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### **APESB issues revised APES 205 *Conformity with Accounting Standards***

Accounting Professional & Ethical Standards Board Limited (APESB) today announced the issue of the revised APES 205 *Conformity with Accounting Standards* (Revised APES 205) to replace the existing APES 205 (Issued December 2007).

Please refer to Appendix 1 of this technical update for details of the revisions. The revised APES 205 will be effective from 1 January 2016 with early adoption permitted.

The revised standard is available from APESB's website: [www.apesb.org.au](http://www.apesb.org.au)

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## Appendix 1

### Revisions to existing APES 205 (December 2007)

Accounting Professional & Ethical Standards Board Limited (APESB) has approved the following revisions to APES 205 *Conformity with Accounting Standards* which was originally issued in December 2007.

Paragraph Reference	Revisions
1.1	<p>The objectives of APES 205 <i>Conformity with Accounting Standards</i> are to specify a Member's professional and ethical obligations in respect of:</p> <ul style="list-style-type: none"> <li>• <u>fundamental responsibilities when the Member prepares, presents, audits, reviews or compiles Financial Statements;</u></li> <li>• <u>the requirement to take reasonable steps to ensure a Reporting Entity prepares General Purpose Financial Statements; and</u></li> <li>• <u>the disclosures in an entity's Special Purpose Financial Statements.</u></li> </ul>
1.4 2	<p>Accounting Professional &amp; Ethical Standards Board Limited (APESB) <del>issues</del> <u>has revised</u> professional standard APES 205 <i>Conformity with Accounting Standards</i> (<b>the Standard</b>), which is effective from <del>01 July 2008</del> <u>1 January 2016</u> and <u>supersedes APES 205</u> issued in December 2007. <u>Earlier adoption of this Standard is permitted.</u></p>
1.2 <del>3</del>	<p>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 <b>bold-type</b> <del>type</del>, preceded or followed by discussion or explanations in <del>grey</del> <u>normal</u> type. APES 205 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.</p>
1.5 <del>6</del>	<p><b>Members shall be familiar with relevant <del>p</del>Professional <del>s</del>Standards and guidance notes when performing <del>p</del>Professional <del>w</del>ork Activities. All Members shall comply with the fundamental principles outlined in the Code.</b></p>
1.6 <del>7</del>	<p>The Standard does not detract from any responsibilities which may be imposed by law <u>or regulation</u>.</p>
1.7 <del>8</del>	<p>All references to <del>accounting, auditing and</del> <del>p</del>Professional <del>s</del>Standards, <u>guidance notes and legislation</u> are references to those provisions as amended from time to time.</p>
1.8 <del>9</del>	<p>In applying the requirements outlined in APES 205, Members should be guided not merely by the words but also by the spirit of <del>the</del> <u>this</u> Standard and the Code.</p>
1.10	<p><u>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.</u></p>

**Applicable Financial Reporting Framework** means the financial reporting framework adopted by management and, where appropriate, those charged with governance in preparing the preparation of the financial statements 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 conclusion is expressed by 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 (that is, the outcome of the evaluation or measurement or evaluation of an underlying subject matter against criteria).

This would include an Engagement in accordance with the *Framework for Assurance Engagements* issued by the Auditing and Assurance Standards Board (AUASB) or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.

**AuASB** means the Auditing and Assurance Standards Board which issued Australian auditing and assurance standards up to 30 June 2004, under the auspices of the Australian Accounting Research Foundation, a joint venture of CPA Australia and the Institute of Chartered Accountants in Australia.

**Audit Engagement** means an a reasonable Assurance Engagement to provide a reasonable level of assurance that in which a financial report is free of Member in Public Practice expresses an opinion whether Financial Statements are prepared, in all material misstatement 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 Australian Auditing and Assurance Standards. This includes a statutory audit, which is an audit required by legislation or other regulation, and other audits conducted for the purposes of the such as the *Corporations Act 2001*.

**Auditing and Assurance Standards** means:

- (a) 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; and
- (b) those standards issued by the AuASB which have not been revised and reissued (whether as standards or as guidance) by the AUASB, to the extent that they are not inconsistent with the AUASB standards.

**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 Services Activities are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature.

**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) used 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, which ordinarily includes explanatory 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 significant accounting policies and other explanatory information. The term can refer 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.

~~**Framework** means the Framework for the preparation and presentation of financial statements issued by the AASB.~~

**General Purpose Financial Statements** means a financial report prepared in accordance with a General Purpose Framework those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.

**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 Public Practice** means a Member, irrespective of functional classification (e.g., audit, tax, or consulting) in a Firm that provides Professional Services. ~~The~~ 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, taxation, management consulting, and financial management.

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

**Professional Services** means ~~services requiring accountancy or related skills~~ Professional Activities performed for Clients by a professional accountant including accounting, auditing, taxation, management consulting and financial management services.

**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 Report 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 entity and all the entities of its subsidiaries ~~controls~~.

**Review Engagement** means an Assurance Engagement in which a Member in Public Practice ~~to~~ 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 attention of the Member in ~~Public Practice~~ 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, ~~which is~~ such as an Engagement conducted in accordance with applicable Auditing and Assurance Standards on Review Engagements.

**Special Purpose Financial Statements** means a complete set of Financial Statements, ~~other than General Purpose 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 significant 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.

	<b><u>Those Charged with Governance</u></b> 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 may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.
3.1	In accordance with Section 100-4 <b><u>Introduction and Fundamental Principles</u></b> of the Code, Members shall observe and comply with their public interest obligations when they prepare, present, audit, review or compile Financial Statements.
3.2	In accordance with Section 130 <b><u>Professional Competence and Due Care</u></b> of the Code, a Member in Public Practice who is performing a <del>p</del> Professional work <b><u>Service</u></b> 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.
4.1	Members should take all reasonable steps to apply the principles and guidance provided in the Statements of Accounting Concepts and the <b><u>Framework for the preparation and presentation of Financial Statements</u></b> issued by the <b><u>AASB</u></b> when assessing whether an entity is a Reporting Entity.
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 Australian a <b><u>Auditing and Assurance</u></b> s <b><u>Standards</u></b> applicable to Audit or Review Engagements or Professional Standards applicable to compilation Engagements.
6.2	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 Australian a <b><u>Auditing and Assurance</u></b> s <b><u>Standards</u></b> applicable to Audit or Review Engagements or Professional Standards applicable to compilation Engagements.
<b>Appendix 1</b>	Summary of revisions to the previous APES 205 (Issued December 2007) – Added