

AGENDA PAPER

Item Number: 9
Date of Meeting: 9 December 2024
Subject: Proposed revisions to APESB pronouncements for Code Conforming Amendments

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

Purpose

To seek the Board's approval, subject to the Board's review comments and editorials, to issue the following revised pronouncements:

- 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

In December 2023, APESB released the newly compiled Code for APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). In addition, APESB also issued the Amending Standards for revisions to the Definitions of Listed Entity and Public Interest Entity (PIEs) in November 2023 and Technology-related revisions in June 2024.

At the March 2024 Board meeting ([Agenda 3](#)), the Board considered the need to review APESB's suite of pronouncements for Code-conforming amendments. As a result, APESB has commenced a project to update its current pronouncements where relevant, to update any cross-references to the Code and Amending Standards to ensure consistency of definitions and terminology, and other matters identified in the APESB's Issues Register.

At the September 2024 Board meeting ([Agenda Item 11](#)), the Board approved the release of [ED 04/24](#), which proposed revisions to the Transaction Advisory Services related pronouncements for the Code conforming amendments.

The exposure draft was issued on 6 September 2024 and the comment period closed on 31 October 2024.

Matters for Consideration

APESB received three submissions on [ED 04/24](#) from a professional body and two accounting firms. The respondents' comments are tabulated in General and Specific Comment Tables at Agenda Items 9(a) and 9(b), respectively.

Technical Staff also engaged with the two professional bodies that did not make a formal submission. IPA provided their informal support for the proposed amendments.

The respondents to the exposure draft were generally supportive of the proposed revisions to the transaction advisory services-related pronouncements. All three respondents also responded to the specific comment request about retaining the extant definition of Listed Entity within the three pronouncements.

The key matters raised by the respondents are set out below.

Definition of "Listed Entity"

All three respondents supported the intent to retain the term "Listed Entity." However, one respondent suggested that the definition of "Listed Entity" be revised to align more closely with the *Corporations Act 2001* (the Corporations Act) definition, as it has been removed from the Code.

The Transaction Advisory Services Related Pronouncements were designed mainly for investigating accountants on due diligence committees primarily for listings on ASX and are, therefore, applicable for those entities that are Listed Entities as defined in the Corporations Act.

The extant definition of 'Listed Entity' in APES 350 has been in place since 2009, and no issues have been raised regarding the application and practical implementation of the extant definition. Technical Staff note that the definition of Listed Entity is not included in APES 345 and APES GN 31.

Due to the definition of listed entity being long established and therefore understood by Members, Technical Staff are of the view that the extant wording of this definition should be retained. However, we acknowledge it would be useful for Members to include a reference to the Corporations Act in the definition.

Technical Staff have reviewed how the Code incorporates references to Listed Entities in the Corporations Act. The definition of a Public Interest Entity includes an explanation that a Listed Entity *"includes a listed entity as defined in Section 9 of the Corporations Act 2001."*

Technical Staff also consulted with the Corporate Finance Taskforce Members, who were supportive of including a reference to the Corporation Act in the definition of a Listed Entity. A Member of the taskforce noted that it is the term 'listed' that is defined in the Corporations Act, and therefore suggested the additional sentence should read 'It includes an entity which is listed, as defined in Section 9 of the *Corporations Act 2001*.'

Technical Staff propose to include this sentence in an amended definition of Listed Entity in APES 350 as follows:

Listed Entity means an entity whose shares, stock or debt are quoted or listed on a recognised stock exchange, or are marketed under the regulations of a recognised stock exchange or other equivalent body. [It Includes an entity that is listed, as defined in Section 9 of the Corporations Act 2001.](#)

Technical Staff will also include a matter on the issues register to note that the definition of Public Interest Entity needs to be amended to reflect that the term 'listed' is defined in the Corporations Act rather than the term 'listed entity.'

One respondent requested that further information be included in the pronouncements' explanatory memorandum. Technical Staff will include commentary on the retention of the term Listed Entity in the Technical Update for APES 350.

Definition of "Audit Client"

One respondent suggested amending the definition of "Audit Client" by replacing the term "Listed Entity" with "Publicly Traded Entity" to ensure consistency with the definition in the Code.

While the term publicly traded entity is broad and subsumes the term listed entity, only those entities that are Listed Entities under the Corporations Act would have services provided to them under the Transaction Advisory Services Related Pronouncements. Therefore, amending the definition of Audit Client to include the term publicly traded entity would not improve the clarity of the definition for Members providing these services.

Technical Staff are of the view that replacing the phrase "Listed Entity" with the term "Publicly Traded Entity" in the definition of Audit Client would require further clarification in the relevant pronouncement by including the definition of "Publicly Traded Entity." We do not believe this is necessary and believe it is best to retain the phrase Listed Entity.

As such, Technical Staff are not proposing amendments to the definition of "Audit Client" in response to the respondent's comments.

Technical Staff have liaised with the Corporate Finance Taskforce on the matters raised during the exposure draft process, and the only matter raised was amendments required to the additional sentence to the definition of Listed Entity, which has been addressed in the proposals set out in this paper.

Proposed Pronouncements

As limited changes are being proposed to APES 350, Technical Staff have not replicated the full versions of the APES 345, APES 350 and APES GN 31 pronouncements in this agenda paper. They will be the same as the proposed versions set out in the [Exposure Draft](#), apart from the proposed amendment to the definition of Listed Entity in APES 350 that is outlined above.

The proposed effective date of APES 345 and APES 350 will be 1 April 2025, with early adoption permitted. The revised APES GN 31 will be effective as at the date of issue.

Technical Staff seek the Board's approval to issue the proposed revised APES 345, APES 350 and APES GN 31.

Small and Medium Practices (SMPs)

As the proposed revisions predominantly consist of conforming amendments for APES 345 and APESB 350 and editorials to ensure consistency across the pronouncements for APES GN 31, no substantive impacts on SMPs have been identified.

Staff Recommendation

Subject to the Board's feedback and review comments, the Board approve the issue of the revised APES 345, APES 350 and APES GN 31.

Materials presented

Agenda Item 9 (a)	General Comments Table ED 04/24
Agenda Item 9 (b)	Specific Comments Table ED 04/24

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Date: 28 November 2024