

AGENDA PAPER

Item Number: 6
Date of Meeting: 27 August 2013
Subject: Proposed ED 03/13 Revised APES 315 *Compilation of Financial Information*

Action Required **For Discussion** **For Information Only**

Purpose

To update the Board on the progress with the APES 315 project and to obtain the Board's direction on the Key Issues identified to date.

Background

Accounting Professional and Ethical Standards Board (APESB) issued APES 315 *Compilation of Financial Information* (the Standard) in July 2008, and the revised Standard in November 2009 with an effective date of 1 January 2010.

IAASB issued revised international standard on related services ISRS 4410 (Revised) *Compilation Engagements* in March 2012. The Board agreed to revise APES 315 due to the issue of the revised ISRS 4410 in May 2012. The project was delayed due to completion of other APESB projects which had a higher priority. The project recommenced in April 2013 and the Taskforce has met twice to discuss the proposed revised exposure draft.

The attached proposed ED 03/13 Revised APES 315 uses the APES 315 (2009) standard as the base and then incorporates selected requirements and guidance from ISRS 4410 *Compilation Engagements* (2012). A comparison table is provided with the mapping of requirements between ISRS 4410, ED03/13 APES 315 and APES 315 (2009).

Consideration of Issues

Key Issues raised at the Taskforce meeting on 13 August 2013

- Whether the Board is comfortable with the drafting style of the new additions to the proposed APES 315 which are based on ISRS 4410 (2012);
- The Standard should be made more scalable for SMPs and for use on Clients of varying complexities, e.g. sole traders, complex private companies, or those filing Compilation Reports under ASIC Class Order CO 98/1417 *Audit relief for proprietary companies*;

- Some of the requirements and guidance related to the Applicable Financial Reporting Framework apply solely to the compilation of financial reports. Therefore it may be more appropriate to group all relevant requirements under a separate section titled *Applicable Financial Reporting Framework* to minimise the risk of misunderstanding by the Member, the Client or in legal proceedings (for example, refer ED03/13 paragraphs 8.2 & 9.5);
- Requirement to plan the Compilation Engagement requires some guidance as to what constitutes appropriate planning, especially in the context of small or non-complex Clients and recurring engagements;
- The International Auditing and Assurance Standards Board (IAASB) has drafted ISRS 4410 in a manner to elevate the work performed in a Compilation Engagement. The IAASB's key objective is to develop Compilation Engagements as an alternative service offering for Clients rather than a Member performing an assurance or review engagement. Further in the SME sector performance of a Compilation Engagement is likely to be more cost effective as well as meeting the requirements of the user of that information. This is the primary reason for the additional procedures in the revised ISRS 4410 compared to the predecessor version of ISRS 4410;
- The activities listed in paragraph 4.4 of ED 03/13 which fall outside of the scope of APES 315 should be moved from the current *Objectives of a Compilation Engagement* section to either *Scope and Application* or *Definitions* under the term 'Compilation Engagement';
- The requirement for a Member in Public Practice to understand a Client's business should not be made mandatory as per ISRS 4410 but rather should remain as guidance as per APES 315 (2009);
- References to AASB 1053 are unnecessary as APES 205 *Conformity with Accounting Standards* adequately covers this subject matter; and
- The taskforce discussed paragraph 9.5 and the level of a Member's understanding of the concept of going concern. The taskforce raised concerns on the degree of understanding and the work Members need to perform to determine and document the Client's ability to continue as a going concern. It was agreed that this matter is relevant only when the engagement is to compile a financial report and therefore should be relocated under a separate heading 'Applicable Financial Reporting Framework'. Further guidance may be required in circumstances where a Member identifies a going concern issue.

Staff Recommendation

The Board note the Key Issues noted above and provide the Board's direction and editorial comments on the current draft of ED 03/13 APES 315 *Compilation of Financial Information*.

Material Presented

- Proposed Revised ED03/13 APES 315 *Compilation of Financial Engagements* (marked up);
- ISRS 4410 *Compilation Engagements* (referenced to ED 03/13);
- Comparison Table: ISRS 4410, APES 315 ED 03/13 and APES 315 (2009); and
- Draft Taskforce meeting minutes of 13 August 2013.

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Date: 14 August 2013