



***Annual Review of APES 350 Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document***

Prepared by APESB Technical Staff

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## **Background**

Accounting Professional and Ethical Standards Board (APESB) issued APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* (APES 350) in December 2009, and the revised APES 350 in March 2011 with an effective date of 1 May 2011.

## **Reason for this report**

In accordance with APESB's constitution, a review needs to be performed on an annual basis after a new standard is effective to identify any issues reported by stakeholders. This report presents a review of the issues reported to APESB or identified by an internal technical review and the proposed recommendations to address the identified issues.

## **Issues identified**

### *Carry forward issues from prior years*

#### **1. Editorial matters arising from updates to AASB/AUASB Standards**

##### **Issue**

Two issues have been identified as a result of updates to AASB/AUASB Standards:

- a) APES 350 refers to materiality a number of times in the body of the Standard and has explicit detailed references and extracts from AASB 1031 *Materiality* in the Materiality Letter that is included as Appendix 2. AASB is proposing to withdraw AASB 1031.
- b) APES 350 refers to AGS 1062 *Reporting in Connection with Proposed Fundraisings* which has been superseded by ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document* and ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

##### **Analysis of Issue**

The Standard will require revisions to reflect changes to AASB/AUASB Standards. There are a significant number of references and matters directly quoted from AASB 1031 which will require assessment for their continued relevance in relation to APES 350.

The taskforce agreed that this can be considered with the next revision of APES 350.

### **Impacted Stakeholders**

Members in Public Practice, Firms and Professional Bodies.

### **Recommendation**

Editorial amendments due to the changes to the AASB/AUASB Standards will be processed at the revision of APES 350 in 2015. An exposure draft on the proposed revised APES 350 is currently under development by the APES 350 Taskforce.

## **2. Defined terms**

### **Issue**

The Technical Staff review identified that the Definitions section in APES 350 needs to be revised to be consistent with the Code.

### **Analysis of Issue**

The Definitions section in APES 350 requires revision due to amendments made to the IESBA's Code and subsequent changes made by APESB to APES 110 *Code of Ethics for Professional Accountants*.

### **Definitions to be revised**

**Assurance Engagement** means an Engagement in which a Member in Public Practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.

This includes an Engagement in accordance with the *Framework for Assurance Engagements* issued by the ~~Auditing and Assurance Standards Board (AUASB)~~ or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.

**Client** means an individual, firm, entity or organisation to whom or to which Professional ~~Services~~ Activities are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature.

**Contingent Fee** means a fee calculated on a predetermined basis relating to the outcome ~~or result~~ of a transaction or the result of the ~~work services~~ performed by the Firm. A fee that is established by a court or other public authority is not a Contingent Fee.

**Engagement Team** means all ~~personnel~~ Partners and staff performing ~~an~~ the Engagement, ~~including any experts contracted and any individuals engaged by the Firm in connection with that Engagement~~ or a Network Firm who perform

procedures on the Engagement. This excludes external experts engaged by the Firm or a Network Firm.

**Independence means is:**

(a) Independence of mind – the state of mind that permits the ~~provision~~ expression of an ~~a~~ opinion ~~conclusion~~ without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism. ~~;~~ ~~and~~

(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would reasonably be likely to conclude, weighing all the specific facts and circumstances, that a Firm's, or a member of the Engagement Audit or Assurance Team's, integrity, objectivity or professional scepticism had has been compromised.

**Member** means a member of a ~~p~~Professional ~~b~~Body that has adopted this Standard as applicable to their membership, as defined by that ~~p~~Professional ~~b~~Body.

**Member in Public Practice** means a Member, irrespective of functional classification (e.g., audit, tax or consulting) in a Firm that provides Professional Services. This term is also used to refer to a Firm of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable ~~p~~Professional ~~b~~Body.

**Professional Services** means ~~services requiring accountancy or related skills performed by a Member in Public Practice including accounting, auditing, taxation, management consulting and financial management services.~~ Professional Activities performed for Clients.

**Professional Standards** means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable ~~p~~Professional ~~b~~Body.

**Those Charged with Governance** ~~includes those~~ means the person(s) accountable for ensuring that the entity achieves its objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and reporting to interested parties. or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, Those Charged with Governance includes management only when it performs such functions may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

Definitions to be added

**Professional Activity** means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.

**Professional Bodies** means the Institute of Chartered Accountants Australia, CPA Australia and the Institute of Public Accountants.

It should also be noted that APESB is currently considering whether the definition of *Professional Activity* should be revised in the Australian context. If this occurs then this definition will require revision.

Subsequent to the revision of the definitions section, consequential editorial amendments may also be required to APES 350.

**Impacted Stakeholders**

Members in Public Practice, Firms and Professional Bodies

**Recommendation**

The defined terms in APES 350 should be revised in a manner consistent with the Code and other APESB standards. It is recommended that these changes and any other consequential amendments be processed at the revision of APES 350 in 2015. An exposure draft on the proposed revised APES 350 is currently under development by the APES 350 Taskforce.