

## AGENDA PAPER

**Item Number:** 6  
**Date of Meeting:** 22 August 2017  
**Subject:** Annual reviews for APESB pronouncements

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**Action required**     **For discussion**     **For noting**     **For information**

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### Purpose

For the Board to note the Annual Reviews performed on selected APESB pronouncements, and to obtain Board approval:

- to issue an exposure draft in relation to APES 325 which proposes revisions for succession planning and noted editorial amendments.;
- for Technical Staff to conduct a stakeholder survey on the use of APES GN 30 by Members in Public Practice; and
- for Technical Staff to undertake a project in 2018 to revise APES GN 40.

### Background

The following pronouncements are due to have an annual review completed:

- APES 305 *Term of Engagement* (APES 305);
- APES 325 *Risk Management for Firms* (APES 325);
- APES 350 *Participation in Public Practice in Due Diligence Committees in connection with a Public Document* (APES 350);
- APES GN 30 *Outsourced Services* (APES GN 30); and
- APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business* (APES GN 40).

### Consideration of Issues

Technical Staff have completed the reviews in line with the procedures set out in each annual review paper (refer to Agenda Items 6(a) to (e)).

In conducting the annual reviews Technical Staff noted a few issues in relation to APES 325, APES GN 30 and APES GN 40 which require further action or consideration by the APESB.

These matters are set out below.

#### APES 325

To address the issue raised about the lack of formal documentation of succession plans, Technical Staff propose to include a specific requirement on this matter in APES 325. This would be a substantive change to the standard and therefore an exposure draft should be issued to gather stakeholders feedback.

Technical Staff seek to Board's approval to issue an Exposure draft on APES 325.

#### APES GN 30

Due to the increase in the number of Members in Public Practice using outsourcing services, Technical Staff propose to survey stakeholders on the use and effectiveness of APES GN 30.

Technical Staff seek the Board's approval to develop and conduct this survey.

#### APES GN 40

APES GN 40 will need to be updated to incorporate amendments for NOCLAR and whistle-blowing legislation which are expected to become effective in 2018. Technical Staff seek Board approval to undertake a project to update APES GN 40 in 2018.

#### APES 305 and 350

While the reviews of APES 305 and APES 350 did highlight some issues and general drafting matters, Technical Staff believe these pronouncements do not require immediate rectification, but can be addressed in the next revision of the relevant pronouncement (expected to occur in 2018 due to the issue of a restructure Code).

#### Sophisticated Investor Certificates

As part of the annual review process a Professional Body suggested APESB consider ASIC's concerns regarding some accountants improperly issuing Sophisticated Investor certificates.

Technical Staff note that there is no APESB pronouncement that specifically addresses the issue of these certificates, rather it would be covered by the conceptual framework in APES 110 *Code of Ethics for Professional Accountants* (APES 110). Technical Staff propose to note this matter on the Issues Register and consider it as part of the future review of APES 110.

### **Staff Recommendations**

The Board:

- approve the issue of an exposure draft for APES 325 which proposes revisions for succession planning and noted editorial amendments;
- approve Technical Staff develop and conduct a stakeholder survey on the use of APES GN 30 by Members in Public Practice;
- approve a project be undertaken in 2018 to revise APES GN 40; and
- note the Annual Reviews of APES 305 and APES 350.

## **Materials Presented**

- Agenda Item 6 (a)      *Annual Review of APES 305 Terms of Engagement*
- Agenda Item 6 (b)      *Annual Review of APES 325 Risk Management for Firms*
- Agenda Item 6 (c)      *Annual Review of APES 350 Participation in Public Practice in Due Diligence Committees in connection with a Public Document*
- Agenda Item 6 (d)      *Annual Review of APES GN 30 Outsourced Services*
- Agenda Item 6 (e)      *Annual Review of APES GN 40 Ethical Conflicts in the Workplace – Considerations for Members in Business*

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**Date:**      1 August 2017