



Annual Review of APES 345 Reporting on Prospective Financial Information Prepared in Connection with a Disclosure Document

Prepared by
Saras Shanmugam
Margareth Lioe

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Background

APESB issued APES 345 *Reporting on Prospective Financial Information prepared in connection with a Disclosure Document* (APES 345) in November 2008 with an effective date of 1 July 2009. APES 345 replaced Statement F2 *Prospectuses and Reports on Profit Forecasts* which originally formed part of the previous Code of Professional Conduct.

Reason for this report

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

Review of Issues

Carry forward issue from 2014 Annual Review

1. **Defined terms**

Issue

The Technical Staff review identified that the Definitions section of APES 345 needs to be revised.

Analysis of Issue

The Definitions section in APES 345 requires revision due to amendments made to the IESBA's Code and subsequent changes made by APESB to APES 110 *Code of Ethics for Professional Accountants*.

Definitions to be revised

Acceptable Level means a level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the Member at that time, that compliance with the fundamental principles is not compromised.

Assurance Engagement means an Engagement in which ~~a conclusion is expressed~~ by a Member in Public Practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.

This includes an Engagement in accordance with ~~the Framework for Assurance Engagements~~ issued by the ~~Auditing and Assurance Standards Board (AUASB)~~ or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.

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.

Engagement Team means all ~~personnel~~ Partners and staff performing an the Engagement, including any experts contracted and any individuals engaged by the Firm in connection with that Engagement or a Network Firm who perform procedures on the Engagement. This excludes External Experts engaged by the Firm or a Network Firm.

Firm means:

- a) A sole practitioner, partnership, corporation or other entity of professional accountants;
- b) An entity that controls such parties, through ownership, management or other means;
- c) An entity controlled by such parties, through ownership, management or other means; or
- d) An Auditor-General's office or department.

Independence means is:

- a) Independence of mind – the state of mind that permits the ~~provision~~ expression of an a opinion conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism; ~~and~~
- b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party ~~having knowledge of all relevant information, including any safeguards applied,~~ would reasonably be likely to conclude, weighing all the specific facts and circumstances, that a Firm's, or a member of the Engagement Team's, integrity, objectivity or professional scepticism had has been compromised.

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 Bbody.

Those Charged with Governance means the person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes

overseeing the financial reporting process. For some entities in some jurisdictions, Those Charged with Governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

Definitions to be added

AUASB means the Australian statutory body called the Auditing and Assurance Standards Board established under section 227A of the Australian Securities and Investments Commission Act 2001.

External Expert means an individual (who is not a partner or a member of the professional staff, including temporary staff, of the Firm or a Network Firm) or organisation possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the Member in obtaining sufficient appropriate evidence.

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.

Network means a larger structure:

- a) That is aimed at co-operation; and
- b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.

Network Firm means a Firm or entity that belongs to a Network.

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 345.

Impacted Stakeholders

Members in Public Practice, Firms and Professional Bodies

Recommendation

The defined terms in APES 345 should be revised in a manner consistent with the Code and other APESB Standards. It is recommended that these changes and any other consequential editorial amendments be processed at the next revision of APES 345 which is scheduled for the May 2015 Board meeting.

2. Reference to Section 290 of the previous Code in paragraph 3.6 of APES 345

Issue

The Technical Staff review identified that paragraph 3.6 of APES 345 needs to be revised.

Analysis of Issue

Paragraph 3.6 of APES 345 makes reference to Section 290 *Independence – Assurance Engagements* of the Code in the following manner:

Where a Reporting Service Engagement is an Assurance Engagement, the Member in Public Practice shall comply with Section 290 Independence – Assurance Engagements of the Code.

This reference is to the Code that was on issue at the time APES 345 was originally issued. Given the nature of a Reporting Service Engagement (i.e. addressing prospective financial information) and the revised Code, the reference should be amended to Section 291 *Independence – Other Assurance Engagements* of the Code.

Impacted Stakeholders

Members in Public Practice, Firms and Professional Bodies

Recommendation

It is recommended that reference to the previous Code in paragraph 3.6 be amended to refer to Section 291 *Independence – Other Assurance Engagements* of the revised Code. This is to be done at the next revision of APES 345 which is scheduled for the May 2015 Board meeting.

3. Editorial amendments

Issue

The Technical Staff review identified a minor editorial amendment to be made to paragraph 5.2 of APES 345.

Analysis of Issue

The technical review identified that the interests and relationships listed at paragraph 5.2 should be joined by “or” as shown below:

5.2 *Threats to the fundamental principles may be created by any of the following interests or relationships:*

- *Financial Interests;*
- *Loans and guarantees;*
- *Close business relationships with the Client;*
- *Employment relationships with the Client; or*

- *Family and personal relationships.*

Impacted Stakeholders

Members in Public Practice, Firms and Professional Bodies

Recommendation

The editorial amendment noted above to paragraph 5.2 to be processed at the next revision of APES 345 which is scheduled for the May 2015 Board meeting.