

Proposed Standard: APES 205 Conformity with Accounting Standards

[Supersedes APES 205 Conformity with Accounting Standards issued in December 2019]

EXPOSURE DRAFT 03/22

ISSUED June 2022

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Commenting on this Exposure Draft

This Exposure Draft, Proposed Standard APES 205 *Conformity with Accounting Standards*, was developed and approved by the Accounting Professional & Ethical Standards Board Limited (APESB).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by 15 August 2022.**

Comments should be addressed to:

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APESB would prefer that respondents express a clear overall opinion on whether the proposed amendments, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed amendments.

APESB also invites comments regarding these proposed amendments from small and medium-sized firms.

Request for Specific Comments

APESB is seeking respondents' specific comments and feedback on the questions set out in the section below on the reasons for issuing this Exposure Draft.

Respondents are asked to submit their comments electronically through the APESB website, using the link <https://apesb.org.au/current-projects/>.

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website www.apesb.org.au.

APESB prefers that comments are submitted via its website. However, if there are practical difficulties, comments can also be sent to sub@apesb.org.au or mailed to the address noted above. Whilst APESB prefers formal submissions we also encourage opinions and comments to be sent via email to sub@apesb.org.au.

Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: www.apesb.org.au

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Reasons for issuing Exposure Draft 03/22

APESB proposes revising APES 205 *Conformity with Accounting Standards* (APES 205) for the reasons set out below. Extant APES 205 includes requirements for Members to take reasonable steps to ensure a Reporting Entity prepares General Purpose Financial Statements (GPFS) and the disclosures to include in Special Purpose Financial Statements (SPFS).

Recent changes made by the Australian Accounting Standards Board (AASB) mean:

- for annual reporting periods beginning on or after 1 July 2021, the removal of the Reporting Entity concept and the ability to prepare SPFS for¹:
 - for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards (AAS) or accounting standards; and
 - other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with AAS, provided that the relevant document was created or amended after 1 July 2021; and
- specific disclosures in SPFS (exceeding those required in APES 205) are required for:
 - for-profit private sector entities required only by their constituting document or another document (being a document created before 1 July 2021 and not amended on or after that date) to prepare financial statements that comply with AAS, for annual periods ending on or after 30 June 2022²; and
 - not-for-profit private sector entities (NFPs) lodging SPFS with the Australian Securities and Investments Commission (ASIC) or Australian Charities and Not-for-profits Commission (ACNC) for annual reporting periods ending on or after 30 June 2020.³

The AASB amendments in AASB 2020-2 Amendments to Australian Accounting Standards – *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* impact the AASB's Statement of Accounting Concepts 1 *Definition of the Reporting Entity* (SAC 1) and the *Framework for the Preparation and Presentation of Financial Statements* (the Framework). SAC 1 defines and explains the Reporting Entity concept and establishes the minimum quality of financial reporting for such entities. The Framework sets out the concepts that underlie the preparation and presentation of financial statements.

The AASB amendments mean that SAC 1 and the Framework cannot be applied by the above noted for-profit private sector entities, or other for-profit (private or public sector) entities that elect to prepare GPFS and makes the AASB's *Conceptual Framework for Financial Reporting* applicable instead.

At this stage, the removal of the Reporting Entity concept does not affect NFPs. However, the AASB's Not-For-Profit Private Sector Financial Reporting Framework project may prevent certain NFPs from preparing SPFS in the future. Irrespective, APESB believes the proposed changes to APES 205 will remain effective should certain NFPs be prevented from preparing SPFS in the future.

APESB is proposing amendments to APES 205 to help ensure that Members are aware of the AASB changes when they prepare, present, audit, review or compile financial statements. Further, to avoid unnecessary duplication, APESB proposes to include new paragraph 6.2 of APES 205 to scope-out those entities that are now required to comply with the AASB SPFS disclosures from the SPFS disclosure requirements in paragraph 6.1 of APES 205.

¹ [AASB 2020-2](#) Amendments to Australian Accounting Standards – *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

² [AASB 2022-4](#) Amendments to Australian Accounting Standards – *Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities*.

³ [AASB 2019-4](#) Amendments to Australian Accounting Standards – *Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements*.

Alignment of SPFS Disclosure Requirements

APESB considered whether subparagraphs 6.1(b) and (c) of APES 205 should align with the AASB SPFS disclosure requirements. The differences between the respective requirements are set out in the following table:

APES 205 SPFS Disclosure Requirement	AASB SPFS Disclosure Requirements
b) the purpose for which the SPFS have been prepared	<ul style="list-style-type: none">statutory basis or other reporting framework, if any, under which the financial statements are preparedthe basis on which the decision to prepare SPFS was made
c) the significant accounting policies adopted in the preparation and presentation of the SPFS	<ul style="list-style-type: none">information about the material accounting policies applied in the SPFS, including information about changes in those policies

Aligning the requirements would create consistency between the respective standards and might benefit Members that deal with entities subject to either APES 205 or the AASB SPFS disclosures. However, this would impact all other entities that are only required to comply with APES 205, potentially resulting in additional compliance costs without empirical evidence to suggest that APES 205's existing requirements are deficient.

On balance, APESB determined not to amend APES 205 for this matter, however, we are seeking stakeholders' views.

Request for Specific Comment 1 – *Do you agree with the APESB's approach to not amend subparagraphs 6.1(b) and (c) of APES 205 to align to the terminology in the AASB's SPFS disclosure requirements? Please provide reasons and justification for your response.*

Other AASB Changes

Following stakeholder feedback, the International Accounting Standards Board (IASB) amended certain IFRS Standards to assist entities in making more effective accounting policy disclosures. Before the amendments, entities were required to disclose significant accounting policies, but views varied about what/when it was significant as it was not defined. The IASB also noted some entities did not understand the difference between 'significant' and 'material' accounting policies. The IASB concluded not to define 'significant' due to potential unintended consequences for other uses of 'significant' in IFRS Standards and instead decided to require entities to disclose material accounting policy information as 'material' is defined in IFRS Standards and well understood.

Consequently, the AASB recently issued amending standards that will require entities to disclose 'material accounting policy information' instead of 'significant accounting policies' and makes clear that information about measurement bases for financial instruments is expected to be material accounting policy information (effective for annual periods beginning on or after 1 January 2023).⁴

APESB considered whether subparagraph 6.1(c) of APES 205 should be amended to 'material accounting policies' or 'material accounting policy information' to align with the AASB changes.

This would align APES 205 to the AASB forthcoming changes creating consistency between the respective standards. However, APESB believes this would impact entities that are only required to comply with APES 205, potentially resulting in additional compliance costs without empirical evidence to suggest that APES 205's existing requirement is deficient.

⁴ [AASB 2021-2](#) Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies and Definition of Accounting Estimates* and [AASB 2021-6](#) Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*.

On balance, APESB determined not to amend APES 205 for this matter. However, we are seeking stakeholders' views.

Request for Specific Comment 2 – *Do you agree with the APESB's approach to not amend subparagraphs 6.1(c) of APES 205 to align to the terminology in AASB 2021-2 and AASB 2021-6? Please provide reasons and justification for your response.*

Entities Scoped-Out of SPFS Disclosures in APES 205

APESB is aware that NFP public sector entities have similar SPFS disclosure requirements to some but not all of paragraph 6.1 of APES 205, including:

- that the financial statements are SPFS (paragraph 9 of AASB 1054 *Additional Australian Disclosures* similar to subparagraph 6.1(a) of APES 205); and
- significant accounting policy information (paragraph 117 of AASB 101 *Presentation of Financial Statements* similar to subparagraph 6.1(c) of APES 205).

However, there is no AASB SPFS requirement for NFP public sector entities similar to subparagraph 6.1(b) of APES 205 (the purpose for which the SPFS have been prepared). As such, APESB determined not to include these entities in proposed paragraph 6.2 of APES 205.

However, APESB is seeking stakeholders' views on this matter and whether these or any other entity type should be scoped-out of the SPFS disclosure requirements in APES 205.

Request for Specific Comment 3 – *Do you believe there are other entity types than those listed in proposed paragraph 6.2 of APES 205 that should be scoped-out of the SPFS disclosure requirements in APES 205? Please provide reasons and justification for your response.*

Key requirements and guidance in Exposure Draft 03/22

This Exposure Draft sets out the proposed amendments to the extant APES 205. The key revisions to APES 205 proposed in ED 03/22 include:

- a) the inclusion of a footnote to the definition of Statement of Accounting Concepts 1 to highlight that the assessment of whether an entity is a Reporting Entity does not apply to the types of entities set out in paragraph 2A of the Statement of Accounting Concepts 1;
- b) amendments to paragraph 4.1 on responsibilities in respect of the Reporting Entity concept to remove the reference to the AASB's *Framework for the Preparation and Presentation of Financial Statements* and to include the same footnote as per (a); and
- c) the addition of paragraph 6.2 to scope-out those entities required to comply with AASB SPFS requirements from the disclosure requirements in paragraph 6.1 of APES 205.

Proposed Operative Date

It is proposed that this Standard will be effective for engagements commencing on or after 1 January 2023.

Early adoption of the revised Standard will be permitted.

APES 205 Conformity with Accounting Standards

[Supersedes APES 205 Conformity with Accounting Standards issued in December 2019]

REVISED: XX 2022

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1. Scope and application

- 1.1 The objectives of APES 205 *Conformity with Accounting Standards* are to specify a **Member's** professional and ethical obligations in respect of:
- fundamental responsibilities when the **Member** prepares, presents, audits, reviews or compiles **Financial Statements**;
 - the requirement to take reasonable steps to ensure a **Reporting Entity** prepares **General Purpose Financial Statements**; and
 - the disclosures in an entity's **Special Purpose Financial Statements**.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 205 *Conformity with Accounting Standards* (**the Standard**), which is effective from 1 January 2023 and supersedes APES 205 issued in December 2019. Earlier adoption of this Standard is permitted.
- 1.3 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 **bold-type**, preceded or followed by discussion or explanations in normal type. APES 205 should be read in conjunction with other professional duties of **Members**, and any legal obligations that may apply.
- 1.4 **Members in Australia shall follow the mandatory requirements of APES 205 when they prepare, present, audit, review or compile Financial Statements.**
- 1.5 **Members outside Australia shall comply with the financial reporting framework applicable to the relevant jurisdiction when they prepare, present, audit, review or compile Financial Statements. However, where the Financial Statements are prepared in accordance with the Australian Financial Reporting Framework, Members shall comply with the requirements of this Standard.**
- 1.6 **Members shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when performing Professional Activities. All Members shall comply with the fundamental principles outlined in the Code.**
- 1.7 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.8 All references to **Professional Standards**, guidance notes and legislation are references to those provisions as amended from time to time.
- 1.9 In applying the requirements outlined in APES 205, **Members** should be guided not merely by the words but also by the spirit of this Standard and the **Code**.
- 1.10 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.

2. Definitions

Defined terms are shown in the body of the Standard in title case.

For the purpose of this Standard:

AASB means the Australian statutory body called the Australian Accounting Standards Board that was established under section 226 of the *Australian Securities and Investments Commission Act 1989* and is continued in existence by section 261 of the *Australian Securities and Investments Commission Act 2001*.

Applicable Financial Reporting Framework means the financial reporting framework adopted by management and, where appropriate, **Those Charged with Governance** in the preparation of the financial 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 **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.

This includes an **Engagement** in accordance with the *Framework for Assurance Engagements* issued by the **AUASB** or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.

(For guidance on Assurance Engagements, see the *Framework for Assurance Engagements* issued by the **AUASB**. The *Framework for Assurance Engagements* describes the elements and objectives of an Assurance Engagement and identifies **Engagements** to which *Australian Auditing Standards (ASAs)*, *Standards on Review Engagements (ASREs)* and *Standards on Assurance Engagements (ASAEs)* apply.)

AUASB means the Australian statutory body called the Auditing and Assurance Standards Board established under section 227A of the *Australian Securities and Investments Commission Act 2001*.

Audit Engagement means 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), in accordance with an **Applicable Financial Reporting Framework**, such as an **Engagement** conducted in accordance with **Auditing and Assurance Standards**. This includes a statutory audit, which is an audit required by legislation or other regulation.

Auditing and Assurance Standards means 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.

Australian Accounting Standards means the Accounting Standards (including Australian Accounting Interpretations) promulgated by the [AASB](#).

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 Activities](#) are provided by a [Member in Public Practice](#) in respect of [Engagements](#) of either a recurring or demand nature.

Code means APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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) adopted 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, 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 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.

General Purpose Financial Statements means a financial report prepared in accordance with a [General Purpose Framework](#).

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 Business means a **Member** working in areas such as commerce, industry, service, the public sector, education, the not-for-profit sector, or in regulatory or professional bodies, who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer.

Member in Public Practice means a **Member**, irrespective of functional classification (for example, 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 Activity means an activity requiring accountancy or related skills undertaken by a **Member**, including accounting, auditing, tax, management consulting, and financial management.

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

Professional Services means **Professional Activities** performed for **Clients**.

Professional Standards means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable **Professional Body**.

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 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 and all of its subsidiaries.

Review Engagement means an **Assurance Engagement**, conducted in accordance with **Auditing and Assurance Standards** on Review Engagements or equivalent, in which a **Member in Public Practice** 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 **Member's** attention 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**.

Special Purpose Financial Statements means a complete set of **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**.

Statement of Accounting Concepts 1 means SAC 1 *Definition of the Reporting Entity* issued by the AASB.¹

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

¹ Statement of Accounting Concepts 1 and the assessment of whether an entity is a **Reporting Entity** does not apply to the types of entities set out in paragraph 2A of the Statement of Accounting Concepts 1.

3. Fundamental responsibilities of Members

- 3.1 A **Member** shall comply with Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* of the **Code** and with relevant laws and regulations when they prepare, present, audit, review or compile **Financial Statements**.

Public interest

- 3.2 In accordance with Section 100 *Complying with the Code* of the **Code**, **Members** shall observe and comply with the **Member's** public interest obligations when they prepare, present, audit, review or compile **Financial Statements**.

Professional competence and due care

- 3.3 In accordance with Subsection 113 *Professional Competence and Due Care* of the **Code**, a **Member in Public Practice** who is performing a **Professional Service** 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**.
- 3.4 If a **Member in Business** who is performing a **Professional Activity** based on an **Applicable Financial Reporting Framework** determines they do not have the requisite professional knowledge and skill as required by Subsection 113 *Professional Competence and Due Care* of the **Code**, the **Member** shall determine whether to decline to perform the duties in question in accordance with Section 230 *Acting with Sufficient Expertise* of the **Code**.

4. Responsibilities of Members in respect of the Reporting Entity concept

- 4.1 **Members** should take all reasonable steps to apply the principles and guidance provided in the **Statement of Accounting Concepts 1** issued by the **AASB** when assessing whether an entity is a **Reporting Entity**.²
- 4.2 **Statement of Accounting Concepts 1** provides guidance on circumstances in which an entity or economic entity should be identified as a **Reporting Entity**.
- 4.3 **Members** who are involved in, or are responsible for, the preparation and/or presentation of **Financial Statements** of a **Reporting Entity** shall take all reasonable steps to ensure that the **Reporting Entity** prepares **General Purpose Financial Statements**.

5. Responsibilities of Members in respect of General Purpose Financial Statements

- 5.1 **Members** shall take all reasonable steps to apply **Australian Accounting Standards** when they prepare and/or present **General Purpose Financial Statements** that purport to comply with the **Australian Financial Reporting Framework**.

² **Statement of Accounting Concepts 1** and the assessment of whether an entity is a **Reporting Entity** does not apply to the types of entities set out in paragraph 2A of the **Statement of Accounting Concepts 1**.

- 5.2 Where **Members** are unable to apply **Australian Accounting Standards** pursuant to paragraph 5.1, they shall take all reasonable steps to ensure that any departure from **Australian Accounting Standards**, the reasons for such departure, and its financial effects are properly disclosed and explained in the **General Purpose Financial Statements**.
- 5.3 If legislation, ministerial directive or other government authority requires a departure from **Australian Accounting Standards**, a **Member** should disclose that fact in the **General Purpose Financial Statements** as a reason for the departure.
- 5.4 Where a **Member** is unable to ensure proper disclosure of a departure from **Australian Accounting Standards** pursuant to paragraph 5.2, the **Member** should discuss the matter with the appropriate level of management of the relevant entity and document the results of these discussions.
- 5.5 **Members in Public Practice** shall take all reasonable steps to ensure that **Clients** have complied with **Australian Accounting Standards** when they perform an **Audit** or **Review Engagement** or a compilation **Engagement** of **General Purpose Financial Statements** which purport to comply with the **Australian Financial Reporting Framework**.
- 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 **Auditing and Assurance Standards** applicable to **Audit** or **Review Engagements** or **Professional Standards** applicable to compilation **Engagements**.

6. Responsibilities of Members in respect of Special Purpose Financial Statements

- 6.1 **Members** who are involved in, or are responsible for, the preparation, presentation, audit, review or compilation of an entity's **Special Purpose Financial Statements** (except where the **Special Purpose Financial Statements** will be used solely for internal purposes) shall take all reasonable steps to ensure that the **Special Purpose Financial Statements**, and any associated audit report, review report or compilation report clearly identifies:
- (a) that the **Financial Statements** are **Special Purpose Financial Statements**;
 - (b) the purpose for which the **Special Purpose Financial Statements** have been prepared; and
 - (c) the significant accounting policies adopted in the preparation and presentation of the **Special Purpose Financial Statements**.
- 6.2 Paragraph 6.1 does not apply to **Special Purpose Financial Statements** prepared by the following entities that include the disclosures required by **Australian Accounting Standards**:
- (a) a for-profit private sector entity that is required only by its constituting document or another document (created before 1 July 2021 and not amended on or after that date) to prepare financial statements that comply with **Australian Accounting Standards**;
 - (b) a not-for-profit private sector entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001*; or
 - (c) an entity that is required to prepare financial reports in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and *Australian Charities and Not-for-profits Commission Regulation 2013*.

- 6.3 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 **Auditing and Assurance Standards** applicable to **Audit** or **Review Engagements** or **Professional Standards** applicable to compilation **Engagements**.
- 6.4 For all other **Members**, where the **Member** is unable to ensure that an entity complies with an **Applicable Financial Reporting Framework** pursuant to paragraph 6.1, the **Member** should discuss the matter with the appropriate level of management of the relevant entity and document the results of these discussions.

Conformity with International Pronouncements

The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES 205.

Appendix 1 – Summary of revisions to the previous APES 205 (Issued in December 2019)

APES 205 *Conformity with Accounting Standards* was originally issued in December 2007 and revised in October 2015 and December 2019 (extant APES 205). APES 205 has been revised by APESB in XX 2022. A summary of the revisions is given in the table below.

Table of revisions*

Paragraph affected	How affected
2 – Definition of Assurance Engagement	Amended
2 – Definition of Statement of Accounting Concepts 1	Amended
4.1	Amended
6.2	Added
6.3 to 6.4 – Paragraphs 6.2 to 6.3 of extant APES 205	Relocated

* Refer *Technical Update 2022/X*