

August 2019



Exposure Draft 03/19 Revision of APESB pronouncements

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A. Explanatory Memorandum to Exposure Draft 03/19 Revision of APESB pronouncements

Introduction

In November 2018, APESB released the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). The restructured Code features significant revisions which impacts the entire suite of APESB pronouncements. The pronouncements listed below have been revised to update cross-references to the Code, to ensure consistency of definitions and terminology and other matters noted on the APESB's Issues Register.

The aim of this Explanatory Memorandum is to provide stakeholders with the background, development process and rationale for Exposure Draft 03/19 *Revision of APESB pronouncements* (the Exposure Draft) issued in August 2019.

The Explanatory Memorandum has been prepared by Technical Staff of APESB and approved by the Board of Directors of APESB. The Explanatory Memorandum **does not** form part of the Exposure Draft and is not a substitute for reading it in full.

Summary of APESB Pronouncements

This Exposure Draft comprises proposed amendments to the following pronouncements:

Pronouncement	Name of Pronouncement
APES 205	<i>Conformity with Accounting Standards</i>
APES 315	<i>Compilation of Financial Information</i>
APES GN 30	<i>Outsourced Services</i>

Key proposed amendments

The marked-up version of each pronouncement in the Exposure Draft (refer to **Appendix 1**) reflects the proposed changes for the following key matters:

- (i) Revisions to reflect the restructured Code;
- (ii) Matters noted on the APESB's Issues Register;
- (iii) Matters noted through a review of the pronouncements by APESB Technical Staff; and
- (iv) Inclusion of references to Non-compliance with Laws and Regulations (NOCLAR).

The specific details of the proposed changes for each pronouncement are set out in this Explanatory Memorandum in Part C.

Interactive PDF features

APESB are incorporating updates to include interactive PDF features within all of its pronouncements.

The restructured Code PDF now includes the following features:

- Bookmark Tab section for Table of Contents;
- Dynamic links to Sections and paragraphs;
- Pop-up definitions upon mouse rollover for defined terms; and
- Links to external websites

APESB is proposing to include these features in the revised versions of the pronouncements in this Exposure Draft. To prepare for this, APESB Technical Staff have shaded all defined terms in blue in this Exposure Draft.

Effective Date

The effective date for all of the revised pronouncements will be 1 January 2020 (to align with the effective date of the new restructured Code).

This is marked up in each standard in paragraph 1.2 proposing that the revised standard will be operative from 1 January 2020 and that earlier adoption of the standard is permitted.

Guidance Notes are effective from the date of issue.

B. Request for comments on Exposure Draft

Commenting on this Exposure Draft

APESB invites stakeholders to provide comments on these proposed revisions to the pronouncements identified in ED 03/19.

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 October 2019.**

Comments should be addressed to:

Chief Executive Officer
Accounting Professional & Ethical Standards Board Limited
Level 11, 99 William Street
Melbourne, Victoria 3000
Australia

APESB would prefer that respondents express a clear overall opinion on whether the revisions to a proposed pronouncement or the proposed pronouncements (refer to the marked-up version of each pronouncement in Appendix 1 of the Exposure Draft) 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 pronouncements.

Respondents are asked to submit their comments electronically through the APESB website, using the link <http://www.apesb.org.au/apesb-exposure-drafts-open-for-comment>.

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 technical difficulties, comments can also be sent to sub@apesb.org.au or mailed to the address noted above.

Request for Specific Comments

APESB is seeking respondents' specific comments and feedback on whether the existing provisions in these standards require amendments due to the use of digital technology and artificial intelligence.

In addition, APESB is seeking respondents' specific comments and feedback on recent proposals by the Australian Accounting Standards Board (AASB). The AASB are proposing additional disclosures for entities required to lodge financial reports with either the Australian Securities and Investments Commission (ASIC) or Australian Charities and Not-for-profits Commission (ACNC), that self-assess as non-reporting entities and prepare Special Purpose Financial Statements (SPFS). These proposals in Exposure Draft 293 [Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Compliance with Recognition and Measurement Requirements](#) (ED 293) include the following additional disclosures¹:

- The basis on which the decision to prepare SPFS was made;
- Where the entity has subsidiaries, investments in associates or investments in joint ventures, to disclose whether they have been consolidated or equity accounted in

¹ ED 293 proposed amendment to paragraph 9 and new paragraph 9(A) in AASB 1054 *Australian Additional Disclosures*.

accordance with Australian Accounting Standards (AAS) issued by the AASB and if not disclose the reasons why;

- If the entity is a not-for-profit which has not determined whether or not its interests in other entities gives rise to interests in subsidiaries, associates or joint ventures, to disclose that fact; and
- An explicit statement as to whether the entity has complied with all recognition and measurement requirements of AAS and, if not, where they do not comply (there is no requirement to quantify or reconcile the extent of non-compliance).

The AASB proposals in ED 293 do not apply to all entities required to comply with AAS under laws and regulations (including, amongst others, incorporated associations, indigenous corporations and cooperatives) or by other means (such as constitutional documents).

APESB is seeking respondents' specific comments and feedback on whether APES 205 (and in particular paragraph 6.1) should be amended to require the additional disclosures in SPFS as described in ED 293 for other entities (in addition to those required to lodge with ASIC or ACNC) that are required to comply with AAS for various reasons.

Obtaining a copy of this Exposure Draft

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

Accounting Professional & Ethical Standards Board Limited
Level 11, 99 William Street
Melbourne Victoria 3000
Australia

E-mail: enquiries@apesb.org.au
Phone: (03) 9670 8911
Fax: (03) 9670 5611

C. Revisions

C.1 Key proposed amendments

The marked-up version of each pronouncement in the Exposure Draft (refer to **Appendix 1**) reflects the proposed changes incorporated into the existing pronouncement and addresses the following key matters:

(i) Revisions to reflect the restructured Code

In November 2018, APESB released the restructured Code to align it with the restructure to the International Code undertaken by the International Ethics Standards Board for Accountants (IESBA).

APESB has undertaken a project to revise all of its current pronouncements to update any cross-references to the Code and ensure consistency of definitions and obligations across the Code and all APESB Pronouncements. Refer to **section C.2** for a table which summarises the revisions to the pronouncements in this Exposure Draft in relation to the restructured Code.

(ii) Matters noted on the APESB's Issues Register

APESB has also taken the opportunity to address matters that have been noted on the Issues Register in respect of the pronouncements in this Exposure Draft. These matters include:

- amendments to reflect the previous Auditing Standards being replaced by Australian Auditing Standards (ASAs) (APES 205);
- an amendment to the definition of Statement of Accounting Concepts (APES 205); and
- inclusion of requirements paragraphs on NOCLAR (APES 315 and APES GN 30).

(iii) Matters noted through review of the pronouncements by APESB Technical Staff

In reviewing these pronouncements APESB Technical Staff noted the following matters to be addressed in this revision:

- Clarifying the need to consider the specific needs and circumstances of the Client when planning to utilise Outsourced Services with a new guidance paragraph 3.10 in APES GN 30;
- Inclusion of new paragraph 3.4 in APES 205 on obligations of a Member in Business applying professional competence and due care and acting with Sufficient Expertise;
- Inclusion of additional guidance in paragraph 5.2 of APES 315 in reference to where the appropriate financial reporting framework for a Client is specified in the constitutional documents;
- The inclusion of a cross reference to APES GN 30 in new paragraph 7.5 of APES 315; and
- A note under the definition of Outsourced Service in APES GN 30 referring stakeholders to Appendix 1 of that guidance note for relevant considerations.

Section C.3 sets out a table which summarises the proposed revisions to the pronouncements in Exposure Draft 03/19 not addressed in Section C.2.

C.2 Table of proposed revisions to reflect the restructured Code

The table below provides a summary of the proposed revisions to the pronouncements in this Exposure Draft to align the definitions and relevant cross-references to the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued in November 2018.

Revisions to reflect the restructured Code	Pronouncements		
	APES 205	APES 315	APES GN 30
Amendments to definitions to align with the restructured Code			
Audit Engagement	✓		
Acceptable Level			✓
Assurance Engagement	✓	✓	
Code	✓	✓	✓
Financial Statements	✓		
Firm			✓
Independence		✓	
Member			✓
Member in Business		✓	✓
Member in Public Practice	✓	✓	✓
Network			✓
Professional Activity	✓	✓	✓
Review Engagement	✓		
Those Charged with Governance	✓	✓	
New definitions added that align with the restructured Code			
Member in Business	✓		
Update cross-references to restructured Code			
Paragraph 3.1		✓	
Paragraph 3.2	✓	✓	
Paragraph 3.3	✓	✓	✓
Paragraph 3.5			✓
Paragraph 3.6		✓	
Paragraph 3.11			✓
Amendments to align obligations with the Restructured Code			
Paragraphs made consistent with restructured Code paragraph R1.4	1.6	1.6	1.10
New requirements to comply with Parts/Sections of the Code			
Paragraph included to require compliance with Part 1 of the Code	3.1		
Paragraph included to refer to relevant sections for Members in Business on Professional Competence and Due Care	3.4		

C.3 Table of other proposed revisions to the general pronouncements

The table below provides a summary of the proposed revisions to the general pronouncements in the Exposure Draft and the impact on the existing pronouncements. Note that this summary does not include the revisions noted in Section C.2 relating to the restructured Code.

Summary of proposed amendments	Pronouncements		
	APES 205	APES 315	APES GN 30
Effective date (paragraph 1.2)	✓	✓	✓
Additional guidance on meeting the client's specific needs when using outsourced services (paragraph 3.10)			✓
Provide cross-reference to relevant guidance note (new paragraph 7.5)		✓	
Matters on the Issues Register			
All AUSs have now been replaced by ASAs			
- Removal of AuASB definition (Section 2)	✓		
- Amendment to definition of Auditing and Assurance Standards (Section 2)	✓		
Removal of the Statement of Accounting Concept 2			
- Amend the definition of Statement of Accounting Concepts	✓		
- Editorial amendment (paragraph 4.1)	✓		
- Editorial amendment (paragraph 4.2)	✓		
Update to refer to NOCLAR requirements			
- Paragraph 3.4 <i>[New paragraph]</i>			✓
- Paragraph 3.12 <i>[New paragraph]</i>			✓
- Paragraph 11.3 <i>[New paragraph]</i>		✓	
Minor editorials			
Paragraph 1.3			
Paragraph 1.5		✓	✓
Paragraph 1.6 – extant paragraph 1.11 relocated			✓
Paragraph 1.7	✓		
Paragraph 1.9		✓	
Paragraph 1.11		✓	
Section 2 Introduction	✓	✓	✓
Definition of Compliance Framework	✓		
Definition of Engagement		✓	
Definition of Engagement Document		✓	
Definition of Financial Statements		✓	
Definition of Misstatement		✓	

Summary of proposed amendments	Pronouncements		
	APES 205	APES 315	APES GN 30
Definition of Outsourced Service			✓
Definition of Writing		✓	
Paragraph 5.1		✓	
Paragraph 5.5		✓	
Paragraph 5.6	✓		
Paragraph 6.2	✓	✓	
Paragraph 6.3			✓
Paragraph 6.6			✓
Paragraph 6.10			✓
Paragraph 8.1		✓	
Paragraph 9.1		✓	
Paragraph 9.3		✓	
Paragraph 9.4		✓	
Paragraph 10.2		✓	
Paragraph 10.10		✓	
Paragraph 10.11		✓	
Paragraph 12.2		✓	
Paragraph 12.4		✓	
<i>Conformity with International Pronouncements</i>		✓	
<i>Appendix 1</i>			✓
<i>Appendix 2</i>		✓	✓
<i>Appendix 3</i>		✓	
<i>Appendix 4</i>		✓	
<i>Appendix 5</i>		✓	

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