



## **Annual Review of APES 305 *Terms of Engagement***

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## Background

Accounting Professional and Ethical Standards Board (APESB) issued APES 305 *Terms of Engagement* (the Standard) in December 2007 with an effective date of 01 July 2008. In June 2009 a revised standard was issued that incorporated minor editorial changes identified by the six monthly review.

In March 2013, APESB issued a revised APES 305 to update the existing APES 305 (June 2009). The revised Standard addressed concerns in respect of the potential misinterpretation of the term “recurring Engagements” and clarifies the circumstances in which “recurring Engagements” occur.

## Reason for this report

In accordance with APESB’s constitution, a review needs to be performed on an annual basis after a new standard is effective to identify any issues reported by stakeholders. This report presents a review of the issues reported to the APESB together with those identified by an internal technical review and the proposed recommendations to address the issues raised.

## Review of Issues

### 1. Carry forward issue from 2014 Annual Review

#### Defined terms

The Technical staff review identified that the definitions section in APES 305 needs to be revised as a result of the IESBA’s revision of the International Code and APESB’s subsequent amendments to APES 110 *Code of Ethics for Professional Accountants* (the Code) in November 2013.

#### Definitions to be revised

**Client** means an individual, firm, entity or organisation to whom or to which Professional ~~Services~~ Activities are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature.

**Member in Public Practice** means a Member, irrespective of functional classification (e.g., audit, tax or consulting) in a Firm that provides Professional Services. This term is also used to refer to a Firm of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable Professional Body.

**Professional Services** means ~~services requiring accountancy or related skills performed by a Member including accounting, auditing, taxation, management consulting and financial management services.~~ Professional Activities performed for Clients.

**Professional Standards** mean all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable Professional Body.

Definitions to be added

**Professional Activity** means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.

**Professional Bodies** means the Institute of Chartered Accountants Australia, CPA Australia and the Institute of Public Accountants.

It should also be noted that APESB is currently considering whether the definition of *Professional Activity* should be revised in the Australian context. If this occurs then this definition will require revision.

Subsequent to the revision of the definitions section, consequential editorial amendments may also be required to APES 305.

Impacted Stakeholders

Members in Public Practice, Clients and Professional Bodies

Recommendation

The defined terms in APES 305 should be revised in a manner consistent with the Code and other APESB standards. It is recommended that these changes and any other consequential amendments be processed at the next revision of APES 305 which is scheduled for the May 2015 Board meeting.