

APESB

Accounting
Professional and
Ethical Standards Board

Annual Review of APES 410 Conformity with Auditing and Assurance Standards issued in July 2006 (Replaced by APES 210 in September 2008)

Prepared by Channa Wijesinghe
Senior Project Manager, APESB

10th November 2008

1. Executive Summary

1.1. Background

Accounting Professional and Ethical Standards Board (APESB) issued APES 410 *Conformity with Auditing and Assurance Standards* in July 2006 with an effective date of 01 July 2006. Subsequently on 30th September 2008, APESB issued APES 210 of the same name to replace APES 410.

1.2. Reason for this report

In accordance with the constitution of APESB, an annual review needs to be performed of APES 410. This report presents a review of the issues identified in respect of APES 410 and the action taken to address the issues.

1.3. Issues identified

The issues identified since issue of the standard in June 2006 are summarised below:

Carry Forward Issues from the 2007 Annual Review:

1. The definition of AUASB in APES 410 may need to be updated dependent on the finalisation of APES 205 *Conformity with Accounting Standards*.
2. Based on the classification of APESB Pronouncements this standard will need to be renumbered as APES 210 *Conformity with Auditing and Assurance Standards*.
3. The Australasian Council of Auditor General's view that it is possible that in certain circumstances they may not be able to comply with Auditing Standards.
4. ASIC has commented that there are inconsistencies in respect of the presentation of APES 410: *Conformity with Auditing and Assurance Standards* compared to other APESB pronouncements.

1.4. Recommendations

The recommendations in the 2007 Annual Review of APES 410 have been implemented in the new APES 210 issued in September 2008 as described below:

Action taken in APES 210 to address the issues identified in APES 410:

1. The definition of AUASB has been updated to reflect the fact that it was established under section 227A of the *Australian Securities and Investment Commission Act 2001*.
2. Due to the development of the APESB Framework, APES 410 has been renumbered as APES 210 *Conformity with Auditing and Assurance Standards*.
3. In the recently issued APES 210 there is a new paragraph 4.2 which contemplates departure from Auditing and Assurance standards where it is required by legislation or government authority.
4. APES 210 has been issued in line with APESB's *Due Process and working procedures for the issue of APESB pronouncements*. Thus APES 210 is now consistent with other APESB pronouncements.

2. Detail Review of Issues identified in APES 410

2.1 Consistency of definition of AUASB

Issue

The definition of AUASB in APES 410 needs to be updated in line with APES 205 *Conformity with Accounting Standards*, which provides the following additional information that the AUASB was established under section 227A of the Australian Securities and Investments Commission Act 2001.

Stakeholders

Stakeholders impacted will be the members of the relevant bodies (CPA, ICAA & NIA) who apply the standards when they conduct assurance, review and related engagements.

Recommendation/Action

The definition of the AUASB has been updated in line with APES 205 *Conformity with Accounting Standards*, in the recently issued APES 210

2.2 Need to reclassify APES 410 to APES 210

Issue

APESB Due Process and Working Procedures for APESB pronouncements has established a numbering convention for standards and guidance notes which state that standards and guidance notes that apply to all members of the professional bodies should be numbered in the “200- 299” series.

Conformity with Auditing and Assurance Standards applies to all members of the professional bodies that conduct audit and assurance services and thus needs to be reclassified in to the “200” series.

Stakeholders

Stakeholders impacted will be the members of the relevant bodies (CPA, ICAA & NIA) who apply the standards when they conduct assurance, review and related engagements.

Recommendation/Action

In accordance with APESB Framework, APES 410 has been recently issued as APES 210 *Conformity with Auditing and Assurance Standards*.

2.3 The Australasian Council of Auditor General's (ACAG) views that in certain Circumstances they may not be able to comply with Auditing Standards

Issue

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.

Analysis of the issue

The concern ACAG has is that as compliance with Auditing standards is mandatory for members who belong to a Professional Accounting body, there may be situations where the members of ACAG (most of whom are members of professional accounting bodies) may not be able to adhere to Auditing standards due to other legislative requirements.

Impacted Stakeholders

The Australian members of ACAG and members of the professional bodies who Perform audits in the public sector.

Recommendation/Action

The recently issued APES 210 now specifically addresses this issue with a new paragraph 4.2 which contemplates departure from Auditing and Assurance standards where it is required by legislation or government authority.

2.4 ASIC has commented that there are inconsistencies in respect of the presentation of APES 410: Conformity with Auditing and Assurance Standards compared to other APESB pronouncements.

Issue

ASIC has raised concerns regarding the inconsistency of the presentation and style of APES 410 compared with APES 320. They have stated that APES 320 indicates that words in bold type are mandatory whilst non-bold type is meant for guidance and explanation. However, in APES 410 there are only non-bold type paragraphs. ASIC is concerned that this could be interpreted to mean that the provisions contained in APES 410 are not mandatory.

The inconsistencies in the presentation style of the standards raised by ASIC will be addressed by updating the standard in line with the *Due Process and Working Procedures for the development of APESB pronouncements*.

Stakeholders

Stakeholders impacted will be the members of the relevant bodies (CPA, ICAA & NIA) who apply the standards when they conduct assurance, review and related engagements.

From a regulatory view point ASIC has an interest to ensure that the mandatory provisions of the standard are clearly specified so that if there are breaches they can take appropriate action.

Recommendation/Action

APES 210 has been issued in accordance with the *Due Process and Working Procedures for the development of APESB pronouncements*. APES 210 now has bold lettering clearly indicating the mandatory requirements of the standard.