



ISSUES REGISTER FOR APESB PROFESSIONAL PRONOUNCEMENTS

Current as at February 2012

Note to Stakeholders

The following is a summary of issues raised by stakeholders in relation to professional and ethical standards. Issues have been compiled by standard or guidance note, with the intended response and current status. Members of the professional accounting bodies, firms, professional bodies and other stakeholders are encouraged to report to APESB via the APESB website (www.apesb.org.au then **Standards & Guidance/Issues Register**) any new issues that needs to be addressed by APESB when a pronouncement is next updated or reviewed.

APES 110 : Code of Ethics for Professional Accountants Issues Register				
No.	Date	Issue	Proposed response	Current Status
110.1	Mar-11	Examples contained in paragraphs 240.7 (first and second dot points) specifically refer to paying a referral fee to a Member in Public Practice and referring a client to another Member in Public Practice respectively. This has led to confusion on interpretation by Members who are questioning whether these examples only apply where the recipient is a Member in Public Practice. This confusion would be alleviated if the examples are redrafted in a more generic manner.	APESB will consider this during the six month review process in February 2012.	Issue to be presented at the February 2012 Board meeting.
110.2	Aug-11	Paragraph 290.142 of the Code states that the Firm's personnel may not be lent to an audit client for other than a short time and shall not provide non-assurance services of a certain type or assume management responsibilities. In NSW, the Auditor General has arrangements for secondments with audit clients and, in many cases, they may relate to roles such as those mentioned above and, while temporary, may last for up to two years. Such secondments are considered a part of public sector employment conditions which the Auditor General is obliged to support. Further, in the opinion of the Auditor General with appropriate safeguards in place, threats to independence can be reduced to an acceptable level. However, paragraph 290.142 provides that such arrangements will not be permitted at all. The Auditor General has suggested that an exception be made in the case of regulatory bodies where temporary staff assignments are expected as part of the broader public sector employment conditions and appropriate safeguards can be put in place.	APESB will consider this during the six month review process in February 2012.	Issue to be presented at the February 2012 Board meeting.
110.3	Aug-11	Paragraph 290.139 of the Code indicates that in certain circumstances employment with an audit client will result in independence being compromised. The Code does not explain what the impact of this would be and what safeguards or steps (if any) can be implemented so the independence of the audit is not affected. In the NSW public sector, there are instances when the equivalent of Key Audit Partners may take employment with audit clients. If the intent of the Code is to suggest that the only option in such circumstances is to relinquish the audit engagement, by law the Auditor General is unable to do this in the public sector.	APESB will consider this during the six month review process in February 2012.	Issue to be presented at the February 2012 Board meeting.
110.4	May-11	APES 110 deems a Firm to be a Network Firm if it satisfies any of the stated criteria in paragraphs 290.16 – 290.24. A stakeholder raised the issue that deeming as such means there is little point to the application of the reasonable and informed third party test contained in paragraph 290.15 and the consideration of particular facts and circumstances as suggested by paragraph 290.14. The stakeholder's key concern is the implications for a partner in a small firm that is deemed to be in a Network.	APESB will consider this during the six month review process in February 2012.	Issue to be presented at the February 2012 Board meeting.

**APES 205 : Conformity with Accounting Standards
Issues Register**

No.	Date	Issue	Proposed response	Current Status
205.1	Jul-10	<p>The AASB have approved a differential reporting regime to take effect in Australia from 1 July 2013. Under the differential reporting regime, the requirement to prepare general purpose financial statements will depend on the tier an entity belongs to. Under the existing regime, all Reporting Entities are required to prepare general purpose financial statements.</p>	<p>APES 205 currently imposes obligations on members in respect of the Reporting Entity concept. Following the introduction of AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> APESB will commence a project to align APES 205 with AASB 1053.</p>	<p>The project to align APES 205 with AASB 1053 was approved by the Board at its November 2010 Board Meeting. The project to update APES 205 commenced in 2011 with a draft document to be presented to the Board in May 2012.</p>

APES 210 : Conformity with Auditing and Assurance Standards
Issues Register

No.	Date	Issue	Proposed response	Current Status
		No current issues		

**APES 215 : Forensic Accounting Services
Issues Register**

No.	Date	Issue	Proposed response	Current Status
215.1	Feb-10	The definition of "Court" to include "tribunals" after the word "administration" and change the term "investigation" to "investigations"	The definition of "Court" to be reviewed.	At its November 2010 Board meeting the minor editorial changes were approved with the changes to be incorporated in the next revision of APES 215. A project to update APES 215 has commenced.
215.2	Feb-10	Members acting as expert witnesses may express an opinion that is based on the work of another expert which is also an opinion. A stakeholder has commented that the wording contained within paragraphs 3.15 and 5.6(k) of APES 215 (i.e. valid or veracity) implies a higher standard than is realistic.	APESB will consider this during the annual review process in November 2010.	At its November 2010 Board meeting the Board noted that paragraph 5.6 (k) should be amended to "validity". A project to update APES 215 has commenced.
215.3	Feb-10	The requirement for disclosure of confidential information under paragraph 3.18 to be expanded to include Members in Business.	APESB will consider this during the annual review process in November 2010.	At its November 2010 Board meeting the Board noted that paragraph 3.18 should be extended to cover Members in Business. This amendment will be made in the next revision of APES 215. A project to update APES 215 has commenced.
215.4	Feb-10	Stakeholders have reported that the defined term Professional Standards has not been capitalised in paragraph 1.7 and in the definition of Expert Witness.	APESB will consider this during the annual review process in November 2010.	At its November 2010 Board meeting the Board noted that the defined term should be capitalised with the editorial change to be made in the next revision of APES 215. A project to update APES 215 has commenced.

**APES 215 : Forensic Accounting Services
Issues Register**

No.	Date	Issue	Proposed response	Current Status
215.5	Feb-10	Stakeholders have reported that the defined term "Independence" requires a few minor editorials in part (b) of the definition. Namely capitalisation of Member and in the last sentence change "had" to "has".	APESB will consider this during the annual review process in November 2010.	At its November 2010 Board meeting the Board noted that the minor editorials should be incorporated to the defined term with the editorial change to be made in the next revision of APES 215. A project to update APES 215 has commenced.
215.6	Nov-10	A stakeholder has noted that the various roles performed by a Member when providing Forensic Accounting Services are not clear and has proposed that APESB consider providing additional appendices to provide further guidance.	Commence a project to develop two new appendices for inclusion in APES 215. The first appendix will contain a decision tree for Members to determine when they are providing a forensic accounting service and the type of service. The second appendix will provide a number of scenarios and demonstrate the application of the principles of APES 215 to determine, based on the facts and circumstances presented, whether the Member is providing a Consulting Expert Service, Expert Witness, Lay Witness or Investigation Service.	At its November 2010 Board meeting a Project to develop the new appendices was approved. This project commenced in 2011 and a project update was provided to the Board at the November 2011 Board Meeting. An Exposure Draft is expected to be issued in the first half of 2012.

**APES 220 : Taxation Services
Issues Register**

No.	Date	Issue	Proposed response	Current Status
220.1	Nov-09	<p>The Tax Agent Services Act 2009 (the Act) includes a Code of Conduct that will govern the members of the three professional accounting bodies who are registered tax agents or BAS agents. The Act uses the term "reasonable care" which is currently undefined. This raises the question of whether the Act creates additional obligations that have not been addressed in professional standards.</p>	<p>If the National Tax Practitioners Board (NTPB) defines the term "reasonable care" then APESB will need to consider the consistency of the definition with current professional obligations created by APES 220.</p>	<p>In December 2011 the National Tax Practitioners Board released a discussion paper on the application of subsection s30-10(9) of the Tax Agent Services Act 2009. APESB will review the implications for APES 220 once the NTPB's position becomes clear.</p>

APES 225 : Valuation Services
Issues Register

No.	Date	Issue	Proposed response	Current Status
		No current issues		

**APES 230 : Financial Advisory Services
Issues Register**

No.	Date	Issue	Proposed response	Current Status
230.1	Aug-08	<p>APS 12 Statement of Financial Advisory Services was issued in 2005. Given the sensitivity of this issue from a media perspective and in the financial planning industry in general, it is recommended that the statement be reviewed. Key issues to consider are as follows:</p> <ol style="list-style-type: none"> 1) Understanding the Fee for Service model - fee for service is not a widely used practice in the industry, therefore there is a need to understand the practicalities in complying with this area. 2) Limitation of the scope i.e. exclusion finance and mortgage broking. 3) Duplication of standards - Financial Planners have a number of standards with which they must comply - legal, compliance and standards set by other associations. 4) License holder business models - business models of license holders may prevent members complying with APS 12. 5) Quality Assurance practicality issues - ownership of client files may prevent members' files being reviewed. 6) Alternative remuneration - further work required on understanding whether volume overrides need to be treated in a different way. 7) Obtain views of other stakeholders in relation to important considerations of the standard. 8) Repetition of APES 110 content and consistency with APS 12. 9) Possible need for a materiality test when sending 	<p>Issues identified to be addressed by the APESB Financial Planning taskforce when developing the exposure draft.</p>	<p>APESB issued a consultation paper seeking member comments on APS 12 in October 2008. APESB received responses from the professional accounting bodies, firms and members. The APESB Financial Advisory Services taskforce considered the comments raised as they developed the APES 230 ED. In 2009 APESB also submitted a response to the Parliamentary Joint Committee's (PJC) inquiry in to Financial Services. In June 2010 APESB issued an exposure draft of the proposed pronouncement and received 66 submissions from stakeholders. During 2011, the Board consulted with key stakeholders/respondents to consider and deliberate the significant issues raised in respect of the Exposure Draft. At its November 2011 meeting, the Board debated the key issues and provided direction to technical staff to complete the drafting. The work on the project is still ongoing.</p>

**APES 305 : Terms of Engagement
Issues Register**

No.	Date	Issue	Proposed response	Current Status
305.1	Nov-11	<p>With a recurring Engagement the provision of services by the Member in Public Practice is repeated on a cyclical basis, often annually. A stakeholder stated that there are two schools of thought on the nature of a recurring Engagement. The first would characterise a recurring Engagement as having a single commencement date at the beginning of the first iteration of the cycle. The second would consider that each iteration effectively has a separate commencement date.</p> <p>Agreed services and/or terms under which the Engagement is provided may remain constant in each iteration. Any change to the services or the terms would be considered to break the cycle and result in a new Engagement commencing.</p>	<p>Issue identified to be addressed in the next revision of APES 305.</p>	<p>In November 2011, the Board approved a project to revise Section 5 of APES 305 Terms of Engagement in respect of recurring Engagements in consultation with the Professional Bodies.</p>

**APES 310 : Dealing with Client Monies
Issues Register**

No.	Date	Issue	Proposed response	Current Status
310.1	Mar-11	Paragraph 4.10 refers to the Member's legal and fiduciary duties as trustee or attorney when Dealing with Client Monies. However when acting as a trustee or attorney, there is no client relationship in place therefore paragraph 4.10 should not state "when Dealing with Client Monies".	APESB will consider this during the six month review process in February 2012.	Issue to be presented at the February 2012 Board meeting.
310.2	Mar-11	Paragraph 4.10 requires a Member acting as a trustee or power-of-attorney to apply the requirements of the Standard to the extent practicable, raising the issue of whether an audit is required.	APESB will consider this during the six month review process in February 2012.	Issue to be presented at the February 2012 Board meeting.
310.3	Mar-11	Paragraph 8.3 removes the audit requirement under APES 310 from members in Queensland where an audit has been conducted in accordance with the Trust Accounts Act 1973. The Queensland Act however is not concerned with client bank accounts. Therefore as currently drafted, paragraph 8.3 means that Queensland members do not have to have their client bank accounts audited.	APESB will consider this during the six month review process in February 2012.	Issue to be presented at the February 2012 Board meeting.
310.4	Jun-11	Paragraph 7.6(b) requires records to be kept in such a manner as to disclose clearly the details and basis of calculation of all interest earned on Client Monies held in a Trust Account and that the interest has been applied by the Member in accordance with paragraph 5.5(b). The reference to 5.5(b) would more appropriately refer to paragraph 7.2.	APESB will consider this during the six month review process in February 2012.	Issue to be presented at the February 2012 Board meeting.

**APES 310 : Dealing with Client Monies
Issues Register**

No.	Date	Issue	Proposed response	Current Status
310.5	Jun-11	<p>Paragraph 5.5(b) requires that the bank account used as a trust account must have as a feature that any interest payable in respect of the account balance is credited to that account. That is, not to a different bank account.</p> <p>Paragraph 7.2 requires that all interest earned on Trust Accounts be credited to the relevant Client's account. This is potentially confusing as it may be interpreted as the Client's bank account as opposed to the "credit of the Client".</p>	APESB will consider this during the six month review process in February 2012.	Issue to be presented at the February 2012 Board meeting.
310.6	Aug-11	Some Members are experiencing difficulties in complying with the requirements of APES 310 due to their inability to open Trust Accounts with the major banks.	APESB will monitor this issue and consider this during the six month review process in February 2012.	Issue to be presented at the February 2012 Board meeting.
310.7	Jan-12	<p>A stakeholder raised concern due to Member confusion with interpretation of the requirements in paragraph 7.8. This relevant provision requires that the Member provide a statement on application and any interest earned on Client Monies.</p> <p>The stakeholder noted that Members often misinterpret paragraph 7.8 as meaning that an annual statement must be issued to all Clients at the end of the year, regardless of whether any other statement has been provided to them during the year.</p>	APESB will consider this during the six month review process in February 2012.	Issue to be presented at the February 2012 Board meeting.

APES 310 : Dealing with Client Monies
Issues Register

No.	Date	Issue	Proposed response	Current Status
310.8	Jan-12	A stakeholder noted that paragraphs 7.10 and 7.11 address the requirement to have accounts reconciled and interprets the provisions as focusing on who has receipt of the bank statements as opposed to who has responsibility for the reconciliation function.	APESB will consider this during the six month review process in February 2012.	Issue to be presented at the February 2012 Board meeting.

**APES 315 : Compilation of Financial Information
Issues Register**

No.	Date	Issue	Proposed response	Current Status
315.1	Feb-10	<p>Stakeholders have raised a concern that the term “accounting expertise” in paragraph 4.1 of APES 315 and the example compilation report implies a sophisticated collection process of information and implies that it may be an experts report when it is not. Another related concern raised is that the wording of the suggested compilation report in APES 315 refers to the “use of accounting expertise” and that this phrase is in potential conflict with paragraph 8.2 of APES 315. The overall concern is that in a dispute the use of "accounting expertise" may be construed by others to mean that it is an expert's report.</p>	<p>APESB Technical Staff to consider the issue and develop options to be considered for the annual review of APES 315.</p>	<p>The IAASB released an exposure draft on the Proposed International Standard on Related Services 4410 (Revised) Compilation Engagements. The exposure draft no longer makes reference to the use of "accounting expertise to collect, classify and summarise" rather refers to "applying expertise in accounting" which is considered more suitable. Under the assumption that this wording does not change on finalisation, the proposed international standard appears to alleviate concerns raised by the stakeholders. APESB prepared a response to the international ED and once the international standard is issued will revisit APES 315.</p>

**APES 320 : Quality Control for Firms
Issues Register**

No.	Date	Issue	Proposed response	Current Status
320.1	Nov-11	APES 320 <i>Quality Control for Firms</i> as currently written contains numerous sections that pertain to Assurance Practices only. Such practices are also governed by the auditing and assurance quality standards with the result an overlap by APES 320.	Re-write APES 320 to cover non-audit/assurance practices.	At its November 2011 meeting the Board acknowledged the need for APES 320 to be re-written and directed technical staff to incorporate this project into the future work program. This project is expected to commence during 2012.

APES 325 : Risk Management
Issues Register

No.	Date	Issue	Proposed response	Current Status
		No current issues		

APES 330 : Insolvency Services
Issues Register

No.	Date	Issue	Proposed response	Current Status
		No current issues		

**APES 345 : Reporting on Prospective Financial Information Prepared in Connection with a Disclosure Document
Issues Register**

No.	Date	Issue	Proposed response	Current Status
		No current issues		

APES 350 : Participation by Members in Public Practice in Due Diligence Committees in Connection with a Public Document

Issues Register

No.	Date	Issue	Proposed response	Current Status
		No current issues		

**APES GN 20 : Valuation Engagements for Financial Reporting
Issues Register**

No.	Date	Issue	Proposed response	Current Status
GN20.1		Following issue of APES 225 <i>Valuation Services</i> in 2008 the Board recognised the need to consider whether further guidance notes are required to assist valuation practitioners and users. In 2011 the Board agreed that there is a need for further guidance to address the diverse situations under which Valuations are prepared.	Develop a pronouncement to address Valuation Engagements for Financial Reporting.	The Board approved the project proposal at the November 2011 Board meeting. Work on the project is ongoing.

**APES GN 30 : Outsourcing of Accounting Services
Issues Register**

No.	Date	Issue	Proposed response	Current Status
GN30.1	Aug-08	CPA Australia lobbied APESB to develop a pronouncement in this area due to the increasing involvement of members in outsourcing activities.	Develop a pronouncement to address member obligations when certain aspects of the finance function are outsourced.	The Board approved the project proposal at the August 2007 Board meeting. Subsequently in 2008 the Board commissioned a discussion paper on Outsourcing of Accounting Services. The discussion paper was considered at the August 2008 Board meeting. Thereafter a taskforce was created to develop the proposed pronouncement based on the issues identified in the discussion paper. Due to other priority projects undertaken in 2009 the progress on this project was delayed. Work on the project recommenced in late 2009. An Exposure Draft was presented at the May and November Board meetings. The Board approved an Exposure Draft in January 2012 with a comment period ending on 30 March 2012.

**GN 40 : Members in Business Guidance Statement
Issues Register**

No.	Date	Issue	Proposed response	Current Status
GN40.1	Feb-08	GN1 <i>Members in Business Guidance Statement</i> was issued in August 2002 for the assistance of Members in Business. Members are governed in the conduct of their professional relationships by the Code. Part C of the Code deals with Members in Business. The Code (APES 110) was issued June 2006, therefore the Guidance Note needs to be updated to reflect what is in APES 110.	Prepare a project proposal for the Board's consideration to update the Guidance Note and establish a taskforce.	A taskforce was established in 2008 to develop a proposed pronouncement to replace GN1. An exposure draft was issued for public comment in September 2011. The Board will consider submissions received from six respondents at the February 2012 meeting of the Board.
GN40.2	Feb-08	PAIB Committee of IFAC released the first International Good Practice Guidance "Defining and Developing an Effective Code of Conduct for Organisations." This guidance will assist professional accountants and their organisations in developing and implementing a code of conduct within a values-based culture.	Review GN1- <i>Members in Business Guidance Statement</i> in light of the IFAC release.	A taskforce was established in 2008 to develop a proposed pronouncement to replace GN1. An exposure draft was issued for public comment in September 2011. The Board will consider submissions received from six respondents at the February 2012 meeting of the Board.