

Meeting Highlights

16 & 17 NOVEMBER 2010

1. The Board considered submissions received on Exposure Draft ED 03/10 *Code of Ethics for Professional Accountants*.
 - The Board agreed to retain the additional Australian paragraphs relating to inadvertent violations in the revised Code. The Board determined that these provisions strengthened the Code and creates a safeguard in instances where inadvertent violations do occur in practice.
 - The Board considered the definition of Public Interest Entity taking into account existing and proposed definitions in the Canadian, European Union and New Zealand jurisdictions. These jurisdictions have or are proposing to capture a broader range of entities in their respective definitions of a Public Interest Entity, not merely Listed Entities. This approach is consistent with IESBA's intention to extend the existing auditor independence requirements for audits of Listed Entities to audits of all Public Interest Entities. APESB considered whether the AASB's concept of Publicly Accountable Entity might form the basis of a modification to the Code and concluded that further work needs to be done to evaluate whether the AASB's concept is suitable in the context of the Code. In the meantime APESB's view is that the IESBA definition of Public Interest Entity should be retained in the Code, without modification at this stage, but will consider the definition of Public Interest Entity in the Australian context in 2011.
 - The Board determined that where the requirements of the *Corporations Act* are more stringent than the Code, to include footnotes referring to the relevant provisions of the Act to put auditors and other users on notice of the more stringent requirements in the Act.
 - The Board directed Technical Staff to draft paragraphs 290.172, 290.173 and 290.185 in a manner to specifically prohibit the provision of bookkeeping services and calculation of tax entries to audit clients who are Public Interest Entities.

The Board also agreed to other minor editorial amendments and noted that the revised Code should be issued by the end of December 2010.

2. The Board noted the Six Monthly Review of APES 350 *Participation by Members in Public Practice in Due Diligence Committees in Conjunction with a Public Document* and agreed to the editorial changes proposed in the review report. The Board also agreed to consider a materiality letter that could be included as an appendix to APES 350. The Board directed Technical Staff and the APES 350 Taskforce to develop an appropriate materiality letter for the Board's consideration and present it at the February 2011 Board meeting.
3. The Board noted the annual review of APES 205 *Conformity with Accounting Standards* and agreed to the Technical Staff recommendation to commence a project to bring this standard into line with the new differential reporting regime issued by the Australian Accounting Standards Board (AASB).
4. The Board considered the proposed standard APES 310 *Dealing with Client Monies* and agreed that:
 - extension of the scope of the proposed standard to include the auditing of client bank accounts is appropriate and is in the public interest;
 - a commencement date of 1 July 2011 is appropriate to allow Members and financial institutions to make appropriate amendments to procedures, systems and processes.

The Board directed technical staff to make other minor editorials changes and present it for final approval in December 2010.
5. The Board noted the annual review of APES210 *Conformity with Auditing and Assurance Standards*. No issues were identified.
6. The Board noted the annual review of APES 220 *Taxation Services* and agreed that an amendment was required to paragraph 9.2 of the standard to clearly specify that a Member shall not use, withhold or otherwise appropriate tax refunds.
7. The Board noted the annual review of APES 305 *Terms of Engagement*. No issues were identified.
8. The Board noted the annual review of APES 320 *Quality Control for Firms*. No issues were identified.
9. The Board noted the annual review of APES 345 *Reporting on Prospective Financial Information Prepared in Connection with a Disclosure Document*. No issues were identified.

10. The Board noted the annual review of APES 215 *Forensic Accounting Services* and agreed that:
 - the definition of Court needs to be amended as follows: “industrial and administrative tribunals”.
 - guidance on confidentiality in paragraph 3.18 requires expansion to include Members in Business.
 - “veracity” in paragraph 5.6 (k) is to be replaced by “validity”.
 - inclusion of appendices to illustrate application of the standard should be developed to provide additional guidance to users. The Board directed Technical Staff to undertake a project in 2011 to prepare appendices in consultation with subject matter experts from the APES 215 Taskforce.
11. The Board considered a draft Exposure Draft of APES 325 *Risk Management for Firms* incorporating the principles approved at the May 2010 Board meeting. The Board directed Technical Staff to draft the proposed standard in a manner similar to APES 320 *Quality Control for Firms* and to address other matters raised by the Board and to present a revised ED at the May 2011 Board meeting.
12. The Board considered submissions received on Exposure Draft ED 02/10 *Financial Advisory Services*. The Board agreed that a public communication was required to acknowledge the key issues raised by constituents and to indicate that the proposed commencement date of APES 230 ED of 1 July 2011 will be delayed to a later date in order to consider the 66 submissions received on the ED. The Board directed technical staff to consult with constituents as required and to work towards a resolution of the matters raised in the respondents’ submissions. The Board also requested technical staff to prepare an initial high level issues paper summarising the key issues for the February 2011 Board meeting.
13. The Board considered the draft guidance note for Members in Business. The Board commented on the structure of the proposed pronouncement and provided other editorial comments. The Board directed Technical Staff to present a revised Exposure Draft at the February 2011 Board meeting.
14. The Board agreed that the proposed pronouncement addressing Outsourced Accounting Services should be structured as a guidance note rather than a standard. The Board directed Technical Staff to present a draft guidance note at a future meeting of the Board.