

19 March 2013

### **APESB issues revised APES 305 *Terms of Engagement***

Accounting Professional & Ethical Standards Board Limited (APESB) today announced the issue of the revised APES 305 *Terms of Engagement* (APES 305) to update the existing APES 305 (June 2009).

Please refer to Appendix 1 of this technical update for details of the revisions. The revised APES 305 will be effective for Engagements commencing on or after 1 July 2013.

The revised standard is available from APESB's website: [www.apesb.org.au](http://www.apesb.org.au)

– ENDS –

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## Appendix 1

### Revision to APES 305 (Revised June 2009)

Accounting Professional & Ethical Standards Board Limited (APESB) has approved the following revisions to APES 305 *Terms of Engagement* which was originally issued In December 2007 and revised in June 2009.

Paragraph Reference	Revisions
1.1	Accounting Professional & Ethical Standards Board Limited (APESB) issues <del>the Standard</del> APES 305 <i>Terms of Engagement</i> ( <b>the Standard</b> ), which is effective for Engagements commencing on or after <del>01 July 2008</del> <u>1 July 2013</u> and supersedes APES 305 <i>Terms of Engagement</i> issued in December 2007 and revised in June 2009. Early adoption of this Standard is permitted.
1.2	APES 305 sets the standards in respect of Terms of Engagement for Members in Public Practice in the provision of quality and ethical Professional Services to Clients. The mandatory requirements of this Standard are in <b>bold-type (black lettering)</b> , preceded or followed by discussion or explanations in <del>normal grey type</del> <u>(grey lettering)</u> . In some instances there are specific standards applicable to Members in Public Practice issued by other standard setting bodies or specific requirements of statutes in respect of Terms of Engagement, for example ASA 210: <i>Terms of Audit Engagements</i> issued by the Auditing and Assurance Standards Board which governs audit Engagements. Compliance with these other standards or statutes should result in compliance with APES 305.
1.5	<b>Members in Public Practice shall be familiar with relevant pProfessional sStandards and guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.</b>
1.7	All references to pProfessional sStandards, guidance notes and legislation are references to those provisions as amended from time to time.
2	<u><b>Professional Standards</b> mean all Standards issued by Accounting Professional &amp; Ethical Standards Board Limited and all professional and ethical requirements of the applicable professional body.</u>
3.1	<b>A Member in Public Practice shall document and communicate <u>to the Client</u> the Terms of Engagement when providing Professional Services to Clients.</b>
4.4	<p><i>Scope of the Engagement:</i> Pertinent details of such matters as:</p> <ul style="list-style-type: none"> <li>(a) time periods covered by the Engagement;</li> <li>(b) period of appointment and time schedules;</li> <li>(c) references to any legislation, <del>and pProfessional Standards,</del> <u>accounting or auditing and assurance standards</u> that may be relevant to the Engagement;</li> <li><u>(d) any limitations on the conduct of the Engagement including scope limitations and limitations arising from legal or professional and ethical requirements;</u></li> <li><del>(de)</del> Client operations or procedures to be included in the Engagement; <u>and</u></li> <li><del>(ef)</del> details of information to be provided by the Client; <u>;</u></li> </ul>

	<p>(f) <del>any limitations on the conduct of the Engagement; and</del></p> <p>(g) <del>other matters considered necessary or appropriate.</del></p> <p><u>The Member in Public Practice should consider the implications of a recurring Engagement when documenting the details noted above.</u></p>
4.5	<p><i>Engagement output:</i> Details of reports or other anticipated outputs, including:</p> <p>(a) expected timing;</p> <p>(b) the intended use and distribution of reports; <u>and</u></p> <p>(c) the nature of any anticipated disclaimer or arrangement that limits the liability of the Member in Public Practice (appropriate limitation of liability clauses for Members in Public Practice participating in Professional Standards Legislation schemes) with respect to the Client or any other user of the results of the Engagement.</p>
5.1	<p><u>In certain circumstances a Member in Public Practice will have to determine whether an Engagement is a recurring Engagement. A recurring Engagement generally exhibits the following features:</u></p> <ul style="list-style-type: none"> <li>• <u>unchanged Terms of Engagement under which the Professional Services are provided;</u></li> <li>• <u>the same or similar Professional Service provided by the Member in each period;</u></li> <li>• <u>defined or identifiable commencement and completion dates each time the Engagement is performed; and</u></li> <li>• <u>performance of the Engagement is on a regular periodic basis as agreed with the Client, for example annually.</u></li> </ul>
5.12	<p><del>For a recurring Engagement, the Member in Public Practice may decide not to send an Engagement Document on each occasion. The following factors may affect the decision of the Member in Public Practice to issue an Engagement Document: When determining the need to reissue or amend an Engagement Document for a recurring Engagement, a Member in Public Practice should consider the following factors:</del></p> <p>(a) any indication that the Client misunderstands the objectives and scope of the Engagement;</p> <p>(b) any significant changes in the <del>Terms of</del> Engagement;</p> <p>(c) <u>any significant changes in the Professional Services to be provided or the Terms of Engagement;</u></p> <p>(<del>e</del>d) a recent change of Client management or ownership;</p> <p>(<del>e</del>) a significant change in the nature or size of the Client's business;</p> <p>(f) <u>any significant changes to Professional Standards or applicable accounting or auditing and assurance standards; and</u></p> <p>(<del>g</del>) <u>any changes to legal or regulatory requirements.</u></p>