

## AGENDA PAPER

**Item Number:** 15  
**Date of Meeting:** 23 September 2022  
**Subject:** Proposed amendments to APESB Pronouncements for Quality Management conforming amendments

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**Action Required**       **For Discussion**       **For Noting**       **For Information**

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### Purpose

To obtain, subject to the Board's feedback and review comments, the Board's approval to issue an Explanatory Memorandum and Exposure Draft comprised of revisions to:

- APES 315 *Compilation of Financial Information* (APES 315);
- APES 325 *Risk Management for Firms* (APES 325);
- APES 345 *Reporting on Prospective Financial Information prepared in connection with a Public Document* (APES 345);
- APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* (APES 350); and
- APES GN 31 *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs* (APES GN 31).

### Background

The International Ethics Standards Board for Accountants (IESBA) issued quality management-related conforming amendments to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) in April 2022 (effective 15 December 2022). The revisions result from new quality management standards issued by the International Auditing Standards Board (IAASB) in December 2020.

Auditing and Assurance Standards Board (AUASB) issued Australian equivalents of the IAASB's quality management standards in March 2021, applicable to Australian assurance practices from 15 December 2022. AUASB's Quality Management Standards are:

- ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* (ASQM 1);
- ASQM 2 *Engagement Quality Reviews*; and
- ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*.

The Board approved the reissue of APES 320 as *Quality Management for Firms that provide Non-Assurance Services* (reissued APES 320) at the February 2022 meeting. The Reissued APES 320 was released on 22 February 2022 (effective from 1 January 2023).

At the March 2022 meeting, the Board approved a [project plan](#) to revise APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) and other APESB pronouncements for quality management conforming amendments to align to the IESBA Code, reissued APES 320 and AUASB Quality Management Standards.

The Board approved ED 02/22 *Proposed Quality Management-related Conforming Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* at the June 2022 meeting, which was issued on 17 June 2022 and open for public comment until 29 July 2022. The final amending standard is considered at Agenda Item 10 of this Board meeting.

## Consideration of issues

Technical Staff have identified APES 315, APES 325, APES 345, APES 350 and APES GN 31 as the first pronouncements to expose for quality management conforming amendments and propose this to be released as an 'omnibus' Exposure Draft (ED), including each pronouncement.

Agenda Item 15(a) sets out the proposed Explanatory Memorandum (EM) and ED with mark-ups of proposed amendments to each pronouncement for (a) quality management conforming amendments, (b) matters noted on the APESB Issues Register; and (c) other matters noted by Technical Staff including minor editorials. Technical Staff propose a **45-day exposure period** and seek the Board's feedback and review comments on the proposed EM and ED.

### (a) *Quality management conforming amendments*

The Table at C.2 of the proposed EM (Agenda Item 15(a)) summarises the proposed revisions to the standards and guidance note to align the definitions, terminology and relevant cross-references to the reissued APES 320 and ASQM 1. The proposed changes are marked-up in the respective pronouncements.

### (b) *Matters noted on the APESB's Issues Register*

Technical Staff have addressed the following issues on APESB's Issues Register:

- aligning the wording with Section 114 *Confidentiality* of APES 110 in respect of a legal, regulatory, or professional duty or right to disclose (APES 345 and APES 350 – [APESB Issues Register](#) numbers 345.1 and 350.1); and
- aligning the requirement in APES 345 (paragraph 3.15) to notify the client or a third party if confidential information is provided, with the intent of Whistleblower protection legislation and the approach in the non-compliance with laws and regulations (NOCLAR) provisions of APES 110 about using professional judgement in determining whether to notify ([APESB Issues Register](#) number 345.2).

(c) *Other matters noted by Technical Staff*

Technical Staff noted the following matters to be addressed in this ED:

- conforming amendments to APES 315 resulting from changes to APES 205 *Conforming with Accounting Standards* (APES 205), which amended 'significant accounting policies' to 'material accounting policies'. The proposed conforming amendments to APES 315 are in the definitions of Financial Statements and Special Purpose Financial Statements, the example engagement letter in Appendix 3 and the example compilation reports in Appendix 4. Technical Staff note that these proposed amendments are dependent on the Board approving the issue of revised APES 205 discussed at Agenda Item 11 of this Board meeting;
- aligning the following definitions with amending standard *Amendments to Part 4B of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*:
  - Assurance Client (APES 350);
  - Assurance Engagement (APES 315, APES 345 and APES 350);
  - Subject Matter Information (APES 350);
- update cross-references in paragraphs 5.1 (footnote 1) and 6.3 (footnote 2) of APES 345 to paragraph 120.5 A6 of APES 110 resulting from amending standard *Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) to Promote the Role and Mindset Expected of Professional Accountants*;
- inclusion of references in APES 315 Appendix 3 *Example Engagement Letter for a Compilation Engagement* to paragraphs 6.1 and 6.2 of APES 315 and a cross-reference to APES 305 *Terms of Engagement*;
- inclusion of disclaimers at the start of Appendices 4 and 5 of APES 315; and
- minor editorials.

The Table at C.3 of the proposed EM (Agenda Item 15(a)) summarises the proposals noted above and the proposed changes are marked-up in the respective pronouncements.

### **Staff Recommendation**

Subject to the Board's feedback and editorial comments, the Board approve for release of the Exposure Draft and Explanatory Memorandum on APES 315, APES 325, APES 345, APES 350 and APES GN 31.

### **Material Presented**

Agenda Item 15(a)                      Exposure Draft ED 06/22 Proposed Revision of APESB Pronouncements (Marked-up)

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**Date**    8 September 2022