assurance Engagements</i> issued by the Auditing and Assurance Standards Board (AUASB) or in accordance with the specific relevant standards for Assurance Engagements".	Noted for inclusion in the next review and revision of the standard.

No.	Issue	Proposed response	Current Status
320.5	<p>The definition of "firm" is not consistent with the Code (APES 110). APES 110 includes an auditor general's office or department in the definition. Further, APES 320 includes an additional introductory sentence documenting that a firm is an entity where one or more members holds or are required to hold a Certificate of Public Practice in accordance with the regulations of The Institute of Chartered Accountants in Australia or CPA Australia.</p>	<p>Revise the definition to ensure consistency with APES 110 and other professional standards.</p>	<p>Noted for inclusion in the next review and revision of the standard.</p>

**APES 325 : Members' Trust Accounts
Issues Register**

No.	Issue	Proposed response	Current Status
325.1	The current statement on trust accounts, APS 10, refers to the requirement to deal with money within two working days, the "prescribed period". This is considered to be impracticable by some members.	This issue will be noted in the project proposal as a matter to be considered by the Board.	A project proposal was presented to the May 2007 Board meeting. Following this, an exposure draft was prepared and presented in August 2007. The Board's view was that the pronouncement contained mainly procedural matters and did not contain principles similar to other APESB pronouncements. As a result, the matter has been referred to the professional bodies for consideration whether this area should be addressed by a professional standard or alternatively incorporated within the professional bodies' regulations.
325.2	Trust accounts currently require at least two people in respect of delegation of member authority. For small practices, this may not be practical.	This issue will be noted in the project proposal as a matter to be considered by the Board.	A project proposal was presented to the May 2007 Board meeting. Following this, an exposure draft was prepared and presented in August 2007. The Board's view was that the pronouncement contained mainly procedural matters and did not contain principles similar to other APESB pronouncements. As a result, the matter has been referred to the professional bodies for consideration whether this area should be addressed by a professional standard or alternatively incorporated within the professional bodies' regulations.

**APES 330 : Insolvency
Issues Register**

No.	Issue	Proposed response	Current Status
330.1	No significant issues identified to date. The current standard is well used by insolvency practitioners. The Insolvency Practitioners Association of Australia (IPAA) has recently developed a Code of Conduct. A significant proportion of IPAA members are also members of the professional accounting bodies.	APESB to develop a project proposal to update and reissue the pronouncement.	A project proposal will be tabled at the February 2008 meeting and it is expected that a taskforce will be established to update the standard.

**APES 335 : Financial Advisory Services
Issues Register**

No.	Issue	Proposed response	Current Status
335.1	<p>APS 12 Statement of Financial Advisory Services was issued in 2005. Given the sensitivity of this issue from a media perspective and in the financial planning industry in general, it is recommended that the statement be reviewed. Key issues to consider are as follows:</p> <ol style="list-style-type: none"> 1) Understanding the Fee for Service model - fee for service is not a widely used practice in the industry, therefore there is a need to understand the practicalities in complying with this area. 2) Limitation of the scope ie. exclusion finance and mortgage broking. 3) Duplication of standards - Financial Planners have a number of standards with which they must comply - legal, compliance and standards set by other associations. 4) License holder business models - business models of license holders may prevent members complying with APS 12 5) Quality Assurance practicality issues - ownership of client files may prevent members' files being reviewed. 6) Alternative remuneration - further work required on understanding whether volume overrides need to be treated in a different way. 7) Obtain views of other stakeholders in relation to important considerations of the standard. 8) Repetition of APES 110 content and consistency with APS 12. 9) Possible need for a materiality test when sending annual reports to clients. 	<p>Issues identified to be addressed by the APESB Financial Planning taskforce when developing the exposure draft.</p>	<p>A project proposal was submitted by The Institute of Chartered Accountants in Australia and CPA Australia at the August 2007 Board meeting. This was approved together with the creation of a task force to develop a pronouncement. APESB is currently developing a project plan for this purpose and planning to have the first meeting of the APESB Financial Planning taskforce in March 2008.</p>

**APES 340 : Contingent Fee Arrangements for Assurance Clients
Issues Register**

No.	Issue	Proposed response	Current Status
340.1	The Regulatory Discussion Group Independence Taskforce (RDGIT) of The Institute of Chartered Accountants in Australia lobbied the APESB to develop a pronouncement addressing contingent fee arrangements and submitted a proposed pronouncement.	Board to review RDGIT submission and develop an exposure draft for public comment.	An exposure draft was developed and issued for comment. APESB received a number of comment letters from the professional bodies as well as firms. At the international level, the IESBA is considering changes to the Code in respect of Contingent Fees. APESB considered responses to the exposure draft at the August 2007 Board meeting. However it was agreed that the issue would be deferred pending finalisation of international developments.

**APES 345 : Prospectuses and Reports on Profit Forecasts (previously F2)
Issues Register**

No.	Issue	Proposed response	Current Status
345.1	F2, which was part of the Joint Code of Professional Conduct, dealt with prospectuses. The current Code, APES 110 does not deal with this topic therefore the pronouncement that was carried over as F2 needs to be revised and reissued.	Develop a project proposal for the Board's consideration and establish a task force to consider the development of a new pronouncement.	The project proposal was considered at the August 2007 Board meeting. APESB has established a taskforce and a first draft of the exposure draft is expected to be tabled at the May 2008 Board meeting.

**APES 350 : Risk Management
Issues Register**

No.	Issue	Proposed response	Current Status
350.1	No issues noted.	It is expected that the professional bodies will submit a proposal for consideration by APESB.	The professional bodies submitted a project proposal in December 2007. This will be considered at the February 2008 Board meeting.

**APES 410 : Conformity with Auditing and Assurance Standards
Issues Register**

No.	Issue	Proposed response	Current Status
410.1	The Australian Council of Auditors General (ACAG) are of the view that the standards issued by the APESB cannot bind Auditors-General in their capacity as officers of the Crown or officers of Parliament unless the standards in question are given force by legislation. They also further state that the duties of a person who, for example, holds an office under the Crown must transcend any obligations that might arise through a person's membership of a professional body.	Liaise with the Victorian Auditor General's office and evaluate the issues identified by ACAG. Based on this review evaluate the need to incorporate a Public Sector perspective within the standard the next time the standard is reviewed.	APESB has held discussions with the Victorian Auditor General's office. It is understood that the Victorian Auditor General's office are in the process of collating responses from the various state offices and will provide APESB with a list of issues identified in due course. An update will be provided to the Board as soon as the relevant information is received from the Victorian Auditor General's office.
410.2	The standard is all grey letter with mandatory provisions not highlighted as black letter (i.e. bold).	Revise standard to ensure consistency with APESB drafting conventions.	APESB has developed a framework for the development of professional standards which include the drafting conventions. In the next revision of the standard it will be updated in accordance with APESB framework and drafting conventions.
410.3	The definition of AUASB in APES 410 may need to be updated in line with APES 205, Conformity with Accounting Standards, which provides the additional information that the AUASB was established under section 227A of the Australian Securities and Investments Commission Act 2001.	As APES 205, Conformity with Accounting Standards is now finalised, consider the need to revise this definition.	Noted for revision in the next version of the standard.

**GN 21 : Forensic Accounting
Issues Register**

No.	Issue	Proposed response	Current Status
GN21.1	The Institute of Chartered Accountants in Australia's Forensic Accounting Special Interest Group (FASIG) wants to review this guidance note in conjunction with APS11 Statement of Forensic Accounting Standards (issued in 2002).	APESB will liaise with the members of FASIG and prepare a project proposal for the Board's consideration. Thereafter a taskforce will be established to develop the pronouncement.	The Board approved the project proposal at the August 2007 Board meeting. A taskforce has been established to develop the forensic accounting pronouncements and it is expected that the first draft will be presented at the May 2008 Board meeting.

**GN 31 : Operation of Trust Accounts
Issues Register**

No.	Issue	Proposed response	Current Status
GN31.1	No specific issues noted in respect of the guidance note. However the update of this guidance note needs to be considered at the same time as the update of the current APS 10 <i>Trust Accounts</i> .	Prepare an agenda paper for the Board to consider updating this guidance note with the standard.	An agenda paper to be tabled at the February 2008 Board meeting.

**GN 40 : Members in Business Guidance Statement
Issues Register**

No.	Issue	Proposed response	Current Status
GN40.1	This guidance note was issued in August 2002 for the assistance of members in business. Members are governed in the conduct of their professional relationships by the Code. Part C of the Code deals with Members in Business. The Code (APES 110) was issued June 2006, therefore the guidance note needs to be updated to reflect what is in APES 110.	Prepare a project proposal for the Board's consideration to update the guidance note.	A project proposal will be tabled at the February 2008 Board meeting.
GN40.2	PAIB Committee of IFAC released the first International Good Practice Guidance "Defining and Developing an Effective Code of Conduct for Organisations." This guidance will assist professional accountants and their organisations in developing and implementing a code of conduct within a values-based culture.	Review GN1- Members in Business Guidance Statement in light of the IFAC release.	To be considered in the project proposal to be tabled at the February 2008 Board meeting.