



## ISSUES REGISTER FOR APESB PROFESSIONAL PRONOUNCEMENTS

Current as at February 2011

### **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](http://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**

<b>No.</b>	<b>Date</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
110.1	Nov-10	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 broad range of entities in their respective definitions of Public Interest Entity, not merely Listed Entities. This approach is consistent with IESBA's intention to extend the existing Auditor Independence requirements from audits of Listed Entities to Public Interest Entities.	APESB has determined that further work needs to be done in this respect. It is noted that due to the transitional provisions, the independence requirements in respect of Public Interest Entities will only commence from 1 January 2012.	APESB will consider the Public Interest Entity issue in 2011. The project to address this issue has commenced.

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

No.	Date	Issue	Proposed response	Current Status
205.1	Jul-10	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.	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.	The project to align APES 205 with AASB 1053 was approved by the Board at its November 2010 Board Meeting. The project will commence in February 2011.

**APES 210 : Conformity with Auditing and Assurance Standards  
Issues Register**

<b>No.</b>	<b>Date</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
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**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.
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". An updated version of APES 215 incorporating this change will be presented in 2011.
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.
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.
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.

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

No.	Date	Issue	Proposed response	Current Status
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, Lay Witness or Investigation Service.	At its November 2010 Board meeting a Project to develop the new appendices was approved and the project has commenced in January 2011.

**APES 220 : Taxation Services  
Issues Register**

<b>No.</b>	<b>Date</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
220.1	Nov-09	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.	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.	APESB will continue to monitor the NTPB work program in relation to the definition of reasonable care.
220.2	Nov-10	APES 220 makes reference to the appropriation of tax refunds in paragraph 9.2 of the standard. A stakeholder has reported that as it is currently written "appropriate tax refunds" may be interpreted in a number of ways thus making it difficult to discipline a Member who has not complied with this mandatory requirement.	Paragraph 9.2 will be revised to enhance clarity and intent of the paragraph.	Editorial change to be incorporated in the next revision of APES 220. A revised version of APES 220 will be presented at the January 2011 Board Meeting.

APES 225 : Valuation Services  
Issues Register

No.	Date	Issue	Proposed response	Current Status
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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"> <li>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.</li> <li>2) Limitation of the scope i.e. exclusion finance and mortgage broking.</li> <li>3) Duplication of standards - Financial Planners have a number of standards with which they must comply - legal, compliance and standards set by other associations.</li> <li>4) License holder business models - business models of license holders may prevent members complying with APS 12.</li> <li>5) Quality Assurance practicality issues - ownership of client files may prevent members' files being reviewed.</li> <li>6) Alternative remuneration - further work required on understanding whether volume overrides need to be treated in a different way.</li> <li>7) Obtain views of other stakeholders in relation to important considerations of the standard.</li> <li>8) Repetition of APES 110 content and consistency with APS 12.</li> <li>9) Possible need for a materiality test when sending annual reports to clients.</li> </ol>	<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. The work on the project is still ongoing. The Board will consult with respondents and key stakeholders during 2011 as it considers and deliberates the issues raised by stakeholders.</p>

APES 305 : Terms of Engagement  
Issues Register

No.	Date	Issue	Proposed response	Current Status
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No current issues

APES 310 : Dealing with Client Monies  
Issues Register

No.	Date	Issue	Proposed response	Current Status
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No current issues

**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 has 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 less onerous. Under the assumption that this wording does not change on finalisation, the proposed international standard appears to alleviate concerns raised by the stakeholder. APESB will also be preparing 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
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No current issues

APES 325 : Risk Management  
Issues Register

No.	Date	Issue	Proposed response	Current Status
325.1	Aug-08	The professional bodies have lobbied the APESB to develop a professional standard on Risk Management.	Develop a pronouncement to address key issues associated with Risk Management.	The Board approved a project proposal at the August 2008 Board Meeting. A task force is currently developing a proposed pronouncement.

**APES 330 : Insolvency Services  
Issues Register**

<b>No.</b>	<b>Date</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
330.1	Jan-11	The Insolvency Practitioners Association (IPA) issued the 2 <sup>nd</sup> edition of the IPA Code of Professional Practice which is effective from 1 January 2011. As a result of this revision, revisions also need to be considered in APES 330.	APES 330 to be reviewed for consistency with the IPA Code and consideration given to making changes where inconsistencies are identified.	The Board will consider the proposed changes to APES 330 as part of the six month review process at the January 2011 Board meeting.

**APES 340 : Contingent Fee Arrangements for Assurance Clients  
Issues Register**

No.	Date	Issue	Proposed response	Current Status
340.1	Feb-07	The Regulatory Discussion Group Independence Taskforce (RDGIT) of The Institute of Chartered Accountants in Australia lobbied the APESB to develop a pronouncement addressing contingent fee arrangements and submitted a proposed pronouncement.	Board reviewed the RDGIT submission and developed an exposure draft for public comment.	The exposure draft was developed and issued for comment in 2007. APESB received a number of comment letters from the professional bodies as well as firms. APESB considered responses to the exposure draft at the August 2007 Board meeting. It was agreed that the issue would be deferred until the new Code is revised.

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

<b>No.</b>	<b>Date</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
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**No current issues**

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

**Issues Register**

<b>No.</b>	<b>Date</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
350.1	Nov-10	The definition of "Other Specific Information" is broad and includes reference to "specific metrics or ratios" and there has been some difficulty with the definition in practice. It has also been noted that there is a reluctance by accounting firms to provide a review statement in respect of "Other Specific Information".	The words "and specific metrics or ratios calculated using elements of Financial Information" to be removed from the definition of "Other Specific Information". In addition reference made to "Other Specific Information" in Appendix 1 needs to be clarified.	The Board approved changes at its November 2010 Board Meeting. A revised version of APES 350 incorporating these changes will be considered at the January 2011 Board meeting.
350.2	Nov-10	It has been noted that a materiality letter is generally used by a Member in Public Practice in the Due Diligence process. As the AUASB has existing standards in respect of materiality, APESB referred this matter to the AUASB. However, after consideration of the issue it appears that AUASB does not wish to include a pro forma materiality letter in their pronouncements. The APESB will now consider a materiality letter for inclusion in APES 350.	A materiality letter to be developed and considered by the Board.	APES 350 Taskforce has developed a materiality letter for inclusion as an appendix to the standard.
350.3	Nov-10	Paragraph 7.3 (f) mandates that a Member in Public Practice must make a statement (when applicable) that the professional services were conducted and the DDC Sign-off was prepared in accordance with APES 350. However Appendix 1 does not reflect the intended wording.	Appendix 1 to be amended to reflect the intended wording.	The Board approved changes at its November 2010 Board Meeting. A revised version of APES 350 incorporating these changes will be considered at the January 2011 Board meeting.

No.	Date	Issue	Proposed response	Current Status
350.4	Nov-10	A stakeholder recommends the wording 'Review' to be inserted into Section 4 Basis for Review Statement of Appendix 1 of APES 350 for consistency purposes	Appendix 1 to be edited as suggested.	The Board approved changes at its November 2010 Board Meeting. A revised version of APES 350 incorporating these changes will be considered at the January 2011 Board meeting.
350.5	Nov-10	Stakeholders recommend adding 'by or on behalf of the client' into paragraph 6(c) of Appendix 1, to improve its clarity.	Appendix 1 to be edited as suggested.	The Board approved changes at its November 2010 Board Meeting. A revised version of APES 350 incorporating these changes will be considered at the January 2011 Board meeting.

**APES GN 20 : Outsourcing of Accounting Services  
Issues Register**

<b>No.</b>	<b>Date</b>	<b>Issue</b>	<b>Proposed response</b>	<b>Current Status</b>
GN20.1	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.

**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. A preliminary draft of APES GN 40 was presented at the November 2010 Board Meeting and an update will be provided at the January 2011 Board Meeting.
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. A preliminary draft of APES GN 40 was presented at the November 2010 Board Meeting and an update will be provided at the January 2011 Board Meeting.