

## AGENDA PAPER

**Item Number:** 1  
**Date of Meeting:** 11 November 2015  
**Subject:** Exposure Draft 03/15 Review of respondents' comments on revision of APES Standards primarily due to changes in the Code (ED 03/15)

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Action required     For discussion     For noting     For information

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### Purpose

- To provide the Board with an evaluation of the respondents' comments on the Exposure Draft 03/15 *Revision of APESB Pronouncements* (ED 03/15) that comprises of the following pronouncements:
  - APES 215 *Forensic Accounting Services* (APES 215);
  - APES 225 *Valuation Service* (APES 225); and
  - APES 320 *Quality Control for Firms* (APES 320).
- To obtain the Board's approval to issue the revised APES 215, APES 225 and APES 320, subject to the Board's editorials and review comments.

### Background

Accounting Professional and Ethical Standards Board (APESB) issued ED 03/15 on 10 September 2015 for a 35-day comment period. The majority of proposed revisions to the APESB pronouncements identified in ED 03/15 were due to amendments made to APES 110 *Code of Ethics for Professional Accountants* (2013), matters noted in the issues register and other matters noted by stakeholders.

### Consideration of Issues

The comment period closed on 16 October 2015 and APESB received three submissions from an accounting firm and Professional Bodies. Technical Staff have prepared an analysis of the respondents' general and specific comments (refer Agenda Items 1 (a) to 1 (d)).

### APES 215 Forensic Accounting Services

#### Editorials in respect of the objectives paragraph 1.1 (Specific Comment Item No.1)

A respondent is of the view that APES 215 should not prescribe the types of Forensic Accounting Services that can be provided and suggested that the second objective be deleted. However, Technical Staff believe that this objective should be retained, as a key

aspect of APES 215 is providing guidance on the types of Forensic Accounting Services provided by Members. Technical Staff is of the view that it is more accurate to specify that there are 4 types of Engagement that qualify as a Forensic Accounting Service as defined in APES 215.

Further details of these proposals to amend paragraph 1.1 and other minor editorial amendments to APES 215 are in Agenda Item 1 (b) APES 215 Specific Comments Table, and reflected in the marked-up version of the proposed revised APES 215 in Agenda Item 1 (e).

## **APES 225 Valuation Services**

### *Editorials in respect of the objectives paragraph 1.1 (Specific Comment Item No.1)*

A respondent is of the view that APES 225 should not prescribe the types of Valuation Services that can be provided and suggested that the second objective be deleted. However, a key aspect of APES 225 is providing guidance on the types of Valuation Services provided by a Member. Similar to APES 215, Technical Staff is of the view that it is more accurate to specify that there are 3 types of Engagement that qualify as a Valuation Service as defined in APES 225.

### *Paragraph 4.6 – reference to relevant party (Specific Comment Item No.3)*

A respondent has noted that the distinction between information provided by the Client, its management, or a third party is necessary and the guidance appears to define ‘the Client, its management, or a third party’ as ‘the relevant party’. Technical Staff agree that a distinction between the Client and its management, as opposed to a third party is valid. However, in this circumstance we do not believe that it is necessary to amend the guidance in paragraph 4.6. Regardless of the party who has provided the representation, the key issue is obtaining a written representation from that party.

#### *(i) Consistency with APES 305 Terms of Engagement (APES 305)*

A respondent has also recommended that as paragraph 4.6 in APES 305 addresses the relative responsibilities of the Member in Public Practice and Client, this matter need not be explicitly addressed in paragraph 4.6 of APES 225. Technical Staff agree with the respondent’s comment and have considered the need for consistency with APES 305 in our proposed amendments to paragraph 4.6 of APES 225. Accordingly, the respondent’s suggestion has been incorporated in the preamble to paragraph 4.6.

#### *(ii) Draft Valuation Report*

A respondent queried the inclusion of the draft Valuation Reports in paragraph 4.6. We note that it is a common business practice to provide draft reports or extract thereof to the Client, in order to confirm any facts, assumptions or other information provided by the Client, its management, or another party. A written representation is a written statement provided by the Client, management or a third party to the Member in Public Practice, to confirm the information provided by that party to the Member.

Further details to these proposals and the proposed amendments to paragraphs 1.1 and 4.6 are in Agenda Item 1 (c) APES 225 Specific Comments Table, and reflected in the marked-up version of the proposed revised APES 225 in Agenda Item 1 (f).

## **APES 320 Quality Control for Firms**

### Editorials in respect of the objectives paragraph 1.1 (Specific Comment Item No.2)

#### *(i) Consistency between paragraph 1.1 and paragraph 3*

A respondent has suggested deleting paragraph 1.1 as in their view it's a duplication of paragraph 3. We note that Paragraph 1.1 sets out the objectives of Professional Standard APES 320, whereas paragraph 3 specifies the objectives of a system of quality control in a Firm. Accordingly, Technical Staff is of the view that paragraph 1.1 should be retained due to the different objectives of these paragraphs.

#### *(ii) Removal of terms 'Member in Public Practice' and 'at the Firm level' in paragraph 1.1*

The respondent has recommended that as APES 320 imposes requirements on the Firm, it may be more appropriate to only to refer to the 'Firm' in paragraph 1.1. Technical Staff agree with this proposal.

Further details of the respondents' comments and proposed minor editorial amendments are in Agenda Item 1 (d) APES 320 Specific Comments Table, and reflected in the marked-up version of the proposed revised APES 320 in Agenda Item 1 (g).

### **Staff Recommendations**

That the:

- Board note the key matters raised in the submissions and Technical Staff's proposals to address matters raised by respondents in the specific comments tables; and
- Board approve the issue of the proposed revised APES 215, APES 225 and APES 320, subject to the Board's review comments and editorials.

### **Material Presented**

Agenda Item 1 (a)	ED 03/15 General Comments Table;
Agenda Item 1 (b)	ED 03/15 Specific Comments Table - APES 215;
Agenda Item 1 (c)	ED 03/15 Specific Comments Table - APES 225;
Agenda Item 1 (d)	ED 03/15 Specific Comments Table - APES 320;
Agenda Item 1 (e)	Proposed revised APES 215 (2015) (marked-up);
Agenda Item 1 (f)	Proposed revised APES 225 (2015) (marked-up); and
Agenda Item 1 (g)	Proposed revised APES 320 (2015) (marked-up).

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