

1 November 2019

APESB issues revised APES 345 *Reporting on Prospective Financial Information prepared in connection with a Public Document*

Accounting Professional & Ethical Standards Board Limited (APESB) today announced the issue of the revised APES 345 *Reporting on Prospective Financial Information prepared in connection with a Public Document* (APES 345) to replace the existing APES 345 (Issued October 2015).

The key changes in the revised APES 345 consist of:

- Revisions to reflect the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), issued in November 2018;
- Incorporating a requirement for Members to comply with the responding to Non-Compliance with Laws and Regulations (NOCLAR) provisions of the Code; and
- Adding definitions for Terms of Engagement and Writing to be consistent with other pronouncements.

Please refer to Appendix 1 of this technical update for details of all the revisions. The revised APES 345 will be effective for Engagements commencing on or after 1 January 2020 with early adoption permitted.

APESB has incorporated the following interactive PDF features within the revised APES 345:

- Bookmark tab section for contents page;
- Dynamic links to sections and paragraphs;
- Pop-up definitions upon mouse rollover for defined terms; and
- Links to external websites.

The revised standard is available from APESB's website: www.apesb.org.au

– ENDS –

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Appendix 1

Revision to APES 345 (Issued October 2015)

Accounting Professional & Ethical Standards Board Limited (APESB) has approved the following revisions to APES 345 *Reporting on Prospective Financial Information in connection with a Public Document* which was originally issued in November 2008 and revised in October 2015 (extant APES 345).

Paragraph Reference	Revisions
1.2	Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 345 <i>Reporting on Prospective Financial Information prepared in connection with a Public Document (the Standard)</i> , which is effective for Engagements commencing on or after 01 January 2016 2020 and supersedes APES 345 issued in November 2008 October 2015. Earlier adoption of this Standard is permitted.
1.5	Members in Public Practice practising outside of Australia shall follow the mandatory requirements of APES 345 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations and/or laws in the country in which they are working.
1.6 40	<i>[Paragraph 1.10 of the extant APES 345 remains unchanged but has been relocated to paragraph 1.6].</i>
1.7 6	Members in Public Practice shall be familiar <u>comply with relevant other applicable Professional Standards and be familiar with relevant guidance notes when providing Professional Services.</u> All Members shall comply with the fundamental principles outlined in the Code.
1.8 7 to 1.10 9	<i>[Paragraphs 1.7 to 1.9 of the extant APES 345 remain unchanged but have been relocated to paragraphs 1.8 to 1.10].</i>
2	<u>Defined terms are shown in the body of the Standard in title case.</u> For the purpose of this Standard:
2	<i>Acceptable Level</i> means a level at which a <u>Member in Public Practice using the reasonable and informed third party test would be likely to conclude, weighing all the specific facts and circumstances available to that</u> the Member in Public Practice at that time, that compliance <u>complies</u> with the fundamental principles is not compromised .
2	<i>Assurance Engagement</i> 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. <u>(For guidance on Assurance Engagements, see the <i>Framework for Assurance Engagements</i> issued by the AUASB. The <i>Framework for Assurance Engagements</i> describes the elements and objectives of an Assurance Engagement and identifies Engagements to which <i>Australian</i></u>

Paragraph Reference	Revisions
	<u>Auditing Standards (ASAs), Standards on Review Engagements (ASREs) and Standards on Assurance Engagements (ASAEs) apply.)</u>
2	Code means APES 110 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i> .
2	Engagement Document means the document (i.e. letter, agreement or any other appropriate means) in which the Terms of Engagement are specified in a written form <u>Writing</u> .
2	Engagement Team means all Partners and staff performing the Engagement, and any individuals engaged by the Firm or a Network Firm who perform procedures on the Engagement. This excludes External Experts engaged by the Firm or <u>by</u> a Network Firm.
2	Independence is <u>comprises</u> : (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 a member of the an Engagement Team’s, member’s integrity, objectivity or professional scepticism has been compromised.
2	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.
2	Network means a larger structure: (a) That is aimed at co-operation <u>cooperation</u> ; 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.
2	Professional Activity means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.
2	Terms of Engagement means <u>the terms and conditions that are agreed between the Client and the Member in Public Practice for the Engagement.</u>
2	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 <u>might</u> include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

Paragraph Reference	Revisions
2	<u>Writing</u> 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.
3.1	A Members in Public Practice undertaking a Reporting Service Engagements 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 legislation <u>laws and regulations</u> .
3.2	Members in Public Practice shall comply with Section 310 220 Conflicts of Interest and Section 280 Objectivity – All Services in of the Code.
3.3	In accordance with Section 100 Introduction and Fundamental Principles Complying with the Code of the Code, a Members in Public Practice shall observe and comply with their <u>the Member's</u> public interest obligations when they provide <u>providing a</u> Professional Services in respect of a Reporting Service Engagements.
3.4	When a <u>Member in Public Practice</u> is engaged to perform a Reporting Service Engagement which requires Independence or purports to be independent, a <u>the Member in Public Practice</u> shall comply with Independence as defined in this Standard.
3.5	A Member in Public Practice shall consider whether the circumstances of the Reporting Service Engagement make the Engagement an Assurance Engagement under the Framework for Assurance Engagements issued by the Auditing and Assurance Standards Board AUASB .
3.6	Where a Reporting Service Engagement is an Assurance Engagement, the Member in Public Practice shall comply with Section 290 Independence – Audit and Review Engagements or Section 294 Independence – Other Assurance Engagements Part 4A Independence for Audit and Review Engagements or Part 4B Independence for Assurance Engagements Other than Audit and Review Engagements of the Code, as applicable.
3.8	A Members in Public Practice performing a Reporting Service Engagements shall maintain professional competence and take due care in the performance of their <u>the Member's</u> work in accordance with Subsection 113 130 Professional Competence and Due Care of the Code.
3.10	When planning to use the work of a suitably qualified third party, a Member in Public Practice shall assess the professional competence and objectivity of that <u>the third party, the engagement terms of the third party, and on completion</u> the appropriateness and adequacy of the work performed.
3.11	In undertaking a Reporting Service Engagement, a Member in Public Practice should consider the contents of any guidance in respect of such services issued by the Professional Bodies and appropriate regulatory authorities.

Paragraph Reference	Revisions
3.12	In accordance with Section 140 Confidentiality of the Code, a A Member in Public Practice who acquires confidential information in the course of <u>performing</u> a Reporting Service Engagement for a Client shall not use that information for any purpose other than the proper performance of the Reporting Service Engagement for that Client comply with Subsection 114 Confidentiality of the Code.
3.13	Unless a Member in Public Practice has a legal, <u>regulatory or professional</u> obligation of disclosure, the Member shall not convey any information relating to a Client's affairs to a third party without the Client's permission.
3.14	Where a Client has given a Member in Public Practice permission to disclose confidential information to a third party, it is preferable that this permission is in w <u>W</u> riting. Where oral permission is obtained, a contemporaneous note should be made and kept on file by the Member recording the relevant details of the Client's approval.
3.15	Where a Member in Public Practice provides confidential information in accordance with a legal, <u>regulatory or professional</u> obligation of disclosure, the Member shall notify the Client or the relevant third party as soon as practicable, provided that there is no legal prohibition against such notification.
4.1	A Member in Public Practice shall document and communicate the Terms of Engagement to provide the Reporting Service Engagement <u>to a Client in an Engagement Document</u> in accordance with APES 305 <i>Terms of Engagement</i>.
4.2	A Member in Public Practice who is approached by a potential Client to undertake a Reporting Service Engagement shall comply with the requirements of Section 240 <u>320</u> <i>Professional Appointments</i> of the Code.
4.3	A Member in Public Practice who has <u>utilises</u> the services of a suitably qualified third party in connection with the performance of the a <u>a</u> Reporting Service Engagement shall not disclose the opinion or the name of that the <u>the</u> third party without the prior consent of that party unless the Member has a legal obligation of disclosure.
4.4	A Member in Public Practice shall gather sufficient and appropriate evidence by such means as inspection, inquiry, computation and analysis to ensure that the conclusions, for which the Member is responsible, are properly supported. When determining the extent and quality of evidence necessary, the Member shall exercise professional judgement, considering the nature of the Reporting Service Engagement, <u>the</u> Terms of the Engagement and the use to which the Public Document will be put.

Paragraph Reference	Revisions
5.1	<p>This section describes specific circumstances arising out of relationships with the Client, which may create threats to the fundamental principles in the Code. Consideration should always be given to what a reasonable and informed third party¹ having knowledge of all relevant information, including safeguards applied, would reasonably conclude to be unacceptable. In situations when no safeguards where threats are available to reduce the threat to not at an Acceptable Level, the only possible actions are to eliminate the activities or circumstances, including interests or relationships that are creating the threat, <u>apply safeguards, where available and capable of being applied,</u> or refuse to accept or continue the Reporting Service Engagement.</p>
<u>Footnote 1</u>	<p><u>The term 'reasonable and informed third party' is explained in paragraph 120.5 A4 of the Code.</u></p>
6.1	<p>The Where a Member in Public Practice is providing a Reporting Service Engagement to a Client, the provision of other Professional Services by a the Member in Public Practice to the Client may create threats to compliance with the fundamental principles in the Code. Consequently, it is necessary to evaluate the significance of any threat created by the provision of such Professional Services. In some cases it may be possible to eliminate or reduce such threats by applying safeguards. In other cases no safeguards may be available to reduce the threats to an Acceptable Level. In such a situation, either the Reporting Service Engagement or the other Professional Services should not be carried out.</p> <p>In this Standard "other Professional Services" comprise any Engagement in which a Member provides Professional Services to a Client other than pursuant to a Reporting Service Engagement.</p>
6.2	<p>Prior to accepting an Engagement to provide other Professional Services, the Member in Public Practice shall consider and evaluate <u>the significance of whether any threats identified to compliance with the fundamental principles in the Code are created.</u> If the threats <u>identified are other than insignificant not at an Acceptable Level,</u> the Member shall consider and <u>apply safeguards as necessary to eliminate or reduce the threats to an Acceptable Level by:</u></p> <p><u>(a) Eliminating the circumstances, including interests or relationships, that are creating the threats;</u></p> <p><u>(b) Applying safeguards, where available and capable of being applied, to reduce the threats to an Acceptable Level; or</u></p> <p><u>(c) Declining or ending the specific Professional Activity (for example, either the Reporting Service Engagement or the other Professional Services should not be carried out).</u></p>
6.3	<p>A Member in Public Practice shall refuse an Engagement to provide other Professional Services in circumstances where, the Engagement Partner responsible for the Reporting Service Engagement considers it probable that a reasonable and informed third party² having knowledge of all relevant information including safeguards applied would regard the objectives of the Engagement to provide the other Professional Service, proposed to be undertaken during the Engagement Period, as being inconsistent with the objectives of the Reporting Service Engagement.</p>
<u>Footnote 2</u>	<p><u>The term 'reasonable and informed third party' is explained in paragraph 120.5 A4 of the Code.</u></p>

Paragraph Reference	Revisions
7.1	<p>A Member in Public Practice shall prepare working papers in accordance with this Standard that appropriately document the work performed, including aspects of the Engagement that have been provided in w<u>Writing</u>. The documentation prepared by the Member shall:</p> <ul style="list-style-type: none"> (a) provide a sufficient and appropriate record of the procedures performed for the Reporting Service Engagement; (b) identify the source of significant information the Member has used in the conduct of the Reporting Service Engagement; and (c) demonstrate that the Reporting Service Engagement was carried out in accordance with this Standard and all other Professional Standards applicable to the Reporting Service Engagement, including policies and procedures established in accordance with APES 320 <i>Quality Control for Firms</i>, and any applicable ethical, legal and regulatory requirements.
8.1	<p>A Member in Public Practice shall take all reasonable steps in accordance with the €<u>Terms</u> of Engagement to ensure that the Prospective Financial Information that is the subject of the Reporting Service Engagement does not contain false or misleading information, or omit material information.</p>
8.2	<p>A Member in Public Practice shall take all reasonable steps in accordance with the €<u>Terms</u> of Engagement, to ensure that the Public Document clearly states the basis(es) and key assumptions used in forecasting the Prospective Financial Information.</p>
8.5	<p>If the Member in Public Practice becomes aware that Those Charged with Governance have not taken action appropriate action in accordance with <u>relation to the circumstances described in paragraph 8.4</u>, the Member shall consider the Firm's policies and procedures established in accordance with <i>Acceptance and Continuance of Client Relationships and Specific Engagements</i> of APES 320 <i>Quality Control for Firms</i> in determining whether to continue acting for the Client in a professional capacity.</p>
<u>8.7</u>	<p><u>A Member in Public Practice who becomes aware of instances of non-compliance or suspected non-compliance with laws and regulations when providing a Reporting Service Engagement shall comply with Section 360 Responding to Non-Compliance with Laws and Regulations of the Code.</u></p>
9.2	<p>Matters communicated will generally include the key elements of the Member in Public Practice's consideration of significant matters such as:</p> <ul style="list-style-type: none"> • The principal threats, if any, to objectivity and Independence identified by the Member, including consideration of relationships between the Firm and the Client, its related entities and directors and any other entities directly involved in the transaction which is the subject of the Public Document; • Any safeguards adopted and the reasons why they are considered to be effective; • The overall assessment of threats and safeguards <u>to compliance with the fundamental principles</u>; • The approach adopted in ensuring threats, if any, are at an <u>Acceptable Level</u>; and

Paragraph Reference	Revisions
	<ul style="list-style-type: none"> Information about the general policies and processes within the Firm for maintaining objectivity and Independence.
10.1	<p>A Member in Public Practice undertaking a Reporting Service Engagement shall be remunerated for such Professional Services by way of professional fees computed in accordance with Section 240 330 Fees and Other Types of Remuneration of the Code.</p>
10.2	<p>A Member in Public Practice shall not enter into a Contingent Fee arrangement or receive a Contingent Fee for a Reporting Service Engagement <u>which</u> requires Independence or which purports to be independent.</p>
Appendix 1	<p>Summary of revisions to the previous APES 345 (Issued in October 2015) - Amended</p>