

# APES 205 Conformity with Accounting Standards

[Supersedes APES 205 Conformity with Accounting Standards issued in December 2019]

REVISED: XX 2022

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## 1. Scope and application

- 1.1 The objectives of APES 205 *Conformity with Accounting Standards* are to specify a **Member's** professional and ethical obligations in respect of:
- fundamental responsibilities when the **Member** prepares, presents, audits, reviews or compiles **Financial Statements**;
  - the requirement to take reasonable steps to ensure a **Reporting Entity** prepares **General Purpose Financial Statements**; and
  - the disclosures in an entity's **Special Purpose Financial Statements**.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 205 *Conformity with Accounting Standards* (**the Standard**), which is effective from 1 January 2023 and supersedes APES 205 issued in December 2019. Earlier adoption of this Standard is permitted.
- 1.3 APES 205 sets the standards for **Members** involved with the preparation, presentation, audit, review or compilation of **Financial Statements**, which are either **General Purpose Financial Statements** or **Special Purpose Financial Statements**, of entities in the private and public sectors. The mandatory requirements of this Standard are in **bold-type**, preceded or followed by discussion or explanations in normal type. APES 205 should be read in conjunction with other professional duties of **Members**, and any legal obligations that may apply.
- 1.4 **Members in Australia shall follow the mandatory requirements of APES 205 when they prepare, present, audit, review or compile Financial Statements.**
- 1.5 **Members outside Australia shall comply with the financial reporting framework applicable to the relevant jurisdiction when they prepare, present, audit, review or compile Financial Statements. However, where the Financial Statements are prepared in accordance with the Australian Financial Reporting Framework, Members shall comply with the requirements of this Standard.**
- 1.6 **Members shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when performing Professional Activities. All Members shall comply with the fundamental principles outlined in the Code.**
- 1.7 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.8 All references to **Professional Standards**, guidance notes and legislation are references to those provisions as amended from time to time.
- 1.9 In applying the requirements outlined in APES 205, **Members** should be guided not merely by the words but also by the spirit of this Standard and the **Code**.
- 1.10 In this Standard, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.

## 2. Definitions

Defined terms are shown in the body of the Standard in title case.

For the purpose of this Standard:

**AASB** means the Australian statutory body called the Australian Accounting Standards Board that was established under section 226 of the *Australian Securities and Investments Commission Act 1989* and is continued in existence by section 261 of the *Australian Securities and Investments Commission Act 2001*.

**Applicable Financial Reporting Framework** means the financial reporting framework adopted by management and, where appropriate, **Those Charged with Governance** in the preparation of the financial report that is acceptable in view of the nature of the entity and the objective of the financial report, or that is required by law or regulation.

The term *fair presentation framework* means a financial reporting framework that requires compliance with the requirements of the framework and:

- (a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial report, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (b) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial report. Such departures are expected to be necessary only in extremely rare circumstances.

In the context of financial reporting, the term **Compliance Framework** means a financial reporting framework that requires compliance with the requirements of the applicable framework, but does not contain the acknowledgements in (a) or (b) above.

**Assurance Engagement** means an **Engagement** in which a **Member in Public Practice** aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information.

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

(For guidance on Assurance Engagements, see the *Framework for Assurance Engagements* issued by the **AUASB**. The *Framework for Assurance Engagements* describes the elements and objectives of an Assurance Engagement and identifies **Engagements** to which *Australian Auditing Standards (ASAs)*, *Standards on Review Engagements (ASREs)* and *Standards on Assurance Engagements (ASAEs)* apply.)

**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*.

**Audit Engagement** means a reasonable **Assurance Engagement** in which a **Member in Public Practice** expresses an opinion whether **Financial Statements** are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an **Applicable Financial Reporting Framework**, such as an **Engagement** conducted in accordance with **Auditing and Assurance Standards**. This includes a statutory audit, which is an audit required by legislation or other regulation.

**Auditing and Assurance Standards** means the **AUASB** standards, as described in *ASA 100 Preamble to AUASB Standards*, *ASA 101 Preamble to Australian Auditing Standards* and the Foreword to *AUASB Pronouncements*, issued by the **AUASB**, and operative from the date specified in each standard.

**Australian Accounting Standards** means the Accounting Standards (including Australian Accounting Interpretations) promulgated by the AASB.

**Australian Financial Reporting Framework** means the framework that uses Australian Accounting Standards as the Applicable Financial Reporting Framework and is adopted by Those Charged with Governance when preparing Financial Statements.

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

**Code** means APES 110 Code of Ethics for Professional Accountants (including Independence Standards).

**Compliance Framework** means:

- (a) a financial reporting framework that requires compliance with the requirements of the applicable framework, but does not contain the acknowledgements in respect of a fair presentation framework (refer Applicable Financial Reporting Framework); or
- (b) a framework (not related to financial reporting) adopted by the entity, which is designed to ensure that the entity achieves compliance, and includes governance structures, programs, processes, systems, controls and procedures.

**Engagement** means an agreement, whether written or otherwise, between a Member in Public Practice and a Client relating to the provision of Professional Services by a Member in Public Practice. However, consultations with a prospective Client prior to such agreement are not part of an Engagement.

**Financial Statements** means a structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of material<sup>TS</sup> significant accounting policies and other explanatory information. The term can relate to a complete set of Financial Statements, but it can also refer to a single Financial Statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes. The requirements of the financial reporting framework determine the form and content of the Financial Statements and what constitutes a complete set of Financial Statements. For the purposes of this Standard, financial report is considered to be an equivalent term to Financial Statements.

**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.

**General Purpose Financial Statements** means a financial report prepared in accordance with a General Purpose Framework.

**General Purpose Framework** means a financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a Compliance Framework.

**Member** means a member of a Professional Body that has adopted this Standard as applicable to their membership, as defined by that Professional Body.

**Member in Business** means a **Member** working in areas such as commerce, industry, service, the public sector, education, the not-for-profit sector, or in regulatory or professional bodies, who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer.

**Member in Public Practice** means a **Member**, irrespective of functional classification (for example, 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 Activity** means an activity requiring accountancy or related skills undertaken by a **Member**, including accounting, auditing, tax, management consulting, and financial management.

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

**Professional Services** means **Professional Activities** performed for **Clients**.

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

**Reporting Entity** means an entity in respect of which it is reasonable to expect the existence of users who rely on the entity's **General Purpose Financial Statements** for information that will be useful to them for making and evaluating decisions about the allocation of resources. A Reporting Entity can be a single entity or a group comprising a parent and all of its subsidiaries.<sup>1 SC17</sup>

**Review Engagement** means an **Assurance Engagement**, conducted in accordance with **Auditing and Assurance Standards** on Review Engagements or equivalent, in which a **Member in Public Practice** expresses a conclusion on whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the **Member's** attention that causes the **Member** to believe that the historical financial information is not prepared, in all material respects, in accordance with an **Applicable Financial Reporting Framework**.

**Special Purpose Financial Statements** means a complete set of **Financial Statements**, including the related notes, and an assertion statement by those responsible for the financial report, prepared in accordance with a **Special Purpose Framework**. The related notes ordinarily comprise a summary of **material significant**<sup>1S</sup> accounting policies and other explanatory information. The requirements of the **Applicable Financial Reporting Framework** determine the format and content of a financial report prepared in accordance with a **Special Purpose Framework**.

**Special Purpose Framework** means a financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a **Compliance Framework**.

**Statement of Accounting Concepts 1** means SAC 1 *Definition of the Reporting Entity* issued by the AASB.<sup>2</sup>

**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 might include management personnel,

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<sup>1</sup> [Statement of Accounting Concepts 1 and the assessment of whether an entity is a Reporting Entity does not apply to the types of entities set out in paragraph 2A of the Statement of Accounting Concepts 1.](#)

<sup>2</sup> Statement of Accounting Concepts 1 and the assessment of whether an entity is a **Reporting Entity** does not apply to the types of entities set out in paragraph 2A of the Statement of Accounting Concepts 1.

for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

### 3. Fundamental responsibilities of Members

- 3.1 A **Member** shall comply with Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* of the **Code** and with relevant laws and regulations when they prepare, present, audit, review or compile **Financial Statements**.

#### Public interest

- 3.2 In accordance with Section 100 *Complying with the Code* of the **Code**, **Members** shall observe and comply with the **Member's** public interest obligations when they prepare, present, audit, review or compile **Financial Statements**.

#### Professional competence and due care

- 3.3 In accordance with Subsection 113 *Professional Competence and Due Care* of the **Code**, a **Member in Public Practice** who is performing a **Professional Service** based on an **Applicable Financial Reporting Framework** shall ensure that the **Member** or the **Firm** has the requisite professional knowledge and skill or shall engage a suitably qualified external person. If a **Member in Public Practice** is unable to engage a suitably qualified person when required, the **Member** shall decline the **Engagement**.
- 3.4 If a **Member in Business** who is performing a **Professional Activity** based on an **Applicable Financial Reporting Framework** determines they do not have the requisite professional knowledge and skill as required by Subsection 113 *Professional Competence and Due Care* of the **Code**, the **Member** shall determine whether to decline to perform the duties in question in accordance with Section 230 *Acting with Sufficient Expertise* of the **Code**.

### 4. Responsibilities of Members in respect of the Reporting Entity concept

- 4.1 **Members** should take all reasonable steps to apply the principles and guidance provided in the **Statement of Accounting Concepts 1** issued by the **AASB** when assessing whether an entity is a **Reporting Entity**.<sup>3</sup>
- 4.2 **Statement of Accounting Concepts 1** provides guidance on circumstances in which an entity or economic entity should be identified as a **Reporting Entity**.
- 4.3 **Members** who are involved in, or are responsible for, the preparation and/or presentation of **Financial Statements** of a **Reporting Entity** shall take all reasonable steps to ensure that the **Reporting Entity** prepares **General Purpose Financial Statements**.

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<sup>3</sup> **Statement of Accounting Concepts 1** and the assessment of whether an entity is a **Reporting Entity** does not apply to the types of entities set out in paragraph 2A of the **Statement of Accounting Concepts 1**.

## 5. Responsibilities of Members in respect of General Purpose Financial Statements

- 5.1 **Members** shall take all reasonable steps to apply **Australian Accounting Standards** when they prepare and/or present **General Purpose Financial Statements** that purport to comply with the **Australian Financial Reporting Framework**.
- 5.2 Where **Members** are unable to apply **Australian Accounting Standards** pursuant to paragraph 5.1, they shall take all reasonable steps to ensure that any departure from **Australian Accounting Standards**, the reasons for such departure, and its financial effects are properly disclosed and explained in the **General Purpose Financial Statements**.
- 5.3 If legislation, ministerial directive or other government authority requires a departure from **Australian Accounting Standards**, a **Member** should disclose that fact in the **General Purpose Financial Statements** as a reason for the departure.
- 5.4 Where a **Member** is unable to ensure proper disclosure of a departure from **Australian Accounting Standards** pursuant to paragraph 5.2, the **Member** should discuss the matter with the appropriate level of management of the relevant entity and document the results of these discussions.
- 5.5 **Members in Public Practice** shall take all reasonable steps to ensure that **Clients** have complied with **Australian Accounting Standards** when they perform an **Audit or Review Engagement** or a compilation **Engagement** of **General Purpose Financial Statements** which purport to comply with the **Australian Financial Reporting Framework**.
- 5.6 Where a **Member in Public Practice** is unable to ensure that a **Client** complies with **Australian Accounting Standards** pursuant to paragraph 5.5, the **Member** shall consider **Auditing and Assurance Standards** applicable to **Audit or Review Engagements** or **Professional Standards** applicable to compilation **Engagements**.

## 6. Responsibilities of Members in respect of Special Purpose Financial Statements

- 6.1 **Members** who are involved in, or are responsible for, the preparation, presentation, audit, review or compilation of an entity's **Special Purpose Financial Statements** (except where the **Special Purpose Financial Statements** will be used solely for internal purposes) shall take all reasonable steps to ensure that the **Special Purpose Financial Statements**, and any associated audit report, review report or compilation report clearly identifies:
- (a) that the **Financial Statements** are **Special Purpose Financial Statements**;
  - (b) the purpose for which the **Special Purpose Financial Statements** have been prepared; and
  - (c) the ~~material significant~~<sup>SC3, SC6, SC8, SC10, SC21</sup> accounting policies adopted in the preparation and presentation of the **Special Purpose Financial Statements**.
- 6.2 ~~Members who are involved in, or are responsible for, the preparation, presentation, audit, review or compilation of Paragraph 6.1 does not apply to Special Purpose Financial Statements prepared by the following entities for an entity that has that include a~~

~~legislative, or a non-legislative requirement to apply Australian Accounting Standards<sup>4</sup> that require additional disclosures to those in paragraph 6.1, required by Australian Accounting Standards shall take all reasonable steps to ensure that the entity applies complies with the applicable Australian Accounting Standards.~~<sup>SC1, SC2, SC12, SC13, SC15, SC19.</sup>

~~(a) — a for-profit private sector entity that is required only by its constituting document or another document (created before 1 July 2021 and not amended on or after that date) to prepare financial statements that comply with Australian Accounting Standards;~~

~~(b) — a not-for-profit private sector entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act 2001; or~~

~~(c) — an entity that is required to prepare financial reports in accordance with the the Australian Charities and Not-for-profits Commission Act 2012 and Australian Charities and Not-for-profits Commission Regulation 2013.~~

**6.3 Where a Member in Public Practice is unable to ensure that a Client complies with an Applicable Financial Reporting Framework pursuant to paragraph 6.1, the Member shall consider Auditing and Assurance Standards applicable to Audit or Review Engagements or Professional Standards applicable to compilation Engagements.**

6.4 For all other Members, where the Member is unable to ensure that an entity complies with an Applicable Financial Reporting Framework pursuant to paragraph 6.1, the Member should discuss the matter with the appropriate level of management of the relevant entity and document the results of these discussions.

### **Conformity with International Pronouncements**

The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES 205.

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<sup>4</sup> Such as, AASB 101 Presentation of Financial Statements, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 1054 Additional Australian Disclosures and AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

### Appendix 1 – Summary of revisions to the previous APES 205 (Issued in December 2019)

APES 205 *Conformity with Accounting Standards* was originally issued in December 2007 and revised in October 2015 and December 2019 (extant APES 205). APES 205 has been revised by APESB in XX 2022. A summary of the revisions is given in the table below.

#### Table of revisions\*

Paragraph affected	How affected
1.2	Amended
2 – Definition of Assurance Engagement	Amended
2 – Definition of Financial Statements	Amended
2 – Definition of Reporting Entity	Amended
2 – Definition of Special Purpose Financial Statements	Amended
2 – Definition of Statement of Accounting Concepts 1	Amended
4.1	Amended
6.1	Amended
6.2	Added
6.3 to 6.4 – Paragraphs 6.2 to 6.3 of extant APES 205	Relocated

\* Refer *Technical Update 2022* X