

AGENDA PAPER

Item Number: 1
Date of Meeting: 25 May 2015
Subject: Revision of APES Standards due to changes to the Code

Action required **For discussion** **For noting** **For information**

Purpose

1. To obtain the Board's approval to amend the definition of Professional Bodies to refer to the new merged body Chartered Accountants Australia and New Zealand (formally known as Institute of Chartered Accountants Australia).
2. To obtain the Board's approval to issue exposure drafts for the following standards and guidance note, for public comment:
 - APES 205 *Conformity with Accounting Standards*;
 - APES 210 *Conformity with Auditing and Assurance Standards*;
 - APES 220 *Taxation Services*;
 - APES 305 *Terms of Engagement*;
 - APES 325 *Risk Management for Firms*;
 - APES 345 *Reporting on Prospective Financial Information Prepared in Connection with a Disclosure Document*; and
 - APES GN 30 *Outsourced Services*.

Background

In November 2013, APESB released amendments to the Australian Code APES 110 *Code of Ethics for Professional Accountants* (the Code) to align it with recent amendments to the International Code issued by the International Ethics Standards Board for Accountants (IESBA).

As part of the annual review process, Technical Staff's review of the above mentioned pronouncements has identified the need to revise the definitions section of the pronouncements to ensure consistency with the revised Code.

The following additional amendments have been processed:

- development of an objectives paragraph in accordance with APESB's revised drafting conventions; and
- minor editorial matters noted in APESB's Issues Register in respect of these pronouncements.

Consideration of Issues

Revision of Definitions due to amendments to the Code

The definitions have now been amended based on the existing version of the Code.

Amendment of the definition of Professional Bodies

Technical Staff note that the definition of Professional Bodies requires amendment as it refers to the 'Institute of Chartered Accountants Australia' which is now 'Chartered Accountants Australia and New Zealand' (CA ANZ) due to the merger with the New Zealand Institute of Chartered Accountants (NZICA).

Technical Staff note that a name change may imply to a user that APESB standards have applicability to the former NZICA members. Accordingly Technical Staff reviewed a number of documents produced by CA ANZ including its by-laws & regulations and the member's handbook.

These documents indicate that the current working model adopted by CA ANZ is to have separate professional requirements for members depending on whether they are domiciled in Australia or New Zealand. New Zealand resident members have been specifically exempted from some of the by-laws and regulations and are currently not required to comply with APESB pronouncements.

Technical Staff concluded that revising the definition of Professional Bodies to include Chartered Accountants Australia and New Zealand will not have adverse implications for New Zealand resident members as the applicable professional requirements have been appropriately addressed by CA ANZ in its by-laws & regulations and the member's handbook.

Inclusion of an objectives paragraph for APESB Pronouncements

Consistent with the APESB drafting style of recently issued standards, an introductory objectives paragraph 1.1 has now been developed and included in each of these pronouncements.

Summary of Revisions

A summary of the revisions and how they impact each pronouncement is tabulated below:

SUMMARY OF PROPOSED AMENDMENTS TO APESB PRONOUNCEMENTS				
Pronouncement	Definitional updates due to APES 110 amendments	Objectives paragraph 1.1	Effective date paragraph 1.2	Other minor editorial amendments
APES 205	X	X	X	1.3
APES 210	X	X	X	1.3
APES 220	X	X	X	Paragraphs 1.3 and 5.4
APES 305	X	X	X	Paragraph 4.6
APES 325	X	X	X	Paragraphs 1.3, 3.1 and 6.2
APES 345	X	X	X	Paragraphs 3.6 and 5.2
APES GN 30	X	X	n/a	n/a

Subsequently, in accordance with APESB's *Due Process and Working Procedures Document* it is considered necessary to issue Exposure Drafts of these pronouncements to enable stakeholders to provide feedback in relation to these proposed amendments.

The marked up version of each pronouncement provided as Agenda Items 1(a) to 1(f) reflect the changes incorporated to the existing pronouncements to address the matters noted above.

Status of the AASB Differential Reporting Project and its impact on APES 205

The finalisation of Phase 1 of the AASB Differential Reporting Project saw the introduction of Tier 1 and Tier 2 reporting requirements for entities preparing General Purpose Financial Statements (GPFS). Entities that are considered Tier 2 entities are able to report under the Reduced Disclosure Regime.

Phase 2 of the AASB Differential Reporting Project is ongoing. This phase addresses the concept of the reporting entity. Currently the concept of reporting entity remains the operative factor in determining whether an entity should prepare a GPFS to comply with Australian Accounting Standards, whether it is Tier 1 or Tier 2. If an entity falls within the definition of a reporting entity, it is required to prepare a GPFS that are in full compliance with Australian Accounting Standards. Non-reporting entities are not mandated to prepare a GPFS and may elect to prepare a Special Purpose Financial Statement (SPFS).

Technical Staff discussed the status of Phase 2 with the AASB Senior Project Manager and it was confirmed that work on Phase 2 is ongoing.

Following the finalisation of Phase 2 of the AASB project, APES 205 *Conformity with Accounting Standards* may need to be revised. However, as the project is not yet finalised, Technical Staff recommend that no changes need to be processed to APES 205.

Staff Recommendations

1. The Board approve the amendment of the definition of Professional Bodies to refer to the new merged body Chartered Accountants Australia and New Zealand (formally known as the Institute of Chartered Accountants Australia).
2. Subject to the Board's editorial and review comments, the Board approve the following Exposure Drafts for public comment for a 30 day comment period:
 - APES 205 *Conformity with Accounting Standards*;
 - APES 210 *Conformity with Auditing and Assurance Standards*;
 - APES 220 *Taxation Services*;
 - APES 305 *Terms of Engagement*;
 - APES 325 *Risk Management for Firms*;
 - APES 345 *Reporting on Prospective Financial Information Prepared in Connection with a Disclosure Document*; and
 - APES GN 30 *Outsourced Services*.

Material presented

Agenda Item 1 (a)	Proposed ED: APES 205 <i>Conformity with Accounting Standards</i>
Agenda Item 1 (b)	Proposed ED: APES 210 <i>Conformity with Auditing and Assurance Standards</i>
Agenda Item 1 (c)	Proposed ED: APES 220 <i>Taxation Services</i>
Agenda Item 1 (d)	Proposed ED: APES 305 <i>Terms of Engagement</i>
Agenda Item 1 (e)	Proposed ED: APES 325 <i>Risk Management for Firms</i>
Agenda Item 1 (f)	Proposed ED: APES 345 <i>Reporting on Prospective Financial Information Prepared in Connection with a Disclosure Document</i>
Agenda Item 1 (g)	Proposed ED: APES GN 30 <i>Outsourced Services</i>

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