

August 2015



Exposure Draft 03/15 Revision of APESB pronouncements

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Contents

	Page
1. Explanatory Memorandum to Exposure Draft 03/15 Revision of APESB pronouncements.....	3
1.1 Introduction	
1.2 Summary of APESB Pronouncements	
1.3 Key proposed amendments	
2. Request for comments on Exposure Draft.....	5
2.1 Commenting on this Exposure Draft	
2.2 Obtaining a copy of this Exposure Draft	
<i>Appendix 1: Summary of proposed revisions in section 2 Definitions.....</i>	<i>6</i>
<i>Appendix 2: Summary of proposed revisions in Exposure Draft.....</i>	<i>7</i>
<i>Appendix 3: APESB Pronouncements in ED 03/15.....</i>	<i>8</i>

1. Explanatory Memorandum to Exposure Draft 03/15 Revision of APESB pronouncements

1.1 Introduction

The aim of this Explanatory Memorandum is to provide stakeholders with the background, development process and rationale of Accounting Professional & Ethical Standards Board Limited's (APESB's) Exposure Draft 03/15 *Revision of APESB pronouncements* (the Exposure Draft) issued on August 2015.

The majority of the proposed revisions to the APESB pronouncements identified in this Exposure Draft are due to amendments made to APES 110 *Code of Ethics for Professional Accountants* (2013) and are consequential or editorial in nature.

The Explanatory Memorandum has been prepared by Technical Staff of APESB and approved by the Board of Directors of APESB. The Explanatory Memorandum **does not** form part of the Exposure Draft and is not a substitute for reading it in full.

1.2 Summary of APESB Pronouncements

This Exposure Draft comprises proposed amendments to the following pronouncements:

Pronouncement	Name of professional standard/guidance note
APES 215	<i>Forensic Accounting Services</i>
APES 225	<i>Valuation Services</i>
APES 320	<i>Quality Control for Firms</i>

1.3 Key proposed amendments

The marked-up version of each pronouncement in the Exposure Draft (refer to **Appendix 3**) reflects the proposed changes incorporated into the existing pronouncement and addresses the following key matters:

(i) **Objectives**

In accordance with APESB's revised drafting conventions, an introductory objectives paragraph (paragraph 1.1) has now been developed and included in each of these pronouncements.

(ii) **Effective date of pronouncements**

The effective date in paragraph 1.2 proposes that each applicable standard will be operative from 1 April 2016 and that earlier adoption of the standard is permitted.

(iii) Revision of definitions due to amendments to APES 110 Code of Ethics for Professional Accountants (Code)

In November 2013, APESB released amendments to the Australian Code to align it with amendments to the International Code issued by the *International Ethics Standards Board for Accountants* (IESBA). As part of the annual review process of the pronouncements identified in the Exposure Draft, APESB has determined to revise section 2 *Definitions* for each pronouncement to ensure consistency with the revised Code (refer to **Appendix 1 Summary of proposed revisions in section 2 Definitions**).

(iv) Inclusion of an interpretation paragraph in section 1 Scope and application

An interpretation paragraph has been included in section 1 *Scope and application* which clarifies the use of similar words which should have equal application (i.e. singular includes plural, one gender includes another and words importing persons includes corporations or organisations).

(v) Impact of the merger of Institute of Chartered Accountants Australia (ICAA) with the New Zealand Institute of Chartered Accountants (NZICA)

The Board noted that due to the merger of ICAA and NZICA, the definition of 'Professional Bodies' requires an amendment as the existing APESB pronouncements refer to ICAA which is now Chartered Accountants Australia and New Zealand (CA ANZ).

Members of the professional accounting bodies and other stakeholders should also note that, as specified in the *scope and application* of each pronouncement, the applicable APESB pronouncement is subject to laws and regulations of the applicable jurisdiction (whether it is Australia or another country). Furthermore where the Member is working in a foreign jurisdiction, the Member will also be subject to the laws and regulations of that jurisdiction which may have higher or different requirements than APESB pronouncements.

(vi) Enhancement of professional engagement requirements in APES 225

During the APES 225 taskforce meeting held on 13 July 2015, a taskforce member noted that there were practical issues encountered by Members in Public Practice in respect of paragraph 4.2 (a) of APES 225 and its application when the Member performs services on a retainer arrangement. The taskforce member proposed amendments that would provide flexibility to cater for these arrangements. Accordingly paragraphs 4.1 and 4.2 (a) have been updated to clarify this matter and consequential amendments were made to section 2 *Definitions*.

An issue on the APES 225 Issues Register was in respect of obtaining representations from relevant parties as evidence to support the Valuation Service performed by a Member in Public Practice. Accordingly, paragraphs 4.6 and 4.7 have been proposed in the exposure draft to address this issue.

(vii) Matters raised by respondents in APESB's Issues Register

APESB has also taken the opportunity to address minor editorial matters noted on the Issues Register in respect of these pronouncements.

Appendix 2 provides a summary of the proposed revisions in Exposure Draft 03/15.

2. Request for comments on Exposure Draft

2.1 Commenting on this Exposure Draft

APESB invites stakeholders to provide comments on these proposed revisions to the pronouncements identified in ED 03/15.

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by 30 September 2015.**

Comments should be addressed to:

The Chairman
Accounting Professional & Ethical Standards Board Limited
Level 7, 600 Bourke Street
MELBOURNE VIC 3000
AUSTRALIA

APESB would prefer that respondents express a clear overall opinion on whether the revisions to the proposed pronouncements (refer to the marked-up version of each pronouncements in *Appendix 3* of the Exposure Draft), are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed pronouncements.

Stakeholders are encouraged to provide their views and comments on the proposed revisions as well as whether there are any additional consequential impacts of these revisions that APESB needs to consider in its deliberations in finalising these revised pronouncements.

Respondents are asked to submit their comments electronically through the APESB website, using the link <http://www.apesb.org.au/apesb-exposure-drafts-open-for-comment>.

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website www.apesb.org.au.

APESB prefers that comments are submitted via its website. However, if there are technical difficulties, comments can also be sent to sub@apesb.org.au or mailed to the address noted above.

2.2 Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: www.apesb.org.au.

Alternatively, any individual or organisation may obtain one printed copy of this Exposure Draft without charge until **30 September 2015** by contacting:

Accounting Professional & Ethical Standards Board Limited
Level 7
600 Bourke Street
Melbourne Victoria 3000
Australia
E-mail: enquiries@apesb.org.au
Phone: (03) 9670 8911
Fax: (03) 9670 5611

Appendix 1

Summary of proposed revisions in section 2 *Definitions*

The summary provides an overview of the proposed revisions of the definitions in the existing pronouncements to primarily align it with APES 110 *Code of Ethics for Professional Accountants* (2013):

Amendments to Definitions as per the Code	APES 215	APES 225	APES 320
Assignment	√	√	-
Assurance Engagement	-	-	√
Client	-	√	√
Contingent Fee	√	√	-
Engagement	√	-	-
Engagement Quality Control Review	-	-	√
Engagement Team	-	-	√
Firm	√	√	-
Independence	√	√	√
Member	-	√	-
Member in Business	-	√	-
Member in Public Practice	√	√	√
Network	-	-	√
Network Firm	-	-	√
Professional Bodies	√	-	√
Professional Services	-	√	√
Professional Standards	√	-	-
Relevant Ethical Requirements	-	-	√

Additions to Definitions	APES 215	APES 225	APES 320
Engagement Document	-	√	-
Professional Activity	-	√	√
Professional Bodies	-	√	-
Professional Standards	-	√	-

Appendix 2

Summary of proposed revisions in Exposure Draft

The summary provides an overview of the proposed revisions in the Exposure Draft and how they impact the existing pronouncements:

Summary of proposed amendments	APES 215	APES 225	APES 320
Objectives paragraph 1.1 & effective date paragraph 1.2	√	√	√
Interpretation paragraph (section 1)	√	√	√
Amendments to section 2 (refer Appendix 1)	√	√	√
Other minor editorials:			
Paragraph 1.3	√	√	√
Paragraph 1.6	-	√	-
Paragraph 1.8	-	√	-
Paragraph 5.6	√	-	-
Paragraph 4.1	-	√	-
Paragraph 4.2	-	√	-
New paragraphs in respect of representations:			
Paragraph 4.6	-	√	-
Paragraph 4.7	-	√	-

Appendix 3
APESB Pronouncements in ED 03/15

	Page
APES 215 Forensic Accounting Services.....	9
APES 225 Valuation Services.....	36
APES 320 Quality Control for Firms.....	58