



AGENDA PAPER

Item Number: 5
Date of Meeting: 27 November 2017
Subject: Annual reviews for APESB pronouncements

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

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 220 which propose revisions to strengthen the independence requirements, clarify the references to laws and regulations and other editorial amendments;
- to issue an exposure draft in relation to APES 225 or alternatively approve a revised Standard which include revisions to the requirements of a Valuation Report and the inclusion of an additional case study; and
- for Technical Staff to undertake a project in 2018 to revise APES GN 41.

Background

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

- APES 215 *Forensic Accounting Services* (APES 215);
- APES 220 *Taxation Services* (APES 220);
- APES 225 *Valuation Services* (APES 225);
- APES 320 *Quality Control for Firms* (APES 320);
- APES GN 20 *Scope and Extent of Work for Valuation Services* (APES GN 20);
- APES GN 21 *Valuation Services for Financial Reporting* (APES GN 21); and
- APES GN 41 *Management Representations* (APES GN 41).

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 5(a) to 5(g)).

In conducting the annual reviews Technical Staff noted a few issues in relation to APES 220, APES 225 and APES GN 41 which require further action or consideration by the Board. These

matters are summarized below and explained in detail in the applicable pronouncement's annual review.

APES 220

To address the issues raised relating to references to laws and regulations, reported inconsistencies in the application of Independence requirements, outsourcing activities and cyber security, Technical Staff propose revisions to APES 220.

The changes to the standard would be substantive and therefore an exposure draft should be issued to gather stakeholders feedback.

Technical Staff seek the Board's approval to issue an Exposure draft on APES 220.

APES 225

Due to issues raised by stakeholders in respect of matters to be communicated in a Valuation Report and the lack of an example relating to the Valuation of intellectual property, Technical Staff propose revisions to APES 225. These revisions are not substantive.

Technical Staff seek the Board's approval to issue an Exposure draft on APES 225 or alternatively approve a revised Standard.

APES GN 41

APES GN 41 requires updates to incorporate amendments relating to NOCLAR, which will become effective in January 2018, and whistle-blowing legislation expected to be enacted mid-2018.

Technical Staff seek Board approval to undertake a project to update APES GN 41 in 2018.

APES 215, APES 320, APES GN 20 and APES GN 21

While the reviews of APES 215, APES 320, APES GN 20 and APES GN 21 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 restructured Code).

Staff Recommendations

The Board:

- approve the issue of an exposure draft for APES 220 which propose revisions to include Independence requirements, clarify references to laws and regulations and noted editorial amendments;
- either approve the issue of an exposure draft for APES 225 or approve a revised standard which include specific revisions to the requirements of a Valuation Report and an additional case study on intellectual property;
- approve a project be undertaken in 2018 to revise APES GN 41; and
- note the Annual Reviews of APES 215, APES 320, APES GN 20 and APES GN 21.

Materials Presented

- Agenda Item 5 (a) Annual Review of APES 215 *Forensic Accounting Services*
- Agenda Item 5 (b) Annual Review of APES 220 *Taxation Services*
- Agenda Item 5 (c) Annual Review of APES 225 *Valuation Services*
- Agenda Item 5 (d) Annual Review of APES 320 *Quality Control for Firms*
- Agenda Item 5 (e) Annual Review of APES GN 20 *Scope and Extent of Work for Valuation Services*
- Agenda Item 5 (f) Annual Review of APES GN 21 *Valuation Services for Financial Reporting*
- Agenda Item 5 (g) Annual Review of APES GN 41 *Management Representations*

Authors: Jacinta Hanrahan
Ruth Oliquino

Date: 6 November 2017