



## ***Annual Review of APES 205 Conformity with Accounting Standards***

Prepared by:  
Rozelle Azad  
Margareth Lioe

29 April 2014

## Background to Standard

Accounting Professional & Ethical Standards Board (APESB) issued APES 205 *Conformity with Accounting Standards* (APES 205 or the Standard) in December 2007 with an effective date of 01 July 2008. APES 205 replaced APS 1 *Conformity with Accounting Standards and UIG Consensus Views*.

## Reason for this report

In accordance with APESB's constitution, a review should be performed on an annual basis after a new standard is effective in order to identify any issues reported by stakeholders. This report presents a review of the issues either reported to APESB or identified by an internal technical review and the proposed recommendations to address those identified issues.

## Review of Issues

### 1. Defined terms

#### Issue

The Technical Staff review identified that the Definitions section of APES 205 needs to be revised.

#### Analysis of Issue

The Definitions section in APES 205 requires revision due to amendments made to the IESBA's Code and subsequent changes made by APESB to APES 110 *Code of Ethics for Professional Accountants*.

#### Definitions to be revised

**Applicable Financial Reporting Framework** means the financial reporting framework adopted by ~~those~~ Charged with Governance in preparing the Financial Statements.

**Assurance Engagement** means an Engagement in which a ~~conclusion is expressed by a Member in Public Practice~~ expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.

This ~~would include~~ includes 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.

**Audit Engagement** means ~~an 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), to provide a reasonable level of assurance that a financial report is free of material misstatement, such as an Engagement in accordance with an Applicable Financial Reporting Framework, such as an Engagement conducted in accordance with Australian a Auditing and Assurance sStandards.~~ 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), to provide a reasonable level of assurance that a financial report is free of material misstatement, such as an Engagement in accordance with an Applicable Financial Reporting Framework, such as an Engagement conducted in accordance with Australian a Auditing and Assurance sStandards. This includes a

statutory audit, which is an audit required by legislation or other regulation, and other audits conducted for the purposes of the Corporations Act.

**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.

**Financial Statements** means a structured representation of Historical Financial Information, including related notes, which ordinarily includes explanatory 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.

**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. 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 Bodies** means the Institute of Chartered Accountants in Australia, CPA Australia and the National Institute of Accountants-Institute of Public Accountants.

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

***Review Engagement*** means an Assurance Engagement in which a Member in Public Practice expresses to express a conclusion 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, such as which is an Engagement conducted in accordance with Auditing and Assurance Standards applicable assurance standards on Review Engagements.

***Special Purpose Financial Statements*** means ~~Financial s~~Statements other than General Purpose Financial Statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specified users.

#### Definitions to be added

***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.

***Historical Financial Information*** means information expressed in financial terms in relation to a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.

***Professional Activity*** means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.

***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 may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

Subsequent to the revision of the Definitions section, consequential editorial amendments may also be required to APES 205.

#### ***Impacted Stakeholders***

Members, Firms and Professional Bodies.

**Recommendation**

The defined terms in APES 205 should be revised in a manner consistent with the Code and other APESB standards. It is recommended that these changes and any other consequential amendments be processed at the next revision of APES 205.