



## ISSUES REGISTER FOR APESB PROFESSIONAL PRONOUNCEMENTS

Current as at January 2009

### **Note to Stakeholders**

The following is a summary of issues raised by stakeholders in relation to professional and ethical standards. Issues have been compiled by standard or guidance note, with the intended response and current status. Members of the professional accounting bodies, firms, professional bodies and other stakeholders are encouraged to report to APESB via the APESB website ([www.apesb.org.au](http://www.apesb.org.au) then **Standards & Guidance/Issues Register**) any new issues that needs to be addressed by APESB when a pronouncement is next updated or reviewed.

**APES 110 : Code of Ethics for Professional Accountants  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
110.1	Currently there is no footnoting of the Code to identify the corresponding reference/section in the <i>Corporations Act 2001</i> .	Stakeholders raised this issued in 2006 at the time the Code was issued. APESB intends to monitor the issues raised in this context to evaluate whether there is a need to cross reference the Code with the <i>Corporations Act 2001</i> .	APESB is monitoring concerns in this regard on an ongoing basis.
110.2	As part of its revision of Sections 290/291 of the Code, IESBA have removed the definition of the term "Financial Statement Audit Client" and has included a definition of "Audit Client". It appears that there is no longer a need to distinguish between the different forms of an audit client.	Update the Code's terminology to achieve international consistency.	APESB will continue to monitor this issue with the intent to resolve it following finalisation of Sections 290 and 291 at the international level, which is expected in April 2008.
110.3	The Board had resolved to use the terminology "financial statement" rather than "financial report" in the Code. The IFAC Code defines "Financial statement" whereas the term "financial report" is used by Australian auditing standards.	APESB continues to monitor this issue and will consider updating the definition in line with the new International Code due to be issued in March/April 2009.	Awaiting the final version of the IFAC Code.
110.4	The definition of assurance engagement in the Code refers to AUS108 which has been replaced by the Framework for Assurance Engagements by the AUASB.	The revised definition of assurance engagement should be amended in line with APES 210 to incorporate the following: "This would include an Engagement in accordance with Framework for Assurance Engagements issued by the Auditing and Assurance Standards Board (AUASB) or in accordance with the specific relevant standards for Assurance Engagements, such as International Standards on Auditing for Assurance Engagements."	Item noted for change in the next revision of the Code.

No.	Issue	Proposed response	Current Status
110.5	The definition of audit engagement in the Code refers to a high level of assurance whilst the AUASB standards refer to a reasonable level of assurance. The provision of a “high level” of assurance reflects outdated terminology as the current auditing standards describing audit engagements as providing a reasonable level of assurance.	The definition of audit engagement to be amended.	Item noted for change in the next revision of the Code.
110.6	Current text of paragraph 200.3 of the Code is a little confusing and reads as follows: “The nature and significance of the threats may differ depending on whether they arise in relation to the provision of services to a Financial Statement Audit Client, a non-financial statement audit Assurance Client or a non-Assurance Client.”	Enhance clarity of paragraph 200.3 with the following amendment: “The nature and significance of the threats may differ depending on whether they arise in relation to the provision of services to a Financial Statement Audit Client, an Assurance Client that is not a non-Financial Statement Audit Client, or a non-Assurance Client.”	Item noted for change in the next revision of the Code.

**APES 205 : Conformity with Accounting Standards (Formerly APS 1)  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
205.1	An exposure draft has been issued by the AASB which proposes changes to the differential reporting regime in Australia. If the proposals are accepted, the Reporting Entity concept will no longer operate in Australia.	If the AASB disposes of the Reporting Entity Concept then APESB will have to amend APES 205 which makes references to the Reporting Entity.	APESB will continue to monitor the developments of the AASB in relation to the proposed changes to the differential reporting regime.

**APES 210 : Conformity with Auditing and Assurance Standards  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
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**No current issues**

**APES 215 : Forensic Accounting  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
215.1	The definition of "Court" to include "tribunals" after the word "administration and change the term "investigation" to "investigations"	The definition of "Court" to be reviewed.	To be reviewed and considered at the six monthly review of APES 215.
215.2	Paragraph 3.15 and paragraph 5.6(k) state that if a member acting as an expert witness expresses an opinion that is based on the work of another expert, the member can assume that the other experts opinion is valid. Given that the other experts report may also be an opinion it is suggested that the wording be amended to clarify this issue.	Replace the term "valid" in paragraph 3.15 and the term "veracity" in paragraph 5.6(k) with the term "reasonable".	To be reviewed and considered at the six monthly review of APES 215.
215.3	The requirement for disclosure of confidential information under paragraph 3.18 to be expanded to include Members in Business.	APESB will monitor this issue and will consider updating the definition in line with the new International Code due to be issued in March 2009.	To be reviewed and considered at the six monthly review of APES 215.

**APES 220 : Taxation Services (Formerly APS 6)  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
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**No current issues**

**APES 225 : Valuation Services  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
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**No current issues**

**APES 230 : Outsourcing of Accounting Services  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
230.1	CPA Australia lobbied APESB to develop a pronouncement in this area due to the increasing involvement of members in outsourcing activities.	Develop a pronouncement to address member obligations when certain aspects of the finance function are outsourced.	The Board approved the project proposal at the August 2007 Board meeting. A task force is currently developing a proposed pronouncement.

**APES 305 : Terms of Engagement (Formerly APS 2)**  
**Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
305.1	In paragraph 4.5, 6.1 and 6.2 the use of the terminology "Professional Services Legislation" is incorrect and should refer to "Professional Standards Legislation".	Update terminology with "Professional Standards Legislation"	Item noted for change in the next revision of APES 305.

**APES 310 : Client Monies  
Issues Register**

No.	Issue	Proposed response	Current Status
310.1	The current statement on trust accounts, APS 10, refers to the requirement to deal with money within two working days, the "prescribed period". This is considered to be impracticable by some members.	This issue was noted in the project proposal as a matter to be considered by the Board.	A project proposal was presented to the May 2007 Board meeting. Following this, an exposure draft was prepared and presented in August 2007. The Board's preliminary view was that the pronouncement contained mainly procedural matters and did not contain principles similar to other APESB pronouncements. As a result, the matter was referred to the professional bodies for consideration whether this area should be addressed by a professional standard or alternatively incorporated within the professional bodies' regulations. The professional bodies have noted in their response that it is in the public interest for members to have a professional standard dealing with Trust Accounts. Consequently, APESB Technical Staff have prepared a revised draft of this ED for the February 2009 Board Meeting.
310.2	Trust accounts currently require at least two people in respect of delegation of member authority. For small practices, this may not be practical.	This issue was noted in the project proposal as a matter to be considered by the Board.	A project proposal was presented to the May 2007 Board meeting. Following this, an exposure draft was prepared and presented in August 2007. The Board's preliminary view was that the pronouncement contained mainly procedural matters and did not contain principles similar to other APESB pronouncements. As a result, the matter was referred to the professional bodies for consideration whether this area should be addressed by a professional standard or alternatively incorporated within the professional bodies' regulations. The professional bodies have noted in their response that it is in the public interest for members to have a professional standard dealing with Trust Accounts. Consequently, APESB Technical Staff have prepared a revised draft of this ED for the February 2009 Board Meeting.

**APES 315 : Compilation of Financial Information  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
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**No current issues**

**APES 320 : Quality Control of Firms  
Issues Register**

No.	Issue	Proposed response	Current Status
320.1	Paragraph 56 of the standard is boxed. This highlights the fact that it applies to assurance practices only, with the second part of the paragraph intended to provide guidance. The differences in formatting make the paragraph confusing.	Include additional text in the unboxed part of the paragraph to improve clarity of the requirements that apply to assurance and other practices.	ED 01/09 includes amended paragraph 56.
320.2	Paragraph 73(e) of the international standard states that information is confidential unless there is a professional or legal duty to disclose. Under Australian law, there is only a legal duty to disclose.	Consider the need to ensure consistency of the standard with Australian Law. Remove reference to professional duty to disclose.	The reference to "professional duty" has been deleted in ED 01/09.
320.3	The IAASB proposes to update ISQC 1 and ISA 220 Quality Control for Firms that perform audits, reviews of financial statements and other assurance and related service engagements. In doing so, they will be redrafted to indicate requirements as mandatory by use of the word "shall".	APESB continues to monitor this issue and will consider updating the definition in line with the new International Code due to be issued in March 2009.	ED 01/09 includes the amendments to ISQC 1.
320.4	AUASB replaced AUS 108 in July 2007, resulting in a change to the definition of assurance engagement. The definition currently included in APES 320 is no longer consistent with the revised AUS 108.	Amend the definition of assurance engagement to include the following "This would include an engagement in accordance with <i>Framework for Assurance Engagements</i> issued by the Auditing and Assurance Standards Board (AUASB) or in accordance with the specific relevant standards for Assurance Engagements".	The definition was updated in line with APES 210 and is included in ED 01/09.

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
320.5	The definition of "firm" is not consistent with the Code (APES 110). APES 110 includes an auditor general's office or department in the definition. Further, APES 320 includes an additional introductory sentence documenting that a firm is an entity where one or more members holds or are required to hold a Certificate of Public Practice in accordance with the regulations of The Institute of Chartered Accountants in Australia or CPA Australia.	Revise the definition to ensure consistency with APES 110 and other professional standards.	ED 01/09 includes the updated definition of "firm" and Professional Standards"
320.6	The definition of "Network Firm" is not consistent with the Code (APES 110). In addition the definition does not specify what should be considered as a network.	Revise the definition to ensure consistency with APES 110 and other professional standards.	ED 01/09 includes the amended definition.

APES 325 : Risk Management  
Issues Register

No.	Issue	Proposed response	Current Status
325.1	The professional bodies have lobbied the APESB to develop a professional standard on Risk Management.	A project proposal for Risk Management was approved at the August 2008 Board Meeting.	A taskforce will be established in 2009 to develop a proposed pronouncement.

**APES 330 : Insolvency Services  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
330.1	No significant issues identified to date. The current standard is well used by insolvency practitioners. The Insolvency Practitioners Association of Australia (IPAA) has recently issued a Code of Conduct. A significant proportion of IPAA members are also members of the professional accounting bodies.	APESB established a taskforce in Feb 2008 to develop a proposed pronouncement to replace APS 7.	The APESB Insolvency Services taskforce developed the APES 330 ED for the consideration of the Board. The Board approved the issue of the Exposure Draft on Insolvency Services in December 2008.

**APES 335 : Financial Advisory Services  
Issues Register**

No.	Issue	Proposed response	Current Status
335.1	<p>APS 12 Statement of Financial Advisory Services was issued in 2005. Given the sensitivity of this issue from a media perspective and in the financial planning industry in general, it is recommended that the statement be reviewed. Key issues to consider are as follows:</p> <ol style="list-style-type: none"> <li>1) Understanding the Fee for Service model - fee for service is not a widely used practice in the industry, therefore there is a need to understand the practicalities in complying with this area.</li> <li>2) Limitation of the scope ie. exclusion finance and mortgage broking.</li> <li>3) Duplication of standards - Financial Planners have a number of standards with which they must comply - legal, compliance and standards set by other associations.</li> <li>4) License holder business models - business models of license holders may prevent members complying with APS 12</li> <li>5) Quality Assurance practicality issues - ownership of client files may prevent members' files being reviewed.</li> <li>6) Alternative remuneration - further work required on understanding whether volume overrides need to be treated in a different way.</li> <li>7) Obtain views of other stakeholders in relation to important considerations of the standard.</li> <li>8) Repetition of APES 110 content and consistency with APS 12.</li> <li>9) Possible need for a materiality test when sending annual reports to clients.</li> </ol>	<p>Issues identified to be addressed by the APESB Financial Planning taskforce when developing the exposure draft.</p>	<p>APESB issued a consultation paper seeking member comments on APS 12 in October 2008. APESB received responses from the professional accounting bodies, firms and members. The APESB Financial Advisory Services taskforce will consider these comments and develop a proposed pronouncement to replace APS 12 in 2009/10.</p>

**APES 340 : Contingent Fee Arrangements for Assurance Clients  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
340.1	The Regulatory Discussion Group Independence Taskforce (RDGIT) of The Institute of Chartered Accountants in Australia lobbied the APESB to develop a pronouncement addressing contingent fee arrangements and submitted a proposed pronouncement.	Board reviewed the RDGIT submission and developed an exposure draft for public comment.	The exposure draft was developed and issued for comment. APESB received a number of comment letters from the professional bodies as well as firms. At the international level, the IESBA is considering changes to the Code in respect of Contingent Fees. APESB considered responses to the exposure draft at the August 2007 Board meeting. However it was agreed that the issue would be deferred pending finalisation of the IFAC Code which is expected to occur in March/April 2009.

**APES 345 : Prospectuses and Reports on Profit Forecasts (previously F2)  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
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**No current issues**

**APES 350 : Due Diligence Committees  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
350.1	The Financial Reporting Council (FRC) and the professional bodies have lobbied the APESB to develop a professional standard for Members in Public Practice who participate in Due Diligence Committees.	Establish a taskforce to develop a proposed pronouncement.	A taskforce was established in October 2008 to develop a professional standard on Due Diligence Committees. It is expected that the taskforce will complete an exposure draft for the Board consideration by May 2009.

**GN 30 : Operation of Trust Accounts  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
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**No current issues**

**GN 40 : Members in Business Guidance Statement  
Issues Register**

<b>No.</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
GN40.1	This guidance note was issued in August 2002 for the assistance of members in business. Members are governed in the conduct of their professional relationships by the Code. Part C of the Code deals with Members in Business. The Code (APES 110) was issued June 2006, therefore the guidance note needs to be updated to reflect what is in APES 110.	Prepare a project proposal for the Board's consideration to update the guidance note and establish a taskforce.	A taskforce was established in 2008 to develop a proposed pronouncement to replace GN1.
GN40.2	PAIB Committee of IFAC released the first International Good Practice Guidance "Defining and Developing an Effective Code of Conduct for Organisations." This guidance will assist professional accountants and their organisations in developing and implementing a code of conduct within a values-based culture.	Review GN1- Members in Business Guidance Statement in light of the IFAC release.	A taskforce was established in 2008 to develop a proposed pronouncement to replace GN1.