



Annual Review of APES 315 *Compilation of Financial Information*

Prepared by APESB Technical Staff

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Background

Accounting Professional and Ethical Standards Board (APESB) originally issued APES 315 *Compilation of Financial Information* in July 2008 and revised the standard in November 2009 and February 2015.

The February 2015 revision became effective on 1 July 2015, and it incorporated amendments based on the International Auditing and Assurance Standards Board's (IAASB's) revised international standard on related services ISRS 4410 (Revised) *Compilation Engagements* (2012).

Reason for this report

In accordance with APESB's constitution, an annual review needs to be performed on standards to identify any issues reported by stakeholders.

The following procedures were performed as part of the annual review:

- Consultation with the Professional Bodies to identify whether Members or other stakeholders have raised any issues with the Professional Bodies in respect of APES 315;
- Reviewed the APESB Issues Register to identify whether stakeholders have reported any matters in relation to APES 315;
- Performed an internal technical review of APES 315 including considering the technological neutrality of the Standard; and
- Considered the results of the FY 2014/2015 Quality Reviews conducted by the Professional Bodies in respect of APES 315.

This report presents an analysis of the issues identified from these procedures and proposed recommendations to resolve these issues.

Issues identified

1. ASIC Corporations (Audit Relief Instrument) 2016/784

Issue

A reference within paragraph 1.11 of APES 315 requires updating. The paragraph includes a reference to ASIC Class Order CO 98/1417 *Audit relief for proprietary companies* which was superseded in September 2016 by ASIC Corporations (Audit Relief Instrument) 2016/784. The new Audit Relief Instrument 2016/784 applies to financial years that end on or after 1 January 2017.

Analysis of Issue

Paragraph 1.11 sets out guidance for Members in Business as to when they should apply the requirements of APES 315, to the extent practicable, in compiling financial information. In particular the standard should be applied if the Member in Business in preparing Compilation Reports in accordance with ASIC Class Order CO 98/1417 *Audit relief for Proprietary Companies*.

The reference to the ASIC instrument or Class Order should remain current to assist Members in Business in understanding when they should be applying the requirements of APES 315.

Impacted Stakeholders

Members in Business.

Recommendation

It is recommended that paragraph 1.11 of APES 315 be revised in the proposed revision to ensure it reflects the current regulation, with the superseded regulation noted as a footnote. The proposed amendments are as follows:

Paragraph 1.11

This Standard is directed towards Members in Public Practice. However, Members in Business should apply this Standard and its principles to the extent practicable when they compile information for their employers especially in respect of regulatory reporting requirements and Compilation Reports prepared under ~~ASIC Class Order CO 98/1417 Audit relief for proprietary companies~~ [ASIC Corporations \(Audit Relief Instrument\) 2016/784](#)¹ for proprietary companies.

Footnote

¹ [ASIC Corporations \(Audit Relief Instrument\) 2016/784](#) supersedes [ASIC Class Order CO 98/1417 Audit relief for proprietary companies](#).

2. Responsibility for disclosure of purpose of Special Purpose Financial Statements

Issue

A Stakeholder has noted that the example compilation report in Example 2 of Appendix 4 does not include a statement as to the purpose for which Special Purpose Financial Statements (SPFSs) are compiled but instead refers to a note in the compiled financial statements.

Analysis of Issue

APES 315 paragraph 10.10(i) requires the compilation report prepared by a Member to disclose the purpose for which SPFSs are compiled.

The responsibility for determining the purpose of SPFSs rests with management or those charged with governance of the client. A Member is not responsible for establishing the purpose for preparing or compiling the SPFSs. As such APESB Technical Staff believe it is appropriate that the Member highlights the purpose established by management of the client by referring to a note in the SPFSs.

Impacted Stakeholders

Members in Public Practice and Firms.

Recommendation

It is not recommended that any amendments are made to APES 315 for this matter.

3. Statement on the use of Special Purpose Financial Statements

Issue

A Stakeholder has noted that the example compilation reports in Example 2 and Example 3 of Appendix 4 do not include a statement that the SPFSs are only suitable for the purpose they have been prepared and may not be suitable for any other purpose.

Analysis of Issue

APES 315 paragraph 10.10(i) requires the Compilation Report prepared by a Member to state that SPFSs are prepared for a particular purpose and may not be suitable for any other purpose.

Technical Staff agree that including a statement in Example 2 and 3 about the suitability of use for other purposes will make it easier for Members to comply with the requirements of this Standard.

Technical Staff note that Examples 4, 5 and 6 in Appendix 4 also deal with compilation of SPFSs but already include the statement about suitability of use for other purposes.

Impacted Stakeholders

Members in Public Practice, Firms and Professional Bodies.

Recommendation

It is recommended that Example 2 and 3 of Appendix 4 be updated in the proposed revision to include this statement. The proposed amendment is as follows:

The special purpose financial statements were compiled exclusively for the benefit of [Those Charged with Governance] who are responsible for the reliability, accuracy and completeness of the information used to compile them. [Accordingly, these special purpose financial statements may not be suitable for other purposes.](#) We do not accept responsibility for the contents of the special purpose financial statements.

4. Format of Decision tree to determine when a Compilation Report should be issued

Issue

[This issue is carried forward from the prior year.]

A stakeholder has noted that the Appendix 2 *Decision tree to determine when a Compilation Report should be issued* (Appendix 2) could be further enhanced by including a specific reference that an 'Accountant's Report Disclaimer' is issued when a Member is compiling Financial Information for a Client's internal use.

Analysis of Issue

The decision tree in Appendix 2 currently states that a Compilation Report is not required and refers to paragraph 10.3 of APES 315 that recommends the issue of an Accountant's Report Disclaimer when the Member is compiling Financial Information for a Client's internal use. We agree with the

stakeholder's comment that the decision tree could be enhanced with a specific reference to the Accountant's Report Disclaimer.

Impacted Stakeholders

Members in Public Practice, Firms and Professional Bodies.

Recommendation

It is recommended that the minor editorials to the decision tree that makes specific reference to the Accountant's Report Disclaimer be addressed in the proposed revision of APES 315.

5. Professional Bodies' Quality Review findings

Issue

The results of the Professional Bodies' FY 2014/2015 Quality Review findings, as presented to APESB at prior Board meetings, identified instances where Members were not complying with APES 315.

The findings in relation to APES 315 primarily related to:

- insufficient or lack of documentation of Client's acknowledgement of their responsibilities; and
- the Compilation Report missing some required elements.

Analysis of Issue

Technical Staff are of the view that these issues have not arisen due to the content of the standard and can be addressed through Members' education.

Impacted Stakeholders

Members in Public Practice, Firms and Professional Bodies.

Recommendation

It is not recommended that any amendments are made to APES 315 for the Professional Bodies' Quality Review findings.

6. Technological neutrality

Issue

APES 315 was reviewed to ensure it is technology neutral. Technical Staff noted a number of instances where the term 'writing' (or 'written') was used.

Analysis of Issue

The inclusion of a definition that clarifies these terms include electronic formats will help with ensuring the technological neutrality of APES 315. The definition will be consistent with the definition in APES 220 Taxation Services as set out below:

Writing or Written means a mode of representing or reproducing words in a visible form, and includes words in an electronic format capable of being converted to printed text.

Impacted Stakeholders

Members in Business and Public Practice, Firms and Professional Bodies.

Recommendation

It is recommended that the definition of writing is added to APES 315 as part of the proposed revision to the standard.

7. Editorial matters

Issue

Inclusion of an interpretation paragraph

APESB revised a majority of its pronouncements in 2015 primarily to reflect amendments arising from the revised APES 110 *Code of Ethics for Professional Accountants* in November 2013. Consequently as a part of this revision process, APESB determined to include an interpretation paragraph in section 1 *Scope and application* of all pronouncements, that clarifies the use of similar words which should have equal application (i.e. singular includes plural, one gender includes another and words referring to persons includes corporations or organisations).

Definition of 'Professional Bodies'

Due to the merger of Institute of Chartered Accountants Australia (ICAA) with the New Zealand Institute of Chartered Accountants, the definition of 'Professional Bodies' needs to be updated as the existing definition in APES 315 refers to ICAA which has now been replaced with Chartered Accountants Australia and New Zealand.

Definition of Auditing and Assurance Standards

The definition of Auditing and Assurance Standards needs to be revised as the Auditing Standards (AUSs) issued by the former Auditing and Assurance Standards Board of the Australian Accounting Research Foundation (AuASB) have now been either re-issued or withdrawn. The AUSs have been completely replaced with pronouncements issued by the AUASB.

Laws and Regulations

Paragraph 3.1 of APES 315 requires Members to comply with Section 100 of the Code and relevant legislation. To be consistent with other APESB pronouncements, this paragraph could be updated to refer to "relevant laws and regulations" rather than "relevant legislation".

Impacted Stakeholders

Members in Business and in Public Practice, Firms and Professional Bodies.

Recommendation

It is recommended that these editorials be addressed in the proposed revision of APES 315.