



ISSUES REGISTER FOR APESB PROFESSIONAL PRONOUNCEMENTS

Current as at January 2010

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 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**

No.	Issue	Proposed response	Current Status
110.1	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.	The revised International Code was issued in July 2009. This issue will be considered as part of the current APES 110 Code of Ethics project.
110.2	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.	The term "Financial Report" has been defined in the AUASB Glossary and the definition is generally consistent with the definition of "Financial Statement" in the new Code. This issue will be considered as part of the current APES 110 Code of Ethics project.
110.3	The definition of assurance engagement in the Code refers to AUS108 which has been replaced by the Framework for Assurance Engagements.	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."	APESB has commenced a project to update the Code. The definition of assurance engagement will be reviewed and amended as part of this process.

No.	Issue	Proposed response	Current Status
110.4	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.	APESB has commenced a project to update the Code. The definition of an audit engagement will be reviewed and amended as part of this process.
110.5	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 consideration as part of the APESB project to update the Code.

**APES 205 : Conformity with Accounting Standards
Issues Register**

No.	Issue	Proposed response	Current Status
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**

No.	Issue	Proposed response	Current Status
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No current issues

**APES 215 : Forensic Accounting
Issues Register**

No.	Issue	Proposed response	Current Status
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	Members acting as expert witnesses may express an opinion that is based on the work of another expert which is also an opinion. A stakeholder has commented that the wording contained within paragraphs 3.15 and 5.6(k) of APES 215 (i.e. valid or veracity) implies a higher standard than is realistic.	APESB will consider this during the 6 monthly review process.	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 this during the 6 months review process.	To be reviewed and considered at the six monthly review of APES 215.
215.4	Stakeholders have reported that the defined term Professional Standards has not been capitalised in paragraph 1.7 and in the definition of Expert Witness.	APESB will consider this during the 6 monthly review process.	To be reviewed and considered at the six monthly review of APES 215.
215.5	Stakeholders have reported that the defined term "Independence" requires a few minor editorials in part (b) of the definition. Namely capitalisation of Member and in the last sentence change "had" to "has".	APESB will consider this during the 6 monthly review process.	To be reviewed and considered at the six monthly review of APES 215.

**APES 220 : Taxation Services
Issues Register**

No.	Issue	Proposed response	Current Status
220	The Tax Agent Services Act 2009 (the Act) includes a Code of Conduct that will govern the members of the three professional accounting bodies who are registered tax agents or BAS agents. The Act uses the term "reasonable care" which is currently undefined. This raises the question of whether the Act creates additional obligations that have not been addressed in professional standards.	If the National Tax Practitioners Board (NTPB) defines the term "reasonable care" then APESB will need to consider the consistency of the definition with current professional obligations created by APES 220.	APESB will continue to monitor the NTPB work program in relation to the definition of reasonable care.

APES 225 : Valuation Services
Issues Register

No.	Issue	Proposed response	Current Status
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No current issues

**APES 230 : Financial Advisory Services
Issues Register**

No.	Issue	Proposed response	Current Status
230.1	<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"> 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. 2) Limitation of the scope i.e.. exclusion finance and mortgage broking. 3) Duplication of standards - Financial Planners have a number of standards with which they must comply - legal, compliance and standards set by other associations. 4) License holder business models - business models of license holders may prevent members complying with APS 12 5) Quality Assurance practicality issues - ownership of client files may prevent members' files being reviewed. 6) Alternative remuneration - further work required on understanding whether volume overrides need to be treated in a different way. 7) Obtain views of other stakeholders in relation to important considerations of the standard. 8) Repetition of APES 110 content and consistency with APS 12. 9) Possible need for a materiality test when sending annual reports to clients. 	<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 is considering the comments raised as they develop a proposed pronouncement to replace APS 12. In 2009 APESB also submitted a response to the Parliamentary Joint Committee's (PJC) inquiry in to Financial Services. The taskforce is currently working on the project.</p>

APES 305 : Terms of Engagement
Issues Register

No.	Issue	Proposed response	Current Status
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No current issues

**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 been working on this project and has prepared a revised draft of this ED for the February 2010 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 been working on this project and has prepared a revised draft of this ED for the February 2010 Board Meeting.

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

No.	Issue	Proposed response	Current Status
315.1	A stakeholder has raised concern that the term "accounting expertise" in paragraph 4.1 of APES 315 and the example compilation report implies a sophisticated collection process of information and implies that it may be an experts report when it is not. Another related concern raised is that the wording of the suggested compilation report in APES 315 refers to the "use of accounting expertise" and that this phrase is in potential conflict with paragraph 8.2 of APES 315. The overall concern is that in a dispute the use of "accounting expertise" may be construed by others to mean that it is an expert's report.	APESB Technical Staff to consider the issue and develop options to be considered for the annual review of APES 315.	To be reviewed and considered at the annual review of APES 315.

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

No.	Issue	Proposed response	Current Status
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No current issues

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.	Develop a pronouncement to address key issues associated with Risk Management.	The Board approved a project proposal at the August 2008 Board Meeting. A task force is currently developing a proposed pronouncement.

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

No.	Issue	Proposed response	Current Status
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. APESB considered responses to the exposure draft at the August 2007 Board meeting. However, it was agreed that the issue would be deferred until the Code is revised.

**APES 345 : Reporting on Prospective Financial Information Prepared in Connection with a Disclosure Document
Issues Register**

No.	Issue	Proposed response	Current Status
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No current issues

**APES 350 : Participation by Members in Public Practice in Due Diligence Committees in Connection with a Public Document
Issues Register**

No.	Issue	Proposed response	Current Status
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No current issues

**APES GN 20 : Outsourcing of Accounting Services
Issues Register**

No.	Issue	Proposed response	Current Status
GN20.1	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. Subsequently in 2008 the Board commissioned a discussion paper on Outsourcing of Accounting Services. The discussion paper was considered at the August 2008 Board meeting. Thereafter a taskforce was created to develop the proposed pronouncement based on the issues identified in the discussion paper. Due to other priority projects undertaken in 2009 the progress on this project was delayed. Work on the project recommenced in late 2009.

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

No.	Issue	Proposed response	Current Status
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No current issues

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

No.	Issue	Proposed response	Current Status
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.