

15 October 2019

Ms Nancy Milne
Chairman
Accounting Professional & Ethical Standards Board Limited
Level 11, 99 William Street
MELBOURNE VIC 3000

Online Submission via: www.apesb.org.au

Dear Nancy

Submission – ED 03/19 Revision of APESB pronouncements

Thank you for providing us with the opportunity to comment on the Accounting Professional & Ethical Standards Board's (APESB) proposed changes to the APESB pronouncements included in ED 03/19. Chartered Accountants ANZ (CA ANZ) is supportive of the proposed amendments to the pronouncements.

In addition to the proposed changes to the pronouncements you have specifically sought feedback on whether;

- existing standards require amendments due to the use of digital technology and artificial intelligence,
- paragraph 6.1 of APES 205 *Conformity with Accounting Standards* (APES 205) should be amended to include additional disclosures; and
- APES GN 30 *Outsourced Services* (GS 30) should include a mandatory requirement to disclose (i) the use of outsourced services and (ii) the geographical location of the outsourced service provider.

Digital technology and AI

We do not consider that these developments require the standards to be amended, provided the terms used in the standards have universal application. For example, the word 'file' can refer to a hard or soft copy file; these could be stored in any number of ways. The form of the file is not the issue, rather what it contains meets mandatory requirements. Similarly, the word 'review' in say a requirement for evidence of partner review could be via manual signature on paper or via electronic means; the key issue is that evidence of review exists.

Additional Disclosures for Special Purpose Financial Reports

We believe that it is the Australian Accounting Standards Board's (AASB) responsibility to establish the disclosures required in financial reports. APES 205 is an ethical and professional standard and correctly requires members to comply with the pronouncements of the AASB. Accordingly, we recommend that APES 205 does not include any additional disclosure requirements in relation to special purpose financial

statements. If the APESB believes that financial statement disclosures need to improve they should encourage the AASB to work with the relevant regulators to ensure AASB requirements are clearly mandated where regulators consider them necessary.

Disclosure relating to outsourced services

We understand that a member's client may wish to know where, and by whom, their work is being completed. Some clients are very concerned about the location and storage of their records. We believe that paragraphs 3.7 and 5.3 of GN 30 are sufficient. A member who complies with GN 30 will have considered the risks from outsourcing all or part of a client's work, including disclosure to the client. Furthermore, it is not appropriate to include mandatory requirements in a guidance note as guidance notes are to provide guidance or suggestions rather than to prescribe or create any new professional requirements. Should the Board feel a mandatory paragraph is required, and we do not believe one is, the appropriate place for this would be in APES 305 *Terms of Engagement* possibly at paragraph 4.7.

Information about Chartered Accountants Australia and New Zealand can be found in Appendix A to this letter. If you have any questions regarding this submission, please contact Kristen Wydell on (02) 9290 5535 or kristen.wydell@charteredaccountantsanz.com

Yours sincerely



Simon Grant FCA
Group Executive
Advocacy & Professional Standing



Kristen Wydell FCA
General Manager
Professional Standards

Appendix A

About Chartered Accountants Australia New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation accounting professionals across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.