

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 standards 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 the 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

1. 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.
2. In respect of APES 205 *Conformity with Accounting Standards*, APESB is seeking respondents' specific comments and feedback on the impact of 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 accordance with Australian Accounting Standards (AAS) issued by the AASB and if not disclose that fact and 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.

3. In respect of APES GN 30 *Outsourced Services*, APESB is seeking respondents' specific comments and feedback on whether there should be a mandatory requirement for Members in Public Practice to disclose the use of Outsourced Services and the geographical location of the Outsourced Service Provider.

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

¹ Paragraph 6 of ED 293 proposes amendments to AASB 1054 *Australian Additional Disclosures*, which will amend paragraph 9 and insert a new paragraph 9(A)

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:

- 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;
- The inclusion of a cross reference to APES GN 30 in new paragraph 7.5 of APES 315
- A note under the definition of Outsourced Service in APES GN 30 referring stakeholders to Appendix 1 of that guidance note for relevant considerations; and
- Clarifying the need to consider the specific needs and circumstances of the Client when planning to utilise Outsourced Services with a new guidance paragraph 3.7 in APES GN 30.

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 | | | |
| Acceptable Level | | | ✓ |
| Assurance Engagement | ✓ | ✓ | |
| Audit 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 pronouncements

The table below provides a summary of the proposed revisions to the 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 3.7) | | | ✓ |
| Provide cross-reference to relevant guidance note on outsourcing (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 1.5 | | ✓ | ✓ |
| 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 | | ✓ | |
| Definition of Outsourced Service | | | ✓ |

| Summary of proposed amendments | Pronouncements | | |
|---|----------------|----------|------------|
| | APES 205 | APES 315 | APES GN 30 |
| Definition of Writing | | ✓ | |
| Paragraph 4.3 | | | ✓ |
| 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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APESB Pronouncements in ED 03/19

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APES 205 Conformity with Accounting Standards

[Supersedes APES 205 Conformity with Accounting Standards issued in ~~October 2015~~ ~~December 2007~~ xxxx 2019 ~~October 2015~~]

~~Prepared and issued by
Accounting Professional & Ethical Standards Board Limited~~

REVISED: xxxx 2019 ~~October 2015~~

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| <i>Conformity with International Pronouncements</i> | |
| <i>Appendix 1: Summary of revisions to the previous APES 205 (Issued in December <u>October</u> 201507) [Not included as the summary of revisions is set out in the Explanatory Memorandum for this Exposure Draft]</i> | |

1. Scope and application

- 1.1 The objectives of APES 205 *Conformity with Accounting Standards* are to specify a **Member's** professional and ethical obligations in respect of:
- fundamental responsibilities when the **Member** prepares, presents, audits, reviews or compiles **Financial Statements**;
 - the requirement to take reasonable steps to ensure a **Reporting Entity** prepares **General Purpose Financial Statements**; and
 - the disclosures in an entity's **Special Purpose Financial Statements**.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 205 *Conformity with Accounting Standards* (**the Standard**), which is effective from 1 January 20**20**~~16~~ and supersedes APES 205 issued in ~~December 2007~~ **October 2015**. Earlier adoption of this Standard is permitted.
- 1.3 APES 205 sets the standards for **Members** involved with the preparation, presentation, audit, review or compilation of **Financial Statements**, which are either **General Purpose Financial Statements** or **Special Purpose Financial Statements**, of entities in the private and public sectors. The mandatory requirements of this Standard are in **bold-type**, preceded or followed by discussion or explanations in normal type. APES 205 should be read in conjunction with other professional duties of **Members**, and any legal obligations that may apply.
- 1.4 **Members in Australia shall follow the mandatory requirements of APES 205 when they prepare, present, audit, review or compile Financial Statements.**
- 1.5 **Members outside Australia shall comply with the financial reporting framework applicable to the relevant jurisdiction when they prepare, present, audit, review or compile Financial Statements. However, where the Financial Statements are prepared in accordance with the Australian Financial Reporting Framework, Members shall comply with the requirements of this Standard.**
- 1.6 **Members shall comply with other applicable ~~be familiar with relevant~~ **Professional Standards** and be familiar with relevant guidance notes when performing **Professional Activities**. All **Members** shall comply with the fundamental principles outlined in the **Code**.**
- 1.7 The Standard ~~does not~~ is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.8 All references to **Professional Standards**, guidance notes and legislation are references to those provisions as amended from time to time.
- 1.9 In applying the requirements outlined in APES 205, **Members** should be guided not merely by the words but also by the spirit of this Standard and the **Code**.
- 1.10 In this Standard, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.

2. Definitions

[Defined terms are shown in the body of the Standard in title case.](#)

For the purpose of this Standard:

AASB means the Australian statutory body called the Australian Accounting Standards Board that was established under section 226 of the *Australian Securities and Investments Commission Act 1989* and is continued in existence by section 261 of the *Australian Securities and Investments Commission Act 2001*.

Applicable Financial Reporting Framework means the financial reporting framework adopted by management and, where appropriate, [Those Charged with Governance](#) in the preparation of the financial report that is acceptable in view of the nature of the entity and the objective of the financial report, or that is required by law or regulation.

The term *fair presentation framework* means a financial reporting framework that requires compliance with the requirements of the framework and:

- (a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial report, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (b) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial report. Such departures are expected to be necessary only in extremely rare circumstances.

In the context of financial reporting, the term [Compliance Framework](#) means a financial reporting framework that requires compliance with the requirements of the applicable framework, but does not contain the acknowledgements in (a) or (b) above.

Assurance Engagement means an [Engagement](#) in which a [Member in Public Practice](#) aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria).

This includes an [Engagement](#) in accordance with the *Framework for Assurance Engagements* issued by the AUASB or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.

[\(For guidance on Assurance Engagements, see the *Framework for Assurance Engagements* issued by the AUASB. The *Framework for Assurance Engagements* describes the elements and objectives of an Assurance Engagement and identifies Engagements to which *Australian Auditing Standards \(ASAs\)*, *Standards on Review Engagements \(ASREs\)* and *Standards on Assurance Engagements \(ASAEs\)* apply.\)](#)

~~**AuASB** means the Auditing and Assurance Standards Board which issued Australian auditing and assurance standards up to 30 June 2004, under the auspices of the Australian Accounting Research Foundation, a joint venture of CPA Australia and the Institute of Chartered Accountants in Australia.~~

AUASB means the Australian statutory body called the Auditing and Assurance Standards Board established under section 227A of the *Australian Securities and Investments Commission Act 2001*.

Audit Engagement means a reasonable Assurance Engagement in which a Member in Public Practice expresses an opinion whether Financial Statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an Applicable Financial Reporting Framework, such as an Engagement conducted in accordance with Auditing and Assurance Standards. This includes a statutory audit, which is an audit required by legislation or other regulation ~~such as the Corporations Act 2001~~.

Auditing and Assurance Standards means:

- ~~(a) the AUASB standards, as described in ASA 100 Preamble to AUASB Standards, ASA 101 Preamble to Australian Auditing Standards and the Foreword to AUASB Pronouncements, issued by the AUASB, and operative from the date specified in each standard; and~~
- ~~(b) those standards issued by the AuASB which have not been revised and reissued (whether as standards or as guidance) by the AUASB, to the extent that they are not inconsistent with the AUASB standards.~~

Australian Accounting Standards means the Accounting Standards (including Australian Accounting Interpretations) promulgated by the AASB.

Australian Financial Reporting Framework means the framework that uses Australian Accounting Standards as the Applicable Financial Reporting Framework and is adopted by Those Charged with Governance when preparing Financial Statements.

Client means an individual, firm, entity or organisation to whom or to which Professional Activities are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature.

Code means APES 110 Code of Ethics for Professional Accountants (including Independence Standards).

Compliance Framework means:

- (a) a financial reporting framework that requires compliance with the requirements of the applicable framework, but does not contain the acknowledgements in respect of a fair presentation framework (refer Applicable Financial Reporting Framework); or
- (b) a framework (not related to financial reporting) ~~adopted~~used by the entity, which is designed to ensure that the entity achieves compliance, and includes governance structures, programs, processes, systems, controls and procedures.

Engagement means an agreement, whether written or otherwise, between a Member in Public Practice and a Client relating to the provision of Professional Services by a Member in Public Practice. However, consultations with a prospective Client prior to such agreement are not part of an Engagement.

Financial Statements means a structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of Financial Statements, but it can also refer to a single Financial Statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes. The requirements of the financial reporting framework determine the form and content of the Financial Statements and what constitutes a complete set of Financial Statements. For the purposes of this Standard, financial report is considered to be an equivalent term to Financial Statements.

Firm means:

- (a) A sole practitioner, partnership, corporation or other entity of professional accountants;
- (b) An entity that controls such parties, through ownership, management or other means;
- (c) An entity controlled by such parties, through ownership, management or other means; or
- (d) An Auditor-General's office or department.

General Purpose Financial Statements means a financial report prepared in accordance with a [General Purpose Framework](#).

General Purpose Framework means a financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a [Compliance Framework](#).

Member means a member of a [Professional Body](#) that has adopted this Standard as applicable to their membership, as defined by that [Professional Body](#).

Member in Business means a [Member working in areas such as commerce, industry, service, the public sector, education, the not-for-profit sector, or in regulatory or professional bodies, who might be an employee, contractor, partner, director \(executive or non-executive\), owner-manager or volunteer.](#)

Member in Public Practice means a [Member](#), irrespective of functional classification ([for example e.g.](#), audit, tax or consulting) in a [Firm](#) that provides [Professional Services](#). This term is also used to refer to a [Firm](#) of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable [Professional Body](#).

Professional Activity means an activity requiring accountancy or related skills undertaken by a [Member](#), including accounting, auditing, ~~taxation~~, management consulting, and financial management.

Professional Bodies means Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.

Professional Services means [Professional Activities](#) performed for [Clients](#).

Professional Standards means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable [Professional Body](#).

Reporting Entity means an entity in respect of which it is reasonable to expect the existence of users who rely on the entity's [General Purpose Financial Statements](#) for information that will be useful to them for making and evaluating decisions about the allocation of resources. A Reporting Entity can be a single entity or a group comprising a parent and all of its subsidiaries.

Review Engagement means an [Assurance Engagement, conducted in accordance with Auditing and Assurance Standards on Review Engagements or equivalent](#), in which a [Member in Public Practice](#) expresses a conclusion [on](#) whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the [Member's](#) attention ~~of the Member~~ that causes the [Member](#) to believe that the historical financial information is not prepared, in all material respects, in accordance with an [Applicable Financial Reporting Framework such as an Engagement conducted in accordance with Auditing and Assurance Standards on Review Engagements](#).

Special Purpose Financial Statements means a complete set of [Financial Statements](#), including the related notes, and an assertion statement by those responsible for the financial report, prepared in accordance with a [Special Purpose Framework](#). The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The

requirements of the [Applicable Financial Reporting Framework](#) determine the format and content of a financial report prepared in accordance with a [Special Purpose Framework](#).

Special Purpose Framework means a financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a [Compliance Framework](#).

Statements of Accounting Concepts 1 means SAC 1 *Definition of the Reporting Entity* and *SAC 2 Objective of General Purpose Financial Reporting* issued by the AASB.

Those Charged with Governance means the person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, Those Charged with Governance may [might](#) include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

3. Fundamental responsibilities of Members

3.1 [A Member shall comply with Part 1 Complying with the Code, Fundamental Principles and Conceptual Framework of the Code and with relevant laws and regulations when they prepare, present, audit, review or compile Financial Statements.](#)

Public interest

3.1.3.2 In accordance with Section 100 [Complying with the Code](#) ~~Introduction and Fundamental Principles~~ of the Code, Members shall observe and comply with their [Member's](#) public interest obligations when they prepare, present, audit, review or compile [Financial Statements](#).

Professional competence and due care

3.2.3.3 In accordance with ~~Subsection 130~~ [13 Professional Competence and Due Care](#) of the Code, a [Member in Public Practice](#) who is performing a [Professional Service](#) based on an [Applicable Financial Reporting Framework](#) shall ensure that the [Member](#) or the [Firm](#) has the requisite professional knowledge and skill or shall engage a suitably qualified external person. If a [Member in Public Practice](#) is unable to engage a suitably qualified person when required, the [Member](#) shall decline the [Engagement](#).

3.4 [If a Member in Business who is performing a Professional Activity based on an Applicable Financial Reporting Framework determines they do not have the requisite professional knowledge and skill as required by Subsection 113 Professional Competence and Due Care of the Code, the Member shall determine whether to decline to perform the duties in question in accordance with Section 230 Acting with Sufficient Expertise of the Code.](#)

4. Responsibilities of Members in respect of the Reporting Entity concept

4.1 [Members](#) should take all reasonable steps to apply the principles and guidance provided in the [Statements of Accounting Concepts 1](#) and the *Framework for the Preparation and Presentation of Financial Statements* issued by the AASB when assessing whether an entity is a [Reporting Entity](#).

4.2 Statement of Accounting Concepts ~~1~~~~SAC 1~~ ~~Definition of Reporting Entity~~ provides guidance on circumstances in which an entity or economic entity should be identified as a Reporting Entity.

4.3 **Members** who are involved in, or are responsible for, the preparation and/or presentation of **Financial Statements** of a **Reporting Entity** shall take all reasonable steps to ensure that the **Reporting Entity** prepares **General Purpose Financial Statements**.

5. Responsibilities of Members in respect of General Purpose Financial Statements

5.1 **Members** shall take all reasonable steps to apply **Australian Accounting Standards** when they prepare and/or present **General Purpose Financial Statements** that purport to comply with the **Australian Financial Reporting Framework**.

5.2 Where **Members** are unable to apply **Australian Accounting Standards** pursuant to paragraph 5.1, they shall take all reasonable steps to ensure that any departure from **Australian Accounting Standards**, the reasons for such departure, and its financial effects are properly disclosed and explained in the **General Purpose Financial Statements**.

5.3 If legislation, ministerial directive or other government authority requires a departure from **Australian Accounting Standards**, a **Member** should disclose that fact in the **General Purpose Financial Statements** as a reason for the departure.

5.4 Where a **Member** is unable to ensure proper disclosure of a departure from **Australian Accounting Standards** pursuant to paragraph 5.2, the **Member** should discuss the matter with the appropriate level of management of the relevant entity and document the results of these discussions.

5.5 **Members in Public Practice** shall take all reasonable steps to ensure that **Clients** have complied with **Australian Accounting Standards** when they perform an **Audit** or **Review Engagement** or a compilation **Engagement** of **General Purpose Financial Statements** which purport to comply with the **Australian Financial Reporting Framework**.

5.6 Where a **Member in Public Practice** is unable to ensure that a **Client** complies with **Australian Accounting Standards** pursuant to paragraph 5.5, the **Member** shall consider ~~Australian~~ **Auditing and Assurance Standards** applicable to **Audit** or **Review Engagements** or **Professional Standards** applicable to compilation **Engagements**.

6. Responsibilities of Members in respect of Special Purpose Financial Statements

6.1 **Members** who are involved in, or are responsible for, the preparation, presentation, audit, review or compilation of an entity's **Special Purpose Financial Statements** (except where the **Special Purpose Financial Statements** will be used solely for internal purposes) shall take all reasonable steps to ensure that the **Special Purpose Financial Statements**, and any associated audit report, review report or compilation report clearly identifies:

- (a) that the **Financial Statements** are **Special Purpose Financial Statements**;
- (b) the purpose for which the **Special Purpose Financial Statements** have been prepared; and

- (c) the significant accounting policies adopted in the preparation and presentation of the **Special Purpose Financial Statements**.
- 6.2 Where a **Member in Public Practice** is unable to ensure that a **Client** complies with an **Applicable Financial Reporting Framework** pursuant to paragraph 6.1, the **Member** shall consider ~~Australian~~ **Auditing and Assurance Standards** applicable to **Audit** or **Review Engagements** or **Professional Standards** applicable to compilation **Engagements**.
- 6.3 For all other **Members**, where the **Member** is unable to ensure that an entity complies with an **Applicable Financial Reporting Framework** pursuant to paragraph 6.1, the **Member** should discuss the matter with the appropriate level of management of the relevant entity and document the results of these discussions.

Conformity with International Pronouncements

The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES 205.

APES 315 Compilation of Financial Information

Supersedes APES 315 Compilation of Financial Information issued in ~~February 2015~~ March 2017

~~Prepared and issued by~~
~~Accounting Professional & Ethical Standards Board Limited~~

REVISED: ~~March 2017~~ XXXX 2019

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APES 315 *Compilation of Financial Information* contains material from *International Standard on Related Services (ISRS) 4410 Compilation Engagements* (2012) of the *Handbook of the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* (December 201~~8~~6) of the International Auditing and Assurance Standards Board (IAASB), published by the International Federation of Accountants (IFAC) in December 201~~8~~6 and as amended, and is used with permission of IFAC.

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1. Scope and application

- 1.1 The objectives of APES 315 *Compilation of Financial Information* are:
- to specify that, when performing an **Engagement to Compile Financial Information**, a **Member in Public Practice** is required to apply the **Member's** expertise in accounting and/or financial reporting and, in contrast to an **Engagement** to perform an audit or review, the **Member** is not required to verify the accuracy or completeness of the information provided by a **Client**;
 - to mandate that a **Member in Public Practice** plans a **Compilation Engagement** but recognises that planning procedures depend upon the context of the **Compilation Engagement** and the specific circumstances of the **Client**;
 - to provide guidance to **Members in Public Practice** when undertaking a **Compilation Engagement** in respect of **General Purpose Financial Statements** or **Special Purpose Financial Statements**;
 - to specify matters to be considered for inclusion in an **Engagement Document**;
 - to specify the professional obligations of a **Member in Public Practice** in respect of procedures;
 - to specify the documentation and quality control obligations of a **Member in Public Practice** who performs a **Compilation Engagement**;
 - to specify the obligations of a **Member in Public Practice** to obtain an acknowledgement from the **Client** in respect of the **Client's** responsibilities for the financial information or **Financial Statements**;
 - to specify the reporting requirements of a **Member in Public Practice** who undertakes **Engagements to Compile Financial Information**; and
 - to mandate that a **Member** communicates to **Those Charged with Governance** any significant matters arising from the **Compilation Engagement** and the impact of subsequent discovery of facts on the **Compilation Engagement**.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) ~~issues~~ has revised professional standard APES 315 *Compilation of Financial Information* (**the Standard**), which is effective for **Engagements to Compile Financial Information** commencing on or after 1 January 2020 ~~July 2017~~ and supersedes APES 315 ~~Compilation of Financial Information~~ issued in March 2017. Earlier adoption of this Standard is permitted.
- 1.3 APES 315 sets the standards for the provision of quality and ethical **Professional Services** for **Members in Public Practice** who undertake **Engagements to Compile Financial Information**. The mandatory requirements of this Standard are in **bold-type**, preceded or followed by discussion or explanations in normal type. APES 315 should be read in conjunction with other professional duties of **Members**, and any legal obligations that may apply.
- 1.4 **Members in Public Practice** in Australia shall follow the mandatory requirements of APES 315 when they undertake **Engagements to Compile Financial Information**.
- 1.5 **Members in Public Practice** practising outside of Australia shall follow the ~~provision~~requirements of APES 315 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.
- 1.6 **Members in Public Practice** shall comply with other applicable ~~be familiar with relevant~~ **Professional Standards** and be familiar with relevant guidance notes when ~~providing~~ performing **Professional Services**. All **Members** shall comply with the fundamental principles outlined in the **Code**.

- 1.7 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.8 All references to [Professional Standards](#), guidance notes and legislation are references to those provisions as amended from time to time.
- 1.9 In applying the requirements outlined in APES 315, [Members in Public Practice](#) should be guided not merely by the words but also by the spirit of [this](#) Standard and the [Code](#).
- 1.10 This Standard is directed towards [Engagements](#) to prepare historical or prospective financial information. However, the Standard should also be applied to the extent practicable for [Engagements](#) to prepare non-financial information.
- 1.11 This Standard is directed towards [Members in Public Practice](#). However, [Members in Business](#) should apply this Standard and its principles to the extent practicable when they compile information for their employers, especially in respect of regulatory reporting requirements and [Compilation Reports](#) prepared under ASIC Corporations (Audit Relief Instrument) 2016/784².
- 1.12 In this Standard, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.

2. Definitions

[Defined terms are shown in the body of the Standard in title case.](#)

For the purpose of this Standard:

AASB means the Australian statutory body called the Australian Accounting Standards Board that was established under section 226 of the *Australian Securities and Investments Commission Act 1989* and is continued in existence by section 261 of the *Australian Securities and Investments Commission Act 2001*.

Applicable Financial Reporting Framework means the financial reporting framework adopted by management and, where appropriate, [Those Charged with Governance](#) in the preparation of the financial report that is acceptable in view of the nature of the entity and the objective of the financial report, or that is required by law or regulation.

The term *fair presentation framework* means a financial reporting framework that requires compliance with the requirements of the framework and:

- (a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial report, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (b) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial report. Such departures are expected to be necessary only in extremely rare circumstances.

In the context of financial reporting, the term [Compliance Framework](#) means a financial reporting framework that requires compliance with the requirements of the applicable framework, but does not contain the acknowledgements in (a) or (b) above.

Assurance Engagement means an [Engagement](#) in which a [Member in Public Practice](#) aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance

² ASIC Corporations (Audit Relief Instrument) 2016/784 supersedes ASIC Class Order CO 98/1417 Audit relief for proprietary companies.

the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria).

This includes an [Engagement](#) in accordance with the *Framework for Assurance Engagements* issued by the [AUASB](#) or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.

[\(For guidance on Assurance Engagements, see the *Framework for Assurance Engagements* issued by the AUASB. The *Framework for Assurance Engagements* describes the elements and objectives of an Assurance Engagement and identifies Engagements to which Australian Auditing Standards \(ASAs\), Standards on Review Engagements \(ASREs\) and Standards on Assurance Engagements \(ASAEs\) apply.\)](#)

AUASB means the Australian statutory body called the Auditing and Assurance Standards Board established under section 227A of the *Australian Securities and Investments Commission Act 2001*.

Auditing and Assurance Standards means the [AUASB](#) standards, as described in ASA 100 *Preamble to AUASB Standards*, ASA 101 *Preamble to Australian Auditing Standards* and the *Foreword to AUASB Pronouncements*, issued by the [AUASB](#), and operative from the date specified in each standard.

Australian Accounting Standards means the Accounting Standards (including Australian Accounting Interpretations) promulgated by the [AASB](#).

Client means an individual, firm, entity or organisation to whom or to which [Professional Activities](#) are provided by a [Member in Public Practice](#) in respect of [Engagements](#) of either a recurring or demand nature.

Code means APES 110 *Code of Ethics for Professional Accountants* [\(including Independence Standards\)](#).

Compilation Engagement means an [Engagement to Compile Financial Information](#) in which a [Member in Public Practice](#) applies professional expertise in accounting and financial reporting to assist [Those Charged with Governance](#) in the preparation and presentation of financial information in accordance with an [Applicable Financial Reporting Framework](#), without undertaking to express any assurance on the information. A Compilation Engagement may involve preparation of [Financial Statements](#) or compilation of other financial information.

Excluded activities which fall outside the scope of a Compilation Engagement include:

- (a) preparation of a taxation return and financial information prepared solely for inclusion in the taxation return;
- (b) analysis of figures provided by a [Client](#), in order to report to the [Client](#). For example, providing advice on a [Client's](#) proposed purchase of another entity, using the other entity's [Financial Statements](#);
- (c) relaying information to a [Client](#), without collection, classification or summarisation of the information; and
- (d) [Assurance Engagements](#).

Where a [Member in Public Practice](#) performs activities which are excluded from the scope of a Compilation Engagement, such as the preparation of [Financial Statements](#) which are to be used as a basis to prepare an entity's taxation return, the [Member](#) should issue an Accountant's Report Disclaimer.

A decision tree schematic to assist [Members](#) determine whether an [Engagement](#) is a [Compilation Engagement](#) is included in [Appendix 1](#).

Compilation Report means a report prepared in accordance with this Standard.

Compile(d) Financial Information means a presentation of historical or prospective financial information. For the purposes of this Standard, Compiled Financial Information includes [Financial Statements](#).

Compliance Framework means:

- (a) a financial reporting framework that requires compliance with the requirements of the applicable framework, but does not contain the acknowledgements in respect of a fair presentation framework (refer [Applicable Financial Reporting Framework](#)); or
- (b) a framework (not related to financial reporting) adopted by the entity, which is designed to ensure that the entity achieves compliance, and includes governance structures, programs, processes, systems, controls and procedures.

Engagement means an agreement, whether [in Writing](#)~~Written~~ or otherwise, between a [Member in Public Practice](#) and a [Client](#) relating to the provision of [Professional Services](#) by a [Member in Public Practice](#). However, consultations with a prospective [Client](#) prior to such agreement are not part of an Engagement.

Engagement Document means the document (i.e. letter, agreement or any other appropriate means) in which the [Terms of Engagement](#) are specified in ~~a Writing~~[written form](#).

Financial Statements means a structured representation of historical or prospective financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of Financial Statements, but it can also refer to a single Financial Statement, for example, a statement of financial position or a statement of [profit or loss and other](#) comprehensive income and related explanatory notes. The requirements of the financial reporting framework determine the form and content of the Financial Statements and what constitutes a complete set of Financial Statements.

For the purposes of this Standard, financial report is considered to be an equivalent term to Financial Statements.

Firm means:

- (a) A sole practitioner, partnership, corporation or other entity of professional accountants;
- (b) An entity that controls such parties, through ownership, management or other means;
- (c) An entity controlled by such parties, through ownership, management or other means; or
- (d) An Auditor-General's office or department.

General Purpose Financial Statements means a financial report prepared in accordance with a [General Purpose Framework](#).

General Purpose Framework means a financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a [Compliance Framework](#).

Independence ~~is~~[comprises](#):

- (a) Independence of mind - the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.
- (b) Independence in appearance - the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude,

~~weighing all the specific facts and circumstances,~~ that a Firm's, or an ~~member of the~~ Engagement team ~~member's,~~ integrity, objectivity or professional scepticism has been compromised.

Member means a member of a Professional Body that has adopted this Standard as applicable to their membership, as defined by that Professional Body.

Member in Business means a Member ~~working in~~ ~~employed or engaged in an executive or non-executive capacity in such~~ areas ~~such~~ as commerce, industry, service, the public sector, education, the not-for-profit sector, ~~or in~~ regulatory ~~bodies~~ or professional bodies, ~~who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer.~~ ~~or a Member contracted by such entities.~~

Member in Public Practice means a Member, irrespective of functional classification (~~for example~~ ~~e.g.~~, audit, tax or consulting) in a Firm that provides Professional Services. This term is also used to refer to a Firm of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable Professional Body.

Misstatement means a difference between the amount, classification, presentation, or disclosure of a reported item in financial information, and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the Applicable Financial Reporting Framework. Misstatements can arise from error or fraud.

Where the financial information is prepared in accordance with a fair presentation framework, Misstatements also include those adjustments of amounts, classifications, presentation, or disclosures that, in the Member in Public Practice's judgement, are necessary for the financial information to be presented fairly, in all material respects, or to give a true and fair view.

Professional Activity means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, ~~taxation~~, management consulting, and financial management.

Professional Bodies means Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.

Professional Services means Professional Activities performed for Clients.

Professional Standards means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable Professional Body.

Special Purpose Financial Statements means a complete set of Financial Statements, including the related notes, and an assertion statement by those responsible for the financial report, prepared in accordance with a Special Purpose Framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the Applicable Financial Reporting Framework determine the format and content of a financial report prepared in accordance with a Special Purpose Framework.

Special Purpose Framework means a financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a Compliance Framework.

Terms of Engagement means the terms and conditions that are agreed between the Client and the Member in Public Practice for the Engagement.

Those Charged with Governance means the person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, Those Charged with Governance

~~may~~ might include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

Writing ~~(or Written)~~ means a mode of representing or reproducing words in a visible form, and includes words in an electronic format capable of being converted to printed text.

3. Fundamental responsibilities of Members in Public Practice

3.1 **Members in Public Practice** undertaking **Engagements to Compile Financial Information** shall comply with ~~Section 100 Introduction and Fundamental Principles~~ Part 1 Complying with the Code, Fundamental Principles and Conceptual Framework of the Code and relevant laws and regulations.

Public interest

3.2 In accordance with ~~Section 100 Introduction and Fundamental Principles Part 1 Complying with the Code, Fundamental Principles and Conceptual Framework~~ of the Code, **Members in Public Practice** shall observe and comply with their Member's public interest obligations when they undertake **Engagements to Compile Financial Information**.

Professional competence and due care

3.3 **Members in Public Practice** undertaking **Engagements to Compile Financial Information** shall maintain professional competence and take due care in the performance of their Member's work in accordance with ~~Subsection 130~~ 113 Professional Competence and Due Care of the Code.

Professional Independence

3.4 **Independence** is not a requirement for a **Compilation Engagement**.

3.5 Where a **Member in Public Practice** is not independent, the **Member** shall make an explanatory statement to that effect in the **Compilation Report**.

Confidentiality

3.6 ~~In accordance with Section 140 Confidentiality of the Code, a~~ A **Member in Public Practice** who acquires confidential information in the course of an **Engagement to Compile Financial Information** for a **Client** shall ~~not use that information for any purpose other than the proper performance of that Engagement~~ comply with Subsection 114 Confidentiality of the Code.

4. Planning

4.1 A **Member in Public Practice** shall plan the **Compilation Engagement** to ensure that the **Engagement** is conducted in accordance with this Standard and all applicable **Professional Standards**, laws and regulations.

4.2 Appropriate planning depends on the nature of the **Compilation Engagement** and the particular circumstances of the **Client**. This can vary from a standard list of limited procedures used in generating a pro forma set of **Financial Statements** to a complex plan to understand particular events or transactions of a larger entity that requires the application of a **Member in Public Practice's** professional judgement.

5. Applicable Financial Reporting Framework

- 5.1 Subject to the **Terms of Engagement**, a **Member in Public Practice** may provide advice to assist a **Client** to determine the **Applicable Financial Reporting Framework**. However, the **Member** should ensure that the **Client** is aware that it is the **Client's** responsibility to determine the **Applicable Financial Reporting Framework** to be adopted, taking into consideration the intended use of the financial information as described in the agreed **Terms of Engagement**, and the requirements of any applicable law or regulation.
- 5.2 A **Member in Public Practice** should consider the following factors that indicate whether the **Applicable Financial Reporting Framework** adopted by a **Client** is appropriate:
- (a) the nature of the **Client** and the regulations that apply to the entity;
 - (b) the intended use of the financial information as described in the agreed **Terms of Engagement** and the requirements of any applicable law or regulation;
 - (c) the intended users;
 - (d) whether the **Applicable Financial Reporting Framework** is prescribed or specified, either in applicable law or regulation, or in a contract or other form of agreement with a third party, or as part of governance or accountability arrangements adopted voluntarily by the **Client**; and
 - (e) the nature and form of the financial information that is to be prepared and presented under the **Applicable Financial Reporting Framework**.
- 5.3 If a **Member in Public Practice** is of the view that the **Applicable Financial Reporting Framework** selected by a **Client** is not appropriate and the **Client** is not willing to adopt an appropriate framework, the **Member** shall consider the **Firm's** policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements* of APES 320 *Quality Control for Firms* in determining whether to continue acting for the **Client** in a professional capacity.
- 5.4 When undertaking a **Compilation Engagement** in respect of **General Purpose Financial Statements** or **Special Purpose Financial Statements**, a **Member in Public Practice** shall comply with the requirements of APES 205 *Conformity with Accounting Standards*.
- 5.5 Where a **Member in Public Practice** assists the **Client** with significant judgements regarding amounts or disclosures when undertaking a **Compilation Engagement** in respect of **General Purpose Financial Statements** or **Special Purpose Financial Statements**, the **Member** shall discuss those judgements with the **Client** and **Those Charged with Governance** (if applicable) to ensure that they understand the significant judgements reflected in the **Financial Statements** and accept their responsibility for those judgements.

6. Defining the Terms of Engagement

- 6.1 A **Member in Public Practice** shall document and communicate the **Terms of Engagement** in accordance with APES 305 *Terms of Engagement*.
- 6.2 A **Member in Public Practice** who is engaged to perform a **Compilation Engagement** should consider the following matters for inclusion in the **Engagement Document** in addition to the *General contents of an Engagement Document* of APES 305 *Terms of Engagement*:
- (a) the nature of the **Engagement** including the fact that neither an audit nor a review will be carried out by the **Member** and that accordingly no assurance will be expressed;

- (b) the fact that the **Engagement** cannot be relied upon to disclose errors, illegal acts or other irregularities, for example, fraud or defalcations that may exist;
- (c) the nature of the information to be supplied by the **Client**;
- (d) in respect of prospective financial information, the basis of forecasting and key assumptions provided by the **Client**;
- (e) where the **Member** makes assumptions in forecasts, that these assumptions will be brought to the **Client's** attention;
- (f) when undertaking a **Compilation Engagement** in respect of **General Purpose Financial Statements** or **Special Purpose Financial Statements**, a statement that the **Client** is responsible for:
 - (i) the form and content of the financial information in accordance with an **Applicable Financial Reporting Framework** that is acceptable in view of the intended use and users of the financial information;
 - (ii) the reliability, accuracy and completeness of the accounting records and disclosures provided to the **Member**; and
 - (iii) the judgements needed in the preparation and presentation of the financial information, including those for which the **Member** may provide assistance in the course of the **Compilation Engagement**;
- (g) the basis of accounting set out in the **Applicable Financial Reporting Framework** on which the financial information is to be compiled and the fact that it, and any known departures from it, will be disclosed to **Those Charged with Governance** of the **Client**;
- (h) the requirement for **General Purpose Financial Statements** to be prepared in accordance with **Australian Accounting Standards**;
- (i) the form and content of any **Compilation Report** to be issued;
- (j) the intended use and distribution of the **Compiled Financial Information**, and any restrictions on either its use or its distribution;
- (k) the nature of any disclaimer or limitation of liability clause between the **Member** and the **Client** or the **Member** and any user of the **Compiled Financial Information**; and
- (l) the **Member's** obligation to comply with relevant **Professional Standards**.

An example **Engagement Letter** is set out in Appendix 3.

7. Procedures

- 7.1 Depending on the **Terms of Engagement** and the nature of the **Engagement**, a **Member in Public Practice** who undertakes a **Compilation Engagement** should obtain a sufficient understanding of the **Client's** business, its operations and be familiar with the accounting principles and practices of the industry in which the **Client** operates.
- 7.2 **A Member in Public Practice shall assess whether the Compiled Financial Information in respect of the Compilation Engagement is appropriate in form and content and free from Misstatements.**
- 7.3 **Where a Member in Public Practice forms the view that the information supplied by a Client includes a Misstatement, the Member shall consider performing the following procedures or other alternative procedures:**
- (a) making inquiries of management to assess the reliability, accuracy and completeness of the information provided;
 - (b) assessing internal controls; or

- (c) verifying any relevant matters or information.

In the absence of forming the view that the information supplied by the **Client** includes a **Misstatement**, the **Member** is not required to consider performing these procedures.

- 7.4 If the **Client** refuses to provide additional information or process appropriate amendments requested by the **Member in Public Practice** in the circumstances referred to in paragraph 7.3, the **Member** shall consider the **Firm's** policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements* of APES 320 *Quality Control for Firms* in determining whether to continue acting for the **Client** in a professional capacity.

7.5 A Member in Public Practice should consider the guidance in APES GN 30 *Outsourced Services* if the Member engages or outsources to a third party, either components or all aspects of, the Compilation Engagement. If work in the Compilation Engagement is outsourced, the Member's obligations under this Standard remain the same as if the Member or the Member's staff had performed the work.

8. Documentation and quality control

- 8.1 A **Member in Public Practice** shall prepare working papers in accordance with this **Standard** that appropriately document the work performed, including aspects of the **Compilation Engagement** that have been provided in **Writing**. The documentation prepared by the **Member** shall:

- (a) provide a sufficient and appropriate record of the procedures performed for the **Engagement**;
- (b) identify the sources of significant information the **Member** has used in the **Compilation of Financial Information**; and
- (c) demonstrate that the **Engagement** was carried out in accordance with this **Standard** and all other **Professional Standards** applicable to the **Engagement**, including policies and procedures established in accordance with APES 320 *Quality Control for Firms*, and any applicable ethical, legal and regulatory requirements.

- 8.2 A **Member in Public Practice** who performs a **Compilation Engagement** should consider including in the **Member's** working papers a copy of the **Client's** working papers that the **Member** used to perform the **Compilation Engagement**.

- 8.3 A **Member in Public Practice** who performs a **Compilation Engagement** should document how the **Compiled Financial Information** reconciles with the underlying records, documents, explanations and other information provided by the **Client**.

- 8.4 A **Member in Public Practice** shall perform sufficient reviews of the **Compilation Engagement** in accordance with the **Firm's** policies and procedures established in accordance with *Engagement performance* of APES 320 *Quality Control for Firms* prior to issuing the **Compilation Report**.

9. Responsibility of the Client

- 9.1 A **Member in Public Practice** who undertakes a **Compilation Engagement** in respect of **General Purpose Financial Statements** or **Special Purpose Financial Statements** shall obtain an **Written** acknowledgment **in Writing** from the **Client** of the **Client's** responsibility for the reliability, accuracy and completeness of the accounting records and disclosures to the **Member** of all material and relevant information.

- 9.2 The **Member in Public Practice** should inform the **Client** that the **Client** retains responsibility for the financial information in respect of the **Compilation Engagement** and the basis on which it is prepared and presented. That responsibility includes application by the **Client** of the judgement required for the preparation and presentation of the financial information, including the selection and application of appropriate accounting policies and, where needed, developing reasonable accounting estimates.
- 9.3 Where a **Member in Public Practice** undertakes a **Compilation Engagement** other than those referred to in paragraph 9.1, the **Member** should assess whether, due to the circumstances of the **Engagement**, the **Member** needs to obtain an ~~an~~ **Written** acknowledgement **in Writing** from the **Client** of its responsibility for the reliability, accuracy and completeness of the accounting records and disclosures provided to the **Member**.
- 9.4 The acknowledgment referred to in paragraphs 9.1 and 9.3 may be included in other ~~Written~~ representations **in Writing** from the **Client**.

10. Reporting on a Compilation Engagement

- 10.1 A **Member in Public Practice** should clearly communicate in a **Compilation Report** the nature of the **Compilation Engagement** and the **Member's** role and responsibilities in respect of the **Engagement** without expressing an opinion or conclusion on the **Compiled Financial Information** in any form.
- 10.2 **Where a Member in Public Practice prepares Compiled Financial Information in respect of a Compilation Engagement, the Member shall, except where paragraphs 10.3 or 10.4 apply, issue a Compilation Report in circumstances where:**
- (a) **the Member's or the Firm's name is identified with the Compiled Financial Information;**
 - (b) ~~E~~**external parties other than the intended users of the Compiled Financial Information are likely to associate the Member with the Compiled Financial Information, and there is a risk that the level of the Member's involvement with the information may be misunderstood;**
 - (c) **it is more likely than not that the intended users of the Compiled Financial Information may not understand the nature and scope of the Member's involvement with that information; or**
 - (d) **the Compiled Financial Information is required under provisions of applicable law or regulation, or it is required to be publicly filed.**

*A decision tree schematic to assist Members determine when a **Compilation Report** should be issued is included in Appendix 2.*

- 10.3 Where a **Member in Public Practice** compiles financial information for internal use only by a **Client**, the use of the **Compiled Financial Information** is restricted. In these circumstances the **Member** should:
- (a) issue an Accountant's Report Disclaimer; and
 - (b) on each page of the **Compiled Financial Information** include a reference such as "*These financial statements are unaudited and are restricted for internal use only and should be read in conjunction with the attached Accountant's Report Disclaimer*".

An example Accountant's Report Disclaimer is included in Appendix 5.

- 10.4 Where the **Client** has engaged another practitioner to audit or review the **Compiled Financial Information** in accordance with **Auditing and Assurance Standards**, the **Member in Public Practice** undertaking the **Compilation Engagement** shall assess the need to issue a **Compilation Report**. Where the **Member** decides not to issue a **Compilation Report** the **Member** shall document the rationale for that decision.
- 10.5 In the circumstances described in paragraph 10.4, if an audit or review report has been issued by another practitioner, this overrides the need for the **Member in Public Practice** to issue a **Compilation Report**, except where paragraph 10.6 applies.
- 10.6 Where the circumstances described in paragraph 10.4 apply, but the scope of the **Compilation Engagement** extends to significant subject matter not covered under the **Assurance Engagement**, the **Member in Public Practice** shall issue a **Compilation Report** for the subject matter not covered under the **Assurance Engagement**.
- 10.7 Where a **Member in Public Practice** issues a **Compilation Report** in relation to **Financial Statements** which are prepared in accordance with a regulation or contract, the **Member** shall describe in the **Compilation Report** the purpose for which the **Financial Statements** are prepared or refer to a note in the **Financial Statements** that contains that information.
- 10.8 The information referred to in paragraph 10.7 is necessary to avoid misunderstandings when the **Financial Statements** are used for purposes other than those for which they were intended. The note to the **Financial Statements** may also describe any significant interpretations of the contract or regulation on which the **Financial Statements** are based.
- 10.9 Where **Financial Statements** purport to be prepared in accordance with a contract or a regulation and the **Member in Public Practice** forms the view that the **Financial Statements** do not adequately describe significant interpretations of the contract or the regulation on which the **Financial Statements** are based, the **Member** shall modify the **Compilation Report**.
- 10.10 Where a **Member in Public Practice** issues a **Compilation Report** in accordance with paragraph 10.2, 10.6 or 10.7, the **Compilation Report** shall contain the following:
- (a) the title of the report;
 - (b) the addressee;
 - (c) a statement that the **Compilation Engagement** was performed in accordance with this Standard, and that the **Member** has complied with relevant ethical requirements;
 - (d) an explanatory statement that the **Member** or the **Firm** is not independent of the **Client** (if applicable);
 - (e) identification of the **Compiled Financial Information** noting that it is based on the financial information provided by the **Client** (if applicable);
 - (f) the basis of any forecast information and key assumptions (applicable to prospective financial information only);
 - (g) a statement that the **Client** is responsible for the financial information compiled by the **Member**;
 - (h) a statement that neither an audit nor a review has been carried out by the **Member** and that accordingly no assurance is expressed on the **Compiled Financial Information**;

- (i) if the **Member** is reporting on the compilation of **Special Purpose Financial Statements**, a statement to that effect ~~as well as stating~~ including:
 - (i) the specific purpose for which they have been prepared; and
 - (ii) that the **Special Purpose Financial Statements** are only suitable for the purpose they have been prepared and may not be suitable for any other purpose;
- (j) the date of the **Compilation Report**;
- (k) the **Member's** or **Firm's** name, address and signature;
- (l) an appropriate disclaimer of liability; and
- (m) a description of the responsibilities of management or **Those Charged with Governance** of the **Client**, as appropriate, in relation to the **Compilation Engagement**; and in relation to the financial information.

*Examples of **Compilation Reports** including **Compilation Reports** in respect of **General Purpose Financial Statements** and **Special Purpose Financial Statements** are contained in Appendix 4.*

- 10.11 Where a **Member in Public Practice** issues a **Compilation Report** in accordance with paragraph 10.2, 10.6 or 10.7, the financial information compiled by the **Member** shall contain a reference such as "**Unaudited**", "**Compiled without Audit or Review**", or "**Refer to Compilation Report**" on each page of the **Compiled Financial Information**.

11. Communication of significant matters

- 11.1 A **Member in Public Practice** shall communicate to **Those Charged with Governance** of the **Client** any significant matters arising from the **Compilation Engagement** on a timely basis.

- 11.2 Communication should ordinarily be in **Writing**. Where the communication occurs orally, a **Member in Public Practice** should record in the working papers a summary of the significant matters discussed.

11.3 A **Member in Public Practice** who becomes aware of instances of non-compliance with laws and regulations during the performance of a **Compilation Engagement** shall comply with Section 360 *Responding to Non-Compliance with Laws and Regulations of the Code.*

- 11.4~~3~~ If during the performance of a **Compilation Engagement**, the **Member in Public Practice** obtains information that indicates that a fraud, **Misstatement** or illegal act has occurred, the **Member** shall communicate these matters as soon as practicable to **Those Charged with Governance** of the **Client**.

- 11.5~~4~~ Matters which the **Member in Public Practice** should communicate include:
- (a) **Misstatements** identified during the **Compilation Engagement** and the appropriate amendments agreed with the **Client** in respect of the **Misstatements**;
 - (b) additional information sought by the **Member** as a result of information supplied which contained **Misstatements** or was otherwise unsatisfactory;
 - (c) if additional information sought by the **Member** is not supplied:
 - (i) the effect that the lack of additional information may have on the **Compiled Financial Information**;

- (ii) the effect of the lack of additional information on the **Member's** report; and
- (iii) if appropriate, the fact that the **Member** proposes to withdraw from the **Compilation Engagement** as a result of the lack of additional information; and/or
- (d) any other matters that, in the **Member's** opinion, are significant in the context of the **Compilation Engagement**.

11.65 Where during the performance of a **Compilation Engagement** a **Member in Public Practice** obtains information that a fraud, **Misstatement** or illegal act has occurred and the **Member** has reason to believe that such an act is the result of actions of **Those Charged with Governance** of the **Client**, the **Member** shall consider the **Firm's** policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements* of APES 320 *Quality Control for Firms* in determining whether to continue acting for the **Client** in a professional capacity.

12. Subsequent discovery of facts

12.1 Subsequent to the completion of a **Compilation Engagement**, a **Member in Public Practice** may become aware of facts that existed at the date of completion of the **Compilation Engagement** which may have caused the **Member** to believe that information supplied was false or misleading, had the **Member** been aware of such facts.

12.2 A **Member in Public Practice** who has performed a **Compilation Engagement** shall assess the impact on the **Compiled Financial Information** of facts discovered subsequent to the date of the **Compilation Report**, discuss the matter with the **Client**, and take action appropriate in the circumstances. The **Member** shall document the reasons for the action taken by the **Member**.

12.3 If the **Member in Public Practice** believes that the **Compiled Financial Information** referred to in paragraph 12.2 needs to be revised, the **Member** shall take all reasonable steps to advise the **Client** to take the necessary steps to inform anyone who received the previously issued **Compiled Financial Information** of the situation.

12.4 When determining whether the **Compiled Financial Information** needs to be revised pursuant to paragraph 12.3, the **Member in Public Practice** should consider, among other things, ~~inter alia~~ the duration of time between the issue of the **Compiled Financial Information** and the subsequent discovery of facts referred to in paragraph 12.1, and the extent to which important decisions based on the **Compiled Financial Information** are still to be made.

12.5 If, in the view of the **Member in Public Practice**, the **Client** has not taken appropriate action in terms of paragraph 12.3, the **Member** shall notify **Those Charged with Governance** of the **Client**.

12.6 If, in the view of the **Member in Public Practice**, appropriate action is not taken by **Those Charged with Governance** of the **Client**, the **Member in Public Practice** shall consider the **Firm's** policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements* of APES 320 *Quality Control for Firms* in determining whether to continue acting for the **Client** in a professional capacity.

Conformity with International Pronouncements

APES 315 and ISRS 4410

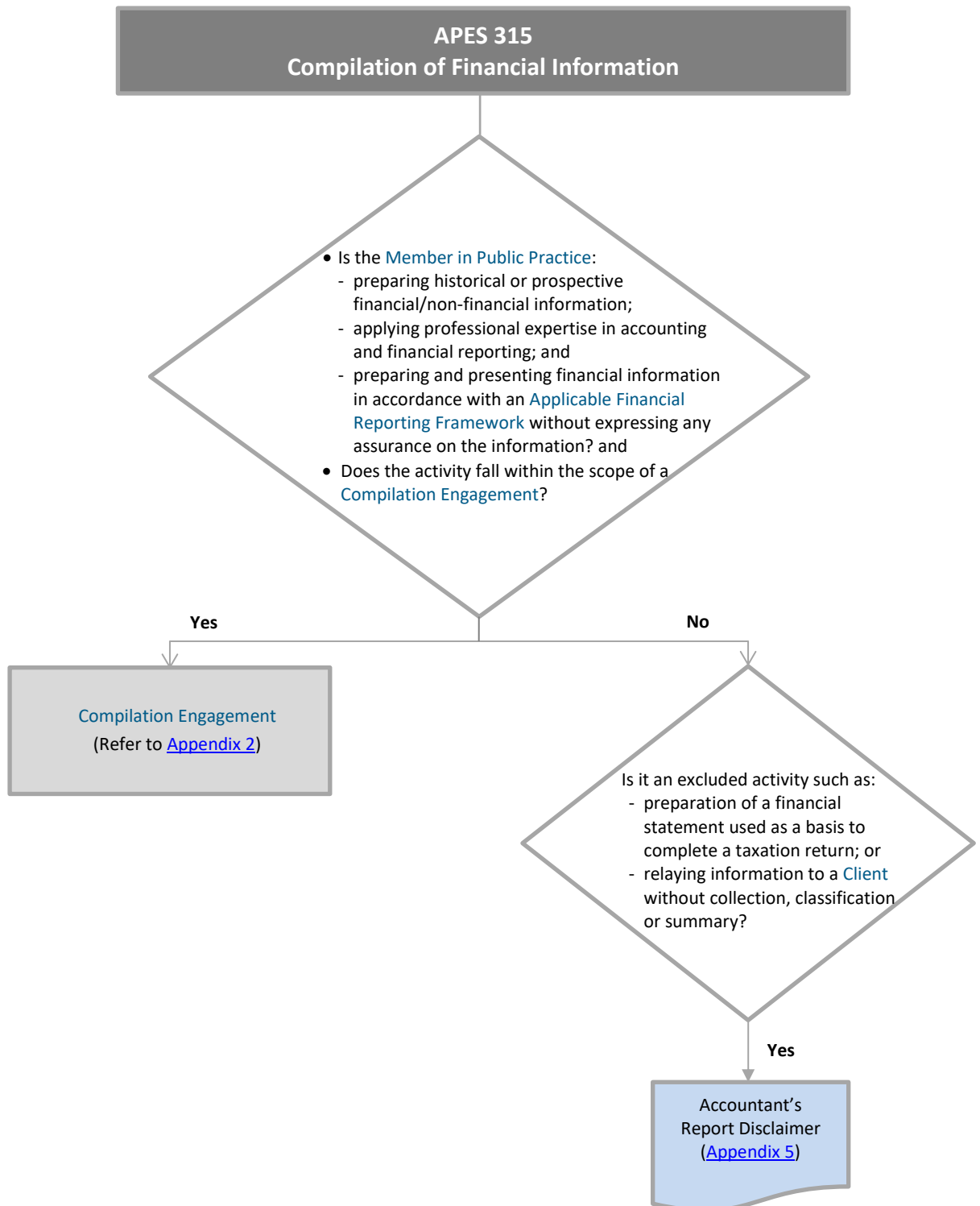
The basic principles and essential procedures of APES 315 and of ISRS 4410 (Revised) *Compilation Engagements* issued by the International Auditing and Assurance Standards Board (IAASB) are consistent except for the matters noted below:

- The scope, application and definitions in APES 315 are tailored to the Australian environment;
- APES 315 is more stringent whereby a **Member in Public Practice** must follow the mandatory requirements of APES 315 when the **Member** undertakes **Engagements to Compile Financial Information**, whereas ISRS 4410's scope is flexible and limited to a practitioner who assists management with a compilation and applies only in circumstances where the practitioner is reporting in accordance with the revised ISRS 4410;
- In respect of Relevant Ethical Requirements, APES 315 makes references to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*;
- APES 315 prescribes that the **Compilation Report** must state the following, if applicable:
 - an explanatory statement that the **Member** is not independent of the **Client**;
 - the basis of any forecast information and key assumptions (applicable to prospective financial information);
 - where **Special Purpose Financial Statements** are prepared, a statement drawing attention to the basis of accounting;
 - an appropriate disclaimer of liability;
- When undertaking a **Compilation Engagement** in respect of **General Purpose Financial Statements** or **Special Purpose Financial Statements**, APES 315 mandates that a **Member in Public Practice** shall comply with APES 205 *Conformity with Accounting Standards*. The professional obligation for the **Member** to comply with APES 205 includes consideration of the going concern basis of preparation of **Financial Statements**;
- APES 315 requires that the **Terms of Engagement** be documented in accordance with APES 305 *Terms of Engagement*;
- In relation to quality control matters, APES 315 refers to APES 320 *Quality Control for Firms*;
- APES 315 refers Members in Public Practice to guidance in APES GN 30 *Outsourced Services where the Member engages or outsources to a third party*;
- Where a **Member in Public Practice** has **Compiled Financial Information** which is not within the scope of a **Compilation Engagement**, APES 315 recommends that the **Member** consider issuing an Accountant's Report Disclaimer (refer Appendix 5);
- APES 315 provides additional guidance on planning procedures which is dependent upon the context of the **Compilation Engagement** and the specific circumstances of the **Client**;
- Where the **Compiled Financial Information** is audited or reviewed by another practitioner, APES 315 permits a **Member in Public Practice** not to issue a **Compilation Report**. However, the **Member** is required to issue a **Compilation Report** if the scope of the **Compilation Engagement** extends to significant subject matter not covered in the audit or review;
- APES 315 provides additional requirements and guidance where the **Compilation Report** is prepared in accordance with a regulation or contract;
- APES 315 mandates that a **Member in Public Practice** includes the words "Unaudited", "Compiled without Audit or Review" or "Refer to **Compilation Report**" on each page of the **Compiled Financial Information**;

- [APES 315 incorporates additional professional obligations in respect of communication of significant matters to Those Charged with Governance of the Client;](#)
- [APES 315 incorporates additional professional obligations in respect of responding to Non-Compliance with Laws and Regulations \(NOCLAR\);](#)
- APES 315 incorporates additional professional obligations in respect of subsequent discovery of facts;
- Appendix 1 of APES 315 provides guidance to determine whether an [Engagement](#) is a [Compilation Engagement](#);
- Appendix 2 provides guidance to determine when a [Compilation Report](#) should be issued;
- The [Engagement](#) Letter in Appendix 3 is tailored to the Australian environment;
- The [Compilation Reports](#) in Appendix 4 are tailored to the Australian environment and include an additional example (Example 2) of a [Compilation Report](#) for an [Engagement](#) to compile [Special Purpose Financial Statements](#); and
- Appendix 5 provides an example of an Accountant's Report Disclaimer that can be issued when a [Member in Public Practice](#) performs an excluded activity. Excluded activities are referred to in the definition of a [Compilation Engagement](#).

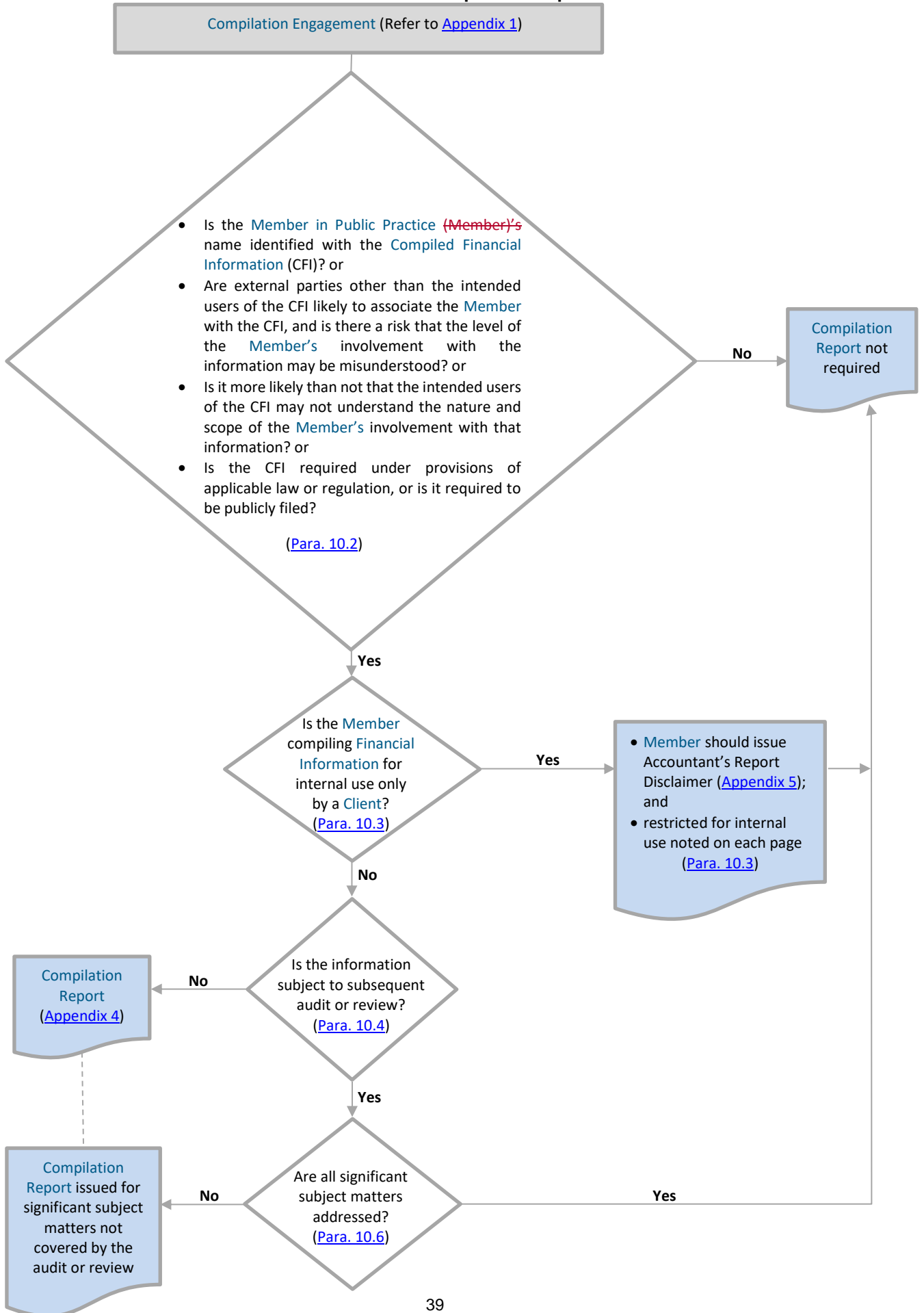
APPENDIX-Appendix 1:

Decision tree to determine whether an Engagement is a Compilation Engagement



APPENDIX Appendix 2:-

Decision tree to determine when a Compilation Report should be issued



APPENDIX Appendix 3:

Example Engagement Letter for a Compilation Engagement

The following is an example of an [Engagement](#) letter for a [Compilation Engagement](#) that illustrates the relevant requirements and guidance contained in this Standard. This letter is not authoritative but is intended only to be a guide that may be used in conjunction with the considerations outlined in this Standard. It will need to be adapted according to the requirements and circumstances of individual [Compilation Engagements](#). It is drafted to refer to the compilation of [Financial Statements](#) for a single reporting period and would require adaptation if intended or expected to apply to a recurring [Engagement](#) as described in this Standard. It may be appropriate to seek legal advice that any proposed letter is suitable.

This [Engagement](#) letter illustrates the following circumstances:

- The [Financial Statements](#) are to be compiled for sole use by the management of [name of entity] (“the [Client](#)”), and use of the [Financial Statements](#) will be restricted to management. Use and distribution of the [Member in Public Practice’s](#) report is also restricted to management.
- The compiled [Financial Statements](#) will comprise only the statement of financial position as at [30 June 20XX], the statement of [profit or loss and other](#) comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. These will be prepared in accordance with the ~~(the financial reporting framework/basis of accounting)~~ which will be described in Note 1 to the financial statements.

.....

To [name of entity]:³

[The objective and scope of the compilation engagement]

You have requested that we provide the following services:

On the basis of information that you will provide, we will assist you in the preparation and presentation of the following financial statements for [name of entity]: the statement of financial position as at [30 June 20XX], the statement of [profit or loss and other](#) comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. These will be prepared in accordance with the *(the financial reporting framework/basis of accounting)* described in Note 1 to the financial statements.

The purpose for which the financial statements will be used is to provide financial information showing the [Client’s](#) financial position at the financial reporting date of 30 June, 20XX and financial performance for the year then ended. The financial statements will be solely for your use, and will not be distributed to other parties.

Our Responsibilities

A compilation engagement involves applying expertise in accounting and financial reporting to assist you in the preparation and presentation of financial information. Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information you provide to us for the compilation engagement, or otherwise to gather evidence to express an audit opinion or a review conclusion⁴.

³ Throughout this illustrative [Engagement](#) letter, references to “[you](#)”, “[we](#)”, “[us](#)”, “[management](#)”, “[Those Charged with Governance](#)” and “[Member](#)” ~~w~~sh should be used or amended as appropriate in the circumstances.

⁴ Refer to [AUASB](#) standards for the issuance of audit opinions and review conclusions.

Accordingly, we will not express an audit opinion or a review conclusion on whether the financial statements are prepared in accordance with the basis of accounting you have specified, as described above.

We will perform the compilation engagement in accordance with APES 315 *Compilation of Financial Information*. APES 315 requires that, in undertaking this engagement, we comply with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Your Responsibilities

The compilation engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to assist you in the preparation and presentation of the financial statements in accordance with the financial reporting framework you have adopted for the financial statements. Accordingly, you have the following overall responsibilities that are fundamental to our undertaking the compilation engagement in accordance with APES 315:

- (a) Responsibility for the form and content of the financial information in accordance with an **A**pplicable **F**inancial **R**eporting **F**ramework that is acceptable in view of the intended use of the financial statements and the intended users.
- (b) Responsibility for the reliability, accuracy and completeness of the accounting records and disclosures you provide to us for the purpose of compiling the financial statements.
- (c) Responsibility for the judgements needed in the preparation and presentation of the financial statements, including those for which we may provide assistance in the course of the compilation engagement.

Our Compilation Report

As part of our engagement, we will issue our report attached to the financial statements compiled by us, which will describe the financial statements, and the work we performed for the compilation engagement [see pro forma attached]. The report will also note that the use of the financial statements is restricted to the purpose set out in this engagement letter, and that use and distribution of our report is restricted to you, as the management of [name of entity].

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to compile the financial statements described herein, and our respective responsibilities.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

[name of entity]

Acknowledged and agreed on behalf of the management of [name of entity] by

(signed)

.....

Name and Title

Date

APPENDIX Appendix 4:

Examples of Compilation Reports

Compilation Engagement for General Purpose Financial Statements

- Example 1: Member in Public Practice's report for an Engagement to compile Financial Statements using a ~~g~~General ~~p~~Purpose ~~financial-reporting-f~~Framework.

Compilation Engagement for Special Purpose Financial Statements

- Example 2: Member in Public Practice's report for an Engagement to compile Financial Statements using a ~~s~~Special ~~p~~Purpose ~~financial-reporting-f~~Framework.
- Example 3: Member in Public Practice's report for an Engagement to compile Financial Statements using a ~~s~~Special ~~p~~Purpose ~~financial-reporting-f~~Framework with an additional paragraph that draws attention to the basis of accounting.

Compilation Engagements for financial information prepared for a special purpose where use or distribution of the financial information is restricted to the intended users

- Example 4: Member in Public Practice's report for an Engagement to compile Special Purpose Financial Statements using the basis of accounting specified in a contract.
- Example 5: Member in Public Practice's report for an Engagement to compile Special Purpose Financial Statements using a basis of accounting selected by the management of a Client for financial information required for management's own purposes.
- Example 6: Member in Public Practice's report for an Engagement to compile Special Purpose ~~financial~~ Financial Statements ~~information that is an element, account or item, being insert appropriate reference to information required for~~ a regulatory compliance purposes~~s~~.

Example 1

Example [Compilation Report](#) on an [Engagement](#) to compile [General Purpose Financial Statements](#).

COMPILATION REPORT TO [name of entity] ("the Client")

We have compiled the accompanying general purpose financial statements of [name of entity], which comprise the statement of financial position as at [30 June 20XX], the statement of [profit or loss and other](#) comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. These have been prepared in accordance with Australian Accounting Standards⁵.

The Responsibility of [Those Charged with Governance]

[[Those Charged with Governance](#)] of [name of entity] are solely responsible for the information contained in the general purpose financial statements and the reliability, accuracy and completeness of the information.

Our Responsibility

On the basis of information provided by [[Those Charged with Governance](#)] we have compiled the accompanying general purpose financial statements in accordance with the (*financial reporting framework/basis of accounting*) and APES 315 *Compilation of Financial Information*.

We have applied our expertise in accounting and financial reporting to compile these financial statements in accordance with Australian Accounting Standards¹. We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion⁶ on these financial statements.

The general purpose financial statements were compiled for the benefit of [[Those Charged with Governance](#)] who are responsible for the reliability, accuracy and completeness of the information used to compile them. We do not accept responsibility for the contents of the general purpose financial statements.

Independence (if required)

We are not independent of [name of entity] because [~~reasons why not independent, for example, the [Member](#) is a close relative of a director or proprietor of the entity~~].

Address

[Member or Firm](#)

Date

⁵ Alternatively identify the fair presentation framework that has been adopted for the preparation of the [General Purpose Financial Statements](#) e.g. [for example](#), IFRS.

⁶ Refer to [AUASB](#) standards for the issuance of audit opinions and review conclusions.

Example 2

Example **Compilation Report** on an **Engagement** to compile **Special Purpose Financial Statements**.

COMPILATION REPORT TO [name of entity] ("the Client")

We have compiled the accompanying special purpose financial statements of [name of entity], which comprise the [statement of financial position] as at [30 June 20XX], the [statement of profit or loss and other comprehensive income], [statement of changes in equity] and [statement of cash flows] for the year then ended, a [summary of significant accounting policies] and [other explanatory notes]. The specific purpose for which the special purpose financial statements have been prepared is set out in Note [...].

The Responsibility of [Those Charged with Governance]

[Those Charged with Governance] of [name of entity] are solely responsible for the information contained in the special purpose financial statements, the reliability, accuracy and completeness of the information and for the determination that the {financial reporting framework/basis of accounting} used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by [Those Charged with Governance] we have compiled the accompanying special purpose financial statements in accordance with the *(financial reporting framework/basis of accounting)* as described in Note 1 to the financial statements and APES 315 *Compilation of Financial Information*.

We have applied our expertise in accounting and financial reporting to compile these financial statements in accordance with the {financial reporting framework/basis of accounting} described in Note 1 to the financial statements. We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards).

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion⁷ on these financial statements.

The special purpose financial statements were compiled exclusively for the benefit of [Those Charged with Governance] who are responsible for the reliability, accuracy and completeness of the information used to compile them. Accordingly, these special purpose financial statements may not be suitable for other purposes. We do not accept responsibility for the contents of the special purpose financial statements.

Independence (if required)

We are not independent of [name of entity] because {reasons why not independent, for example, the Member is a close relative of a director or proprietor of the entity}.

Address

Member or Firm

Date

⁷ Refer to AUASB standards for the issuance of audit opinions and review conclusions.

Example 3

Example [Compilation Report](#) on an [Engagement](#) to compile [Special Purpose Financial Statements](#) with an additional paragraph that draws attention to the basis of accounting.

COMPILATION REPORT TO [name of entity] ("the Client")

We have compiled the accompanying special purpose financial statements of [name of entity], which comprise the statement of financial position as at [30 June 20XX], the statement of [profit or loss and other](#) comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. These have been prepared in accordance with the [~~the financial reporting framework/basis of accounting~~] described in Note 1 to the financial statements. The specific purpose for which the special purpose financial statements have been prepared is set out in Note [...].

The Responsibility of [Those Charged with Governance]

[[Those Charged with Governance](#)] of [name of entity] are solely responsible for the information contained in the special purpose financial statements, the reliability, accuracy and completeness of the information and for the determination that the [~~financial reporting framework/basis of accounting~~] used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by [[Those Charged with Governance](#)] we have compiled the accompanying special purpose financial statements in accordance with the [~~financial reporting framework/basis of accounting~~] and APES 315 *Compilation of Financial Information*.

We have applied our expertise in accounting and financial reporting to compile these financial statements in accordance with the [~~financial reporting framework/basis of accounting~~] described in Note 1 to the financial statements. We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* ([including Independence Standards](#)).

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion⁸ on these financial statements.

The special purpose financial statements were compiled exclusively for the benefit of [[Those Charged with Governance](#)] who are responsible for the reliability, accuracy and completeness of the information used to compile them. Accordingly, these special purpose financial statements may not be suitable for other purposes. We do not accept responsibility for the contents of the special purpose financial statements.

Note Regarding Basis of Accounting

We draw attention to Note XX to the financial statements. [[Those Charged with Governance](#)] of [name of entity] have determined not to (e.g. capitalise leases in accordance with Australian Accounting Standard ~~AASB 117 Leases~~ or AASB 16 *Leases*).

Address

[Member or Firm](#)

Date

⁸ Refer to [AUASB](#) standards for the issuance of audit opinions and review conclusions.

Example 4

Example [Compilation Report](#) on an [Engagement](#) to compile [Special Purpose Financial Statements](#) using the basis of accounting specified in a contract.

COMPILATION REPORT TO [name of entity] (“the Client”)

We have compiled the accompanying financial statements of [name of entity] based on information provided by the management of [name of entity] (“management”). These financial statements comprise *[name all the elements of the financial statements prepared under the basis of accounting specified in the [Contract](#) and the period/date to which they relate]*.

The Responsibility of [Those Charged with Governance]

[\[Those Charged with Governance\]](#) of [name of entity] are solely responsible for the information contained in the special purpose financial statements, the reliability, accuracy and completeness of the information and for the determination that the [\[financial reporting framework/basis of accounting\]](#) used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by [\[Those Charged with Governance\]](#) we have compiled the accompanying special purpose financial statements in accordance with the [\[financial reporting framework/basis of accounting\]](#) and APES 315 *Compilation of Financial Information*.

We have applied our professional expertise in accounting and financial reporting to assist management in the preparation and presentation of these financial statements on the basis of accounting described in Note 1 to the financial statements. We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

These financial statements and the reliability, accuracy and completeness of the information used to compile them are management’s responsibility.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion⁹ on these financial statements.

As stated in Note 1, the financial statements are prepared and presented on the basis described in clause Z of the provisions of the Company’s contract with [\[XYZ Limited\]](#) dated *[insert date of the relevant contract/agreement]* (“the [Contract](#)”), and for the purpose described in Note Y to the financial statements. Accordingly, these financial statements are intended for use only by the parties specified in the Contract, and may not be suitable for other purposes.

Our compilation report is intended solely for the parties specified in the Contract, and should not be distributed to other parties without our prior written consent.

Address

Member or Firm

Date

⁹ Refer to [AUASB](#) standards for the issuance of audit opinions and review conclusions.

Example 5

Example [Compilation Report](#) on an [Engagement](#) to compile [Special Purpose Financial Statements](#) using the basis of accounting specified by management of the [Client](#) for management's own purposes.

COMPILATION REPORT TO [name of entity] ("the Client")

We have compiled the accompanying financial statements of [name of entity] based on information you have provided. These financial statements comprise the [statement of financial position] as at [30 June 20XX], the [statement of [profit or loss and other comprehensive income](#)], [statement of changes in equity] and [statement of cash flows] for the year then ended, a [summary of significant accounting policies] and [other explanatory notes]. The specific purpose for which the special purpose financial statements have been prepared is set out in Note [...].

The Responsibility of [Those Charged with Governance]

[[Those Charged with Governance](#)] of [name of entity] are solely responsible for the information contained in the special purpose financial statements, the reliability, accuracy and completeness of the information and for the determination that the [~~financial reporting framework/basis of accounting~~] used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by [[Those Charged with Governance](#)] we have compiled the accompanying special purpose financial statements in accordance with the [~~financial reporting framework/basis of accounting~~] and APES 315 *Compilation of Financial Information*.

We have applied our professional expertise in accounting and financial reporting to assist management in the preparation and presentation of these financial statements on the basis of accounting described in Note 1 to the financial statements. We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* ([including Independence Standards](#)).

These financial statements and the reliability, accuracy and completeness of the information used to compile them are management's responsibility.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion¹⁰ on these financial statements.

Note X states the basis on which these financial statements are prepared, and their purpose is described in Note Y. Accordingly, these financial statements are for your use only⁷ and may not be suitable for other purposes.

Our compilation report is intended solely for your use in your capacity as management of [name of entity]⁷ and should not be distributed to other parties without our prior written consent.

Address

Member or Firm

Date

¹⁰ Refer to [AUASB](#) standards for the issuance of audit opinions and review conclusions.

Example 6

Example [Compilation Report](#) on an [Engagement](#) to compile [Special Purpose Financial Statements](#) for regulatory compliance purposes.

COMPILATION REPORT TO [name of entity] (“the Client”)

We have compiled the accompanying schedule of [*identify the compiled financial information*] of [name of entity] as at [30 June 20XX] (“the Schedule”) based on information you have provided.

The Responsibility of [Those Charged with Governance]

[[Those Charged with Governance](#)] of [name of entity] are solely responsible for the information contained in the special purpose financial statements, the reliability, accuracy and completeness of the information and for the determination that the [*financial reporting framework/basis of accounting*] used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

This Schedule and the reliability, accuracy and completeness of the information used to compile it are your responsibility.

Our Responsibility

On the basis of information provided by [[Those Charged with Governance](#)] we have compiled the accompanying special purpose financial statements in accordance with the (*financial reporting framework/basis of accounting*) and APES 315 *Compilation of Financial Information*.

We have applied our professional expertise in accounting and financial reporting to assist management in the preparation and presentation of these financial statements on the basis of accounting described in Note 1 to the financial statements. We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* ([including Independence Standards](#)).

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information you provided to us to compile the Schedule. Accordingly, we do not express an audit opinion or a review conclusion¹¹ on whether the Schedule is prepared in accordance with [*insert name of or reference to [Applicable Financial Reporting Framework](#) as specified in the relevant regulation*].

As stated in Note X, the Schedule is prepared and presented on the basis prescribed by [*insert name of or reference to the [Applicable Financial Reporting Framework](#) as specified in the relevant regulation*], for the purpose of [name of entity]’s compliance with [*insert name of or reference to the relevant regulation*]. Accordingly, the Schedule is for use only in connection with that purpose and may not be suitable for any other purpose.

Our compilation report is intended solely for the use of [name of entity] and [name of regulator], and should not be distributed to parties other than [name of entity] or [name of regulator] without our prior written consent.

Address

Member or Firm

Date

¹¹ Refer to [AUASB](#) standards for the issuance of audit opinions and review conclusions.

APPENDIX Appendix 5:

Example of an Accountant's Report Disclaimer

Example Accountant's Report Disclaimer on an excluded activity to prepare **Special Purpose Financial Statements** used as a basis to complete an income tax return.

ACCOUNTANT'S REPORT DISCLAIMER

Purpose and Scope

The attached unaudited special purpose financial statements of ~~the~~ [name of entity], for the year ended [30 June 20XX], have been prepared for [Those Charged with Governance] solely for the purpose of the preparation of the entity's income tax return, and have not been prepared for use by third parties or any other purpose.

Responsibility of [Those Charged with Governance]

[Those Charged with Governance] of the entity are solely responsible for the information contained in the unaudited special purpose financial statements.

Our Procedures

The unaudited special purpose financial statements have been prepared in accordance with historical transactions provided to us by [Those Charged with Governance].

We have not conducted an audit or review in respect of this engagement. Accordingly, no opinion is expressed in respect of the accuracy or otherwise of the unaudited special purpose financial statements.

Disclaimer

The unaudited special purpose financial statements were prepared exclusively for the entity to use as a basis to complete its income tax return. We do not accept responsibility to any person for the contents of the unaudited special purpose financial statements.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than our client, may suffer arising from any negligence on our part. No person should rely on the unaudited special purpose financial statements without having an audit or review conducted.

Address

Member or Firm

Date

APES GN 30 Outsourced Services

[Supersedes APES GN 30 Outsourced Services issued in ~~March 2013 and~~ October 2015]

~~Prepared and issued by
Accounting Professional & Ethical Standards Board Limited~~

REVISED: ~~October 2015~~ XXXX 2020

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Conformity with International Pronouncements

Appendix 1: Examples of Outsourced Services

Appendix 2: Subject matter that should be considered for inclusion in an Outsourcing Agreement

Appendix 3: Summary of revisions to the previous APES GN 30 (Issued in ~~March 2013~~ [October 2015](#)) [Not included as the summary of revisions is set out in the [Explanatory Memorandum for this Exposure Draft](#)]

1. Scope and application

- 1.1 The objectives of APES GN 30 *Outsourced Services* are to provide guidance in relation to a **Member in Public Practice's** professional and ethical obligations in respect of:
- fundamental responsibilities of the **Member** who provides or utilises an **Outsourced Service**;
 - management of risks associated with the performance or utilisation of **Outsourced Services**;
 - matters to be included in the **Outsourcing Agreement** pertaining to **Outsourced Services**;
 - management and monitoring of the **Outsourced Services**; and
 - documentation.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional guidance note APES GN 30 *Outsourced Services* (the Guidance Note). [This Guidance Note](#) which is effective from the date of issue and supersedes APES GN 30 issued in ~~March 2013~~ [October 2015](#).
- 1.3 APES GN 30 provides guidance or suggestions to assist a **Member in Public Practice** who is providing or utilising **Outsourced Services** and does not prescribe or create any new professional requirements. The term “should” used throughout this Guidance Note is to be read in this context.
- 1.4 **Members in Public Practice** in Australia should follow the guidance in APES GN 30 when they provide or utilise **Outsourced Services**.
- 1.5 **Members in Public Practice** ~~working~~ outside of Australia should follow the guidance in APES GN 30 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.
- [1.6](#) This Guidance Note is directed towards Members in Public Practice. However, Members in Business should apply this Guidance Note to the extent practicable when they provide or utilise Outsourced Services.
- ~~1.7~~6 The Guidance Note is not intended to detract from any responsibilities which may be imposed by law or regulation.
- ~~1.8~~7 For the purposes of this Guidance Note, an **Engagement** which is subject to ASA 600 *Special Considerations – Audits of a Group Financial Report (Including the Work of Component Auditors)* is not considered to be an **Outsourced Service**.
- ~~1.9~~8 All references to **Professional Standards**, guidance notes and legislation are references to those provisions as amended from time to time.
- ~~1.10~~9 **Members in Public Practice** ~~should be familiar with relevant~~ are required to comply with applicable Professional Standards and be familiar with relevant guidance notes when ~~providing Professional Services~~ performing Professional Activities. All Members are required to comply with the requirements of the Code.
- ~~1.11~~0 In applying the guidance outlined in APES GN 30, **Members in Public Practice** should be guided not merely by the words but also by the spirit of this Guidance Note and the **Member's** professional obligation to comply with the requirements of the **Code**.
- ~~1.11~~ This Guidance Note is directed towards Members in Public Practice. However, Members in Business should apply this Guidance Note to the extent practicable when they provide or utilise Outsourced Services.

- 1.12 In this Guidance Note, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.

2. Definitions

[Defined terms are shown in the body of the Guidance Note in title case.](#)

For the purpose of this Guidance Note:

Acceptable Level means a level at which a [Member using the](#) reasonable and informed third party [test](#) would ~~be likely to conclude, weighing all the specific facts and circumstances available to the Member at that time,~~ that [the Member](#) complies ~~ancee~~ with the fundamental principles ~~is not compromised~~.

Client means an individual, firm, entity or organisation to whom or to which [Professional Activities](#) are provided by a [Member in Public Practice](#) in respect of [Engagements](#) of either a recurring or demand nature.

Cloud Computing means the use of computing resources that are delivered as a service over the internet. Cloud Computing entrusts remote services with a user's data, software and computation.

Code means APES 110 *Code of Ethics for Professional Accountants* ([including Independence Standards](#)).

Engagement means an agreement, whether written or otherwise, between a [Member in Public Practice](#) and a [Client](#) relating to the provision of [Professional Services](#) by a [Member in Public Practice](#). However, consultations with a prospective [Client](#) prior to such agreement are not part of an [Engagement](#).

Firm means:

- (a) A sole practitioner, partnership, corporation or other entity of professional accountants;
- (b) An entity that controls such parties ~~;~~ through ownership, management or other means;
- (c) An entity controlled by such parties ~~;~~ through ownership, management or other means; or
- (d) An Auditor-General's office or department.

Material Business Activity means an activity of an entity or a [Firm](#) that has the potential, if disrupted, to significantly impact upon the quality, timeliness or scale of [Professional Services](#) offered by a [Member in Public Practice](#) or received by a [Client](#). Whether a business activity is a Material Business Activity should be based on an assessment of the risks associated with the nature and size of the activity and the business activity's relevance to the [Professional Service](#) delivered to the [Client](#). Material Business Activities exclude the internal activities of a [Firm](#) such as record storage or software application hosting where these internal activities merely support the [Professional Services](#) delivered to the [Client](#).

Member means a member of a [Professional Body](#) that has adopted this Guidance Note as applicable to their membership ~~;~~ as defined by that [Professional Body](#).

Member in Business means a [Member working](#) ~~employed or engaged in an executive or non-executive capacity in such~~ [in](#) areas [such](#) as commerce, industry, service, the public sector, education, the not-for-profit sector, ~~or in~~ regulatory ~~bodies~~ or professional bodies, [who might be an employee, contractor, partner, director \(executive or non-executive\), owner-manager or volunteer](#) ~~or a Member contracted by such entities.~~

Member in Public Practice means a **Member**, irrespective of functional classification (~~e.g.~~ [for example](#), audit, tax or consulting) in a **Firm** that provides **Professional Services**. This term is also used to refer to a **Firm** of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable **Professional Body**.

Network means a larger structure:

- (a) That is aimed at ~~co-operation~~ [cooperation](#); and
- (b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.

Network Firm means a **Firm** or entity that belongs to a **Network**.

Outsourced Service means a service involved in Outsourcing a Material Business Activity to an Outsourced Service Provider.

[Appendix 1 includes a series of examples of Outsourced Services including considerations relevant to what is a Material Business Activity.](#)

Outsourced Service Provider means an entity including a person that is providing services in accordance with an Outsourcing Agreement. The Outsourced Service Provider may not be located in the same country as the Member in Public Practice or the Client and may not even be a Member.

Outsourcing means an activity where an entity or a **Firm** engages a party, on a continuing basis, to perform a business activity that is being, has been, or could be performed by that entity or **Firm**. Outsourcing can be from a **Client** to a **Member in Public Practice** or from a **Member in Public Practice** to another service provider to assist with the delivery of a **Professional Service** to a **Client**.

Outsourcing Agreement means the document (i.e. letter, agreement or any other appropriate means) in which the terms and conditions of an **Outsourced Service** are set out.

~~**Outsourced Service** means a service involved in Outsourcing a Material Business Activity to an Outsourced Service Provider.~~

~~**Outsourced Service Provider** means an entity including a person that is providing services in accordance with an Outsourcing Agreement. The Outsourced Service Provider may not be located in the same country as the Member in Public Practice or the Client and may not even be a Member.~~

Professional Activity means an activity requiring accountancy or related skills undertaken by a **Member**, including accounting, auditing, ~~taxation~~, management consulting, and financial management.

Professional Bodies means Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.

Professional Services means **Professional Activities** performed for **Clients**.

Professional Standards means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable **Professional Body**.

Terms of Engagement means the terms and conditions that are agreed between the **Client** and the **Member in Public Practice** for the **Engagement**.

3. Fundamental Responsibilities of Members in Public Practice

Members providing or utilising Outsourced Services

- 3.1 The **Code** is the conceptual framework and foundation on which all APESB pronouncements are based. Compliance with and application of the **Code** is fundamental to the professional behaviour of all **Members**. Non-compliance with the **Code** can lead to disciplinary proceedings being initiated by the **Professional Body** to which the **Member** belongs.
- 3.2 The professional obligations and ethical requirements that all **Members** are required to comply with are based on the five fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour in the **Code**.

Members providing Outsourced Services

- 3.3 The provision of **Outsourced Services** may create threats to compliance with the fundamental principles of the **Code**, as well as risks of non-compliance with applicable laws and regulations, (for example, the *Privacy Act 1988 (Cth)*). A **Member in Public Practice** providing an **Outsourced Service** should consider potential threats to the fundamental principles in accordance with ~~Section 100~~ [Part 1 Complying with the Code, Fundamental Principles and Conceptual Framework](#) of the **Code**. Where threats cannot be eliminated or reduced to an **Acceptable Level** and the **Member** is considering resigning from an **Engagement**, then the **Member** is reminded to consider the legal and other implications of existing contractual arrangements.

3.4 A Member in Public Practice who becomes aware of instances of non-compliance with laws and regulations when providing Outsourced Services is required to comply with Section 360 Responding to Non-Compliance with Laws and Regulations of the Code.

Members utilising Outsourced Services

- 3.54 A **Member in Public Practice** utilising **Outsourced Services** should evaluate the **Member's** ability to comply with ~~Subsection 130~~ [113 Professional Competence and Due Care](#) of the **Code**.
- 3.65 A **Member in Public Practice** who is considering utilising **Outsourced Services** should take reasonable steps to determine that the **Outsourced Service Provider** has the required professional competence, skills, capacity, policies and procedures to conduct the **Outsourced Services** and to manage the risks associated with **Outsourcing**. As part of the risk management process, prior to sharing confidential information with an **Outsourced Service Provider**, the **Member** should evaluate the **Outsourced Service Provider's** controls to safeguard such information, including whether the **Outsourced Service Provider** has appropriate systems and procedures in place to prevent unauthorised access.
- 3.7 When a Member in Public Practice is considering using Outsourced Services, the Member should determine the Client's specific requirements and whether there is any prohibition on the use of Outsourced Services, including the use of an Outsourced Service Provider operating outside of Australia.
- 3.86 A **Member in Public Practice** who utilises an **Outsourced Service Provider** retains the primary responsibility to deliver the **Professional Service** in accordance with the **Terms of Engagement** with the **Client** and in compliance with the ethical requirements of the **Code** and applicable **Professional Standards**.
- 3.97 Where a **Member in Public Practice** utilises **Outsourced Services**, the **Member** should disclose to the **Client** the geographical location of the **Outsourced Service Provider**

and the nature and extent to which [Outsourced Services](#) are used in the delivery of the [Professional Service](#) to the [Client](#). These factors impact the amount of risk associated with the [Outsourced Service](#) being delivered and the management of the confidential information of the [Client](#). Where a [Firm](#) uses [Outsourcing](#) on a regular basis with many [Clients](#), a standard form of disclosure may be used by the [Firm](#).

3.108 The [Member](#) should consider obtaining written consent from the [Client](#) to use [Outsourced Services](#). Appropriate forms of written consent from a [Client](#) include a signed [Engagement Letter](#) that incorporates details of the intended [Outsourcing](#) activities and acknowledgement of the acceptance of use of [Outsourced Services](#).

3.119 The use of an [Outsourced Service Provider](#) may create threats to compliance with the fundamental principles of the [Code](#) as well as risks associated with non-compliance with applicable laws and regulations, (for example, the [Privacy Act 1988 \(Cth\)](#)). A [Member in Public Practice](#) should consider potential threats to the fundamental principles in accordance with [Section 100 Part 1 Complying with the Code, Fundamental Principles and Conceptual Framework](#) of the [Code](#). Where threats cannot be eliminated or reduced to an [Acceptable Level](#) and the [Member](#) is considering resigning from an [Engagement](#), then the [Member](#) is reminded to consider the legal and other implications of existing contractual arrangements.

[3.12](#) [A Member in Public Practice who becomes aware of instances of non-compliance with laws and regulations when utilising Outsourced Services is required to comply with Section 360 Responding to Non-Compliance with Laws and Regulations of the Code.](#)¹²

4. Management of risks associated with Outsourced Services

Members providing Outsourced Services

4.1 A [Member in Public Practice](#) providing an [Outsourced Service](#) should develop and document an [Outsourcing](#) policy framework to effectively manage the risks associated with [Outsourcing](#). Matters that may be addressed by this framework include:

- the approach to managing the business;
- the approach to managing business, operational and other risks;
- management of the administrative function;
- maintenance of compliance with regulatory frameworks where relevant;
- communication protocols;
- procedures for maintenance of [Client](#) and third party confidentiality;
- procedures for reporting to the [Client](#); and
- processes for review of work.

Members utilising Outsourced Services

4.2 A [Member in Public Practice](#) utilising [Outsourced Services](#) should develop and document an [Outsourcing](#) policy framework together with policies and procedures and communicate this framework to all relevant personnel of the [Member's Firm](#). The framework could set out the [Member's](#) approach to utilising [Outsourced Services](#) and include the [Member's](#) approach to managing business, operational and other risks associated with the performance of the [Outsourcing Agreement](#).

¹² [Members in Business should refer to Section 260 Responding to Non-Compliance with Laws and Regulations of the Code.](#)

- 4.3 When a **Member in Public Practice** is considering using an **Outsourced Service Provider**, the **Member** should conduct appropriate due diligence prior to entering into any **Outsourcing Agreement**. Matters to be assessed in this context typically include:
- (a) the operating policies and procedures of the **Outsourced Service Provider**;
 - (b) whether the **Outsourced Service Provider** has sufficient staff with the necessary professional competencies and skills;
 - (c) the adequacy of contingency and business continuity plans of the **Outsourced Service Provider**;
 - (d) whether the information security measures adhere to applicable legal and regulatory obligations;
 - (e) whether the **Outsourced Service Provider** has appropriate quality control requirements in place in respect of the **Outsourced Service** that will enable the **Member** to comply with the **Member's** professional obligations in respect of APES 320 *Quality Control for Firms* and other applicable **Professional Standards**;
 - (f) whether the **Member** has sufficient comfort that file review and error correction processes are employed by the **Outsourced Service Provider**;
 - (g) the communication skills of the **Outsourced Service Provider** and its personnel;
 - (h) whether the **Outsourced Service Provider** will perform the duties and responsibilities of the **Outsourcing Agreement** in a timely manner;
 - (i) how the **Member** is going to address the changes to the risk profile of the **Material Business Activity** that is the subject of the **Outsourced Service**; and
 - (j) the ability of the proposed **Outsourced Service Provider** to conduct the **Outsourced Services** on an ongoing basis.
- 4.4 A **Member in Public Practice** who utilises **Outsourced Services** should consider developing, documenting and periodically reviewing contingency plans to enable the **Outsourced Services** to be provided by an alternative **Outsourced Service Provider** or to be brought in-house, if required.
- 4.5 **Outsourced Services** may result in the day-to-day responsibility for certain activities moving to an **Outsourced Service Provider**. However, a **Member in Public Practice** who utilises such a service retains the responsibility to monitor the work that is performed by the **Outsourced Service Provider** and to perform sufficient reviews to assess whether the **Professional Service** provided complies with the **Code** and **Professional Standards** applicable to the **Engagement**.

5. Terms of the Outsourcing Agreement

- 5.1 A **Member in Public Practice** who is providing or utilising an **Outsourced Service** should document the **Outsourcing** arrangement taking into consideration the subject matter listed in Appendix 2 of this Guidance Note. The **Member** should also consider whether there are current contractual arrangements in place, and legal and other implications of existing contracts.

Members providing Outsourced Services

- 5.2 Pursuant to APES 305 *Terms of Engagement*, a **Member in Public Practice** is required to document and communicate the **Terms of Engagement**.
- 5.3 Where a **Member in Public Practice** provides **Outsourced Services** and the **Member** in turn subcontracts part of the **Professional Service** to another service provider, the **Member** should disclose details of these arrangements in the **Outsourcing Agreement** with the **Client**.

Members utilising Outsourced Services

- 5.4 A **Member in Public Practice** who utilises an **Outsourced Service** should agree and document the scope of the services with the **Outsourced Service Provider**.
- 5.5 A **Member in Public Practice** who utilises **Outsourced Services** should review the **Outsourcing Agreement** periodically to ensure it is kept up to date with changing business needs.

Insurance

Members providing Outsourced Services

- 5.6 A **Member in Public Practice** who provides **Outsourced Services** should review their professional indemnity insurance policy to assess whether adequate coverage exists for the **Outsourced Services** provided.

6. Performance of the Outsourcing Agreement

Members providing or utilising Outsourced Services

Transfer process and knowledge

- 6.1 The transition of services to be **Outsourced** has a number of risks associated with it. A **Member in Public Practice** providing or utilising **Outsourced Services** should manage the risks of transition and implementation by using appropriate project management skills and discipline. Where the **Member** does not have the professional expertise to manage the transition of processes and the required implementation support, the **Member** should seek assistance from a suitably qualified third party.

Monitor and manage performance

- 6.2 A **Member in Public Practice** providing or utilising **Outsourced Services** should consider whether the **Member** has sufficient resources to manage the risks and monitor the performance of the **Outsourcing Agreement**. The type and extent of resources will depend on the **Material Business Activity** that is **Outsourced**.
- 6.3 A **Member in Public Practice** providing or utilising **Outsourced Services** should obtain comfort that the day-to-day operations, as well as issues that arise during the performance of the **Outsourcing Agreement**, will be appropriately managed. Steps that may be undertaken include the establishment and documentation of appropriate corporate governance structures and processes.
- 6.4 A **Member in Public Practice** providing or utilising **Outsourced Services** should develop and document communication protocols between the **Member** and the **Client** or the **Member** and the **Outsourced Service Provider**, as applicable.
- 6.5 A **Member in Public Practice** providing or utilising **Outsourced Services** should use appropriate performance measures (which may be detailed in the **Outsourcing Agreement**) to monitor the performance of the **Member** or the **Outsourced Service Provider**, as applicable. The **Member** should consider the **Outsourcing** policy framework referred to in paragraph 4.1 when developing performance measures.
- 6.6 A **Member in Public Practice** providing or utilising **Outsourced Services** should review the work of the **Member's** personnel or the **Outsourced Service Provider**, as applicable, to:

- assess whether ~~that~~ the work has been completed in accordance with the [Outsourcing Agreement](#);
- establish that the objectives of the [Engagement](#) have been achieved;
- assess whether the work has been performed in accordance with applicable [Professional Standards](#), legal and regulatory requirements; and
- assess whether the work performed has been appropriately documented and supports the conclusions reached.

The [Member](#) should review the work performed prior to submitting the work product to the [Member's Client](#).

- 6.7 A [Member in Public Practice](#) who provides or utilises [Outsourced Services](#) should consider the manner in which information security and legal obligations that address matters of privacy and confidentiality will be managed during the [Engagement](#).

Renew, renegotiate and terminate

- 6.8 A [Member in Public Practice](#) who provides or utilises [Outsourced Services](#) should apply both qualitative and quantitative performance measures when evaluating whether to renew, renegotiate or terminate the [Outsourcing Agreement](#).
- 6.9 Where a [Member in Public Practice](#) plans to terminate an [Outsourcing Agreement](#), the [Member](#) should consider planning the process to bring the activity back in-house or to transfer to another [Outsourced Service Provider](#) in a timely manner prior to the actual termination.

Client monies

- 6.10 Where a [Member in Public Practice](#) who provides or utilises [Outsourced Services](#) holds, disburses or receives [Client](#) monies or operates [Client](#) bank accounts the [Member](#) is required to comply with APES 310 ~~*Dealing with Client Monies*~~.

7. Documentation

Members providing or utilising Outsourced Services

- 7.1 A [Member in Public Practice](#) who provides or utilises [Outsourced Services](#) should develop policies and procedures designed to monitor and manage the delivery of the [Outsourced Service](#). Adherence to such policies and procedures may be documented by the [Member](#) as part of the risk management process.

Members providing Outsourced Services

- 7.2 A [Member in Public Practice](#) who provides [Outsourced Services](#) is required to have appropriate quality control requirements in place in accordance with APES 320 *Quality Control for Firms*.
- 7.3 A [Member in Public Practice](#) who provides [Outsourced Services](#) should prepare working papers that appropriately document the work performed, including aspects of the [Outsourced Service](#) that have been provided in writing.

Conformity with International Pronouncements

The International Ethics Standards Boards for Accountants (IESBA) has not issued a pronouncement equivalent to APES GN 30.

Appendix 1

Examples of Outsourced Services

*This Appendix contains some examples to assist with the determination of whether a particular service is an **Outsourced Service**.*

*Members are cautioned that the determination of whether a particular service is an **Outsourced Service** is a matter to be judged based on the particular facts and circumstances of the **Engagement**. The examples contained in this **Appendix** are provided for illustrative purposes only and are not intended to be, and cannot be, all inclusive. The examples are not a substitute for reading the full text of APES GN 30 to determine whether the **Member** or another party is providing an **Outsourced Service**. In all of the examples presented below it is assumed that there are no unmentioned facts which would be relevant to the consideration as to whether the service provided is an **Outsourced Service**.*

Example 1

A **Member in Public Practice** is a partner in a four partner **Firm**, which has a staff member taking parental leave for a period of 12 months. The **Member's Firm** enters into an agreement with the family company of the staff member to process Small and Medium Enterprises (SME) ledgers and complete draft income tax returns for some of the **Firm's Clients**. The arrangement covers approximately 35 **Clients** that the staff member served before taking parental leave. The **Firm** has approximately 800 SME Clients.

The **Firm** is **Outsourcing** this activity to the family company of the ~~former~~ staff member **on leave**. The key issue is whether the **Professional Services** constitute a **Material Business Activity**. The **Material Business Activity** assessment should be performed from the **Firm's** and the **Clients'** perspectives.

This **Outsourcing** arrangement covers less than 5% of **Firm's Clients** and thus may not be a **Material Business Activity** from the **Firm's** perspective. However, it may be a **Material Business Activity** due to the unique circumstances of the **Client**. The **Member** should consider whether there is potential that if the **Professional Service** is not delivered, the **Client's** operations will be materially impacted. For example, if a substantial proportion of **Professional Services** provided to one **Client** is **Outsourced** then the **Outsourcing** arrangement may be a **Material Business Activity** from that **Client's** perspective and the **Member** should refer to the guidance in APES GN 30.

Example 2

A **Member in Public Practice** is a partner in a four partner **Firm** which has a staff member taking parental leave for a period of 12 months. The **Member's Firm** enters into an agreement with the family company of the staff member to process SME ledgers and complete draft income tax returns for some of the **Firm's Clients**. The arrangement covers approximately 35 **Clients** that the staff member served before taking parental leave, which amounts to approximately 10% of the **Firm's** professional fees. The **Firm** has approximately 800 SME Clients.

The **Firm** is **Outsourcing** this activity to the family company of the ~~former~~ staff member **on leave**. The key issue is whether the **Professional Services** constitute a **Material Business Activity**. The **Material Business Activity** assessment should be performed by the **Member in Public Practice** from the **Firm's** and the **Clients'** perspectives.

The **Outsourcing** activity impacts on 10% of the **Firm's** revenue base and therefore may be considered a **Material Business Activity** from the **Firm's** perspective and thus the **Member** should refer to the guidance in APES GN 30.

Depending on the circumstances, it may also be considered a [Material Business Activity](#) from the [Client's](#) perspective.

Example 3

A [Member in Public Practice](#) is a partner in a three partner [Firm](#). The [Firm](#) has approximately 1,200 SME [Clients](#) and 100 Self-Managed Super Fund (SMSF) [Clients](#). The [Member](#) enters into a contract with a specialist external SMSF administrator to prepare income tax returns and financial statements for 35 SMSF [Clients](#).

The [Firm](#) is [Outsourcing](#) this activity to the specialist external SMSF administrator. The key issue is whether it is a [Material Business Activity](#). The [Material Business Activity](#) assessment should be performed by the [Member in Public Practice](#) from the [Firm's](#) and the [Clients'](#) perspectives.

The [Outsourcing](#) arrangement covers less than 5% of [Clients](#) of the [Firm](#) and thus may not be a [Material Business Activity](#) from the [Firm's](#) perspective, as non-provision of the [Professional Service](#) is unlikely to materially impact the scale of [Professional Services](#) offered by the [Firm](#). However, [depending on the circumstances of the individual Client](#), it may still be considered a [Material Business Activity](#) from the [Client's](#) perspective ~~depending on the circumstances of the individual Client~~. If the [Outsourced Service](#) being provided to a [Client](#) is material from that [Client's](#) perspective, then the [Member](#) should refer to the guidance in APES GN 30.

Example 4

A [Member in Public Practice](#) is a partner in a [Firm](#) based in Australia. The [Member's Firm](#) has entered into an agreement with a company in India to perform accounting work for the Australian [Firm](#). In the coming year, and going forward, 80% of the SME accounting work of the Australian [Firm](#) is to be undertaken by the Indian company.

The [Firm](#) is [Outsourcing](#) a [Material Business Activity](#) to the Indian company. The Indian company is providing an [Outsourced Service](#) to the [Firm](#) and the [Member](#) should refer to the guidance in APES GN 30.

Example 5

A [Member in Public Practice](#) provides accounting services to medium-sized companies and transfers [Client](#) data into a general ledger system using [Cloud Computing](#) hosted by an external IT provider.

The [Member](#) is using an [Outsourced Service Provider](#) in respect of a [Material Business Activity](#). Accordingly, this is an [Outsourcing](#) arrangement and the [Member](#) should refer to the guidance in APES GN 30.

Example 6

A [Member in Public Practice](#) provides accounting services to medium-sized companies operating in various industries. To perform this role for the relevant companies, the [Member](#) obtains company data from their bookkeepers. The [Member](#) has recently gained an understanding of [Cloud Computing](#) technology and has recommended to the bookkeepers to transfer the respective [Clients](#) on to [Cloud Computing](#) to make the accounting process more efficient.

The **Member** is merely recommending the benefits of **Cloud Computing** technology to the bookkeepers, which is different to providing an **Outsourced Service** in respect of a **Material Business Activity**. In these circumstances, it is unlikely that the **Member** needs to consider APES GN 30.

Example 7

A **Member in Public Practice** assists a large multi-national **Firm** with offices in Australia, New Zealand and Singapore to restructure its management reporting and accounting processes. To complete required procedures, the Australian **Firm** intends to utilise its **Network Firms** in New Zealand and Singapore to perform the **Engagement**.

The **Member in Public Practice** discloses to the **Client** that the **Member** will be using **Network Firms** based in New Zealand and Singapore to perform the **Engagement**.

Depending on the circumstances and nature of the **Engagement** (i.e. whether it is a **Material Business Activity**), the **Member** may need to consider the guidance in APES GN 30.

Example 8

A **Member in Public Practice** provides **Professional Services** to a number of **Clients**. The **Member** enters into a contract with an external information technology service provider for the provision of record storage, computer support and backup services. Where these activities are internal activities of the **Firm**, they are not considered to be **Material Business Activities** as defined by this Guidance Note.

Example 9

A **Member in Public Practice** conducts the audit of a group financial report of a large manufacturing company. The **Member** is the group **Engagement** partner as defined by ASA 600 *Special Considerations – Audits of a Group Financial Report (Including the Work of Component Auditors)*. There are a number of subsidiaries in the group and to complete the audit, the **Member** plans to use component auditors to audit five of the ten subsidiaries of the group.

In these circumstances paragraph 1.68 of APES GN 30 applies and the **Engagement** is excluded from the scope of this Guidance Note.

Appendix 2

Subject matter that should be considered for inclusion in an Outsourcing Agreement

A **Member in Public Practice** who provides or utilises an **Outsourced Service** should negotiate and execute an **Outsourcing Agreement** that may include the following subject matter depending on the particular circumstances of the **Outsourcing** arrangement. When drafting such an agreement, only subject matter relevant to the particular arrangement should be included. Such subject matter ~~may~~ **might** include:

- (a) the duration of the **Outsourcing Agreement** including commencement date, minimum and maximum terms and provisions for termination;
- (b) a description of the type and scope of **Outsourced Services** to be provided;
- (c) details of how the **Outsourced Service** will be performed;
- (d) details of how changes in service requests will be conducted;
- (e) representations and warranties;
- (f) the required service levels and performance requirements including:
 - contract termination and disengagement triggers;
 - contract reward and penalty considerations; and
 - business continuity, security and intellectual property break-up and recovery;
- (g) details of the initial transition process from the **Member's** operations to the **Outsourced Service Provider**, including actions and responsibilities of the parties in respect of the transition process;
- (h) the pricing model including payment terms and how changes that affect the execution of the process during the agreement will affect pricing;
- (i) the procedure for reimbursement of expenses;
- (j) ongoing management of confidentiality, privacy and security of information;
- (k) taxation obligations, including GST considerations;
- (l) the process for managing the ongoing relationship including qualitative and quantitative measures to monitor and review performance;
- (m) the nature of the information to be provided by the **Member** and the **Outsourced Service Provider**;
- (n) the terms of any limitation of liability, to the effect that any subcontracting by the **Outsourced Service Provider** of the **Outsourced Services** should be the responsibility of the **Outsourced Service Provider** (including liability for any failure on the part of any subcontractor);
- (o) audit and monitoring procedures;
- (p) a provision that allows the applicable **Professional Body** access to documentation and understanding of procedures related to the **Outsourced Services**;
- (q) the terms of file retention by the **Outsourced Service Provider** that are sufficient to meet the needs of the **Member** or as required by law or regulation;
- (r) any use of third party resources;
- (s) obligations of the parties to the **Outsourcing Agreement**;

- (t) details of reports or other anticipated outputs, including:
 - expected timing; and
 - intended use and distribution of reports;
- (u) accessibility by the [Member](#) to the [Outsourced Service Provider's](#) files;
- (v) the format, form and quantity of data, that is readable in printed or electronic form that is to be provided by the [Outsourced Service Provider](#) at the end of the [Outsourcing Agreement](#);
- (w) ownership of documents and records;
- (x) the fact that the [Outsourced Service Provider](#) is responsible for the accuracy and completeness of the information supplied to the [Member](#);
- (y) well-defined dispute resolution mechanisms including jurisdictional considerations;
- (z) procedures for changes in business structures and/or ownership structure;
- (aa) the use of external service providers (if any);
- (bb) details of liability and indemnity insurance;
- (cc) the conditions for terminating the [Outsourcing Agreement](#) such as:
 - the [Outsourcing Agreement](#) no longer makes economic sense;
 - poor service, non-performance or non-payment; or
 - a change in control or management at either of the parties to the [Outsourcing Agreement](#).