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APESB issues revised APES 205 *Conformity with Accounting Standards*

Accounting Professional & Ethical Standards Board Limited (APESB) today announced the issue of the revised APES 205 *Conformity with Accounting Standards* (APES 205) to replace the existing APES 205 (Issued October 2015).

The key changes in the revised APES 205 consist of:

- Revisions to reflect the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), issued in November 2018;
- Removing references to the Auditing Standards (AUSs) now replaced by Australian Auditing Standards (ASAs);
- Removal of references to the Statement of Accounting Concept 2 which is no longer effective; and
- Including a requirement for Members in Business to comply with the provisions in the Code in respect of acting within their competence and expertise.

Please refer to Appendix 1 of this technical update for details of all the revisions. The revised APES 205 will be effective for Members from 1 January 2020 with early adoption permitted.

APESB has incorporated the following interactive PDF features within the revised APES 205:

- Bookmark tab section for contents page;
- Dynamic links to sections and paragraphs;
- Pop-up definitions upon mouse rollover for defined terms; and
- Links to external websites.

The revised standard is available from APESB's website: www.apesb.org.au

– ENDS –

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Appendix 1

Revision to APES 205 (Issued October 2015)

Accounting Professional & Ethical Standards Board Limited (APESB) has approved the following revisions to APES 205 *Conformity with Accounting Standards* which was originally issued in December 2007 and revised in October 2015.

Paragraph Reference	Revisions
1.2	Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 205 <i>Conformity with Accounting Standards (the Standard)</i> , which is effective from 1 January 2016 <u>2020</u> and supersedes APES 205 issued in December 2007 <u>October 2015</u> . Earlier adoption of this Standard is permitted.
1.6	Members shall be familiar <u>comply</u> with relevant <u>other applicable</u> Professional Standards and be familiar with relevant guidance notes when performing Professional Activities. All Members shall comply with the fundamental principles outlined in the Code.
1.7	The Standard does <u>is not intended to</u> detract from any responsibilities which may be imposed by law or regulation.
2	<u>Defined terms are shown in the body of the Standard in title case.</u> For the purpose of this Standard:
2	Assurance Engagement means an Engagement in which a Member in Public Practice aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria). This includes an Engagement in accordance with the <i>Framework for Assurance Engagements</i> issued by the AUASB or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements. <u>(For guidance on Assurance Engagements, see the <i>Framework for Assurance Engagements</i> issued by the AUASB. The <i>Framework for Assurance Engagements</i> describes the elements and objectives of an Assurance Engagement and identifies Engagements to which <i>Australian Auditing Standards (ASAs)</i>, <i>Standards on Review Engagements (ASREs)</i> and <i>Standards on Assurance Engagements (ASAEs)</i> apply.)</u>
2	AuASB means the Auditing and Assurance Standards Board which issued Australian auditing and assurance standards up to 30 June 2004, under the auspices of the Australian Accounting Research Foundation, a joint venture of CPA Australia and the Institute of Chartered Accountants in Australia.
2	Audit Engagement means a reasonable Assurance Engagement in which a Member in Public Practice expresses an opinion whether Financial Statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an Applicable Financial Reporting Framework, such as an Engagement conducted in accordance with Auditing and Assurance Standards. This includes a statutory audit, which is an audit required by legislation or other regulation such as the Corporations Act 2004.

Paragraph Reference	Revisions
2	<p>Auditing and Assurance Standards means:</p> <p>(a) the AUASB standards, as described in ASA 100 <i>Preamble to AUASB Standards</i>, ASA 101 <i>Preamble to Australian Auditing Standards</i> and the <i>Foreword to AUASB Pronouncements</i>, issued by the AUASB, and operative from the date specified in each standard; and</p> <p>(b) those standards issued by the AuASB which have not been revised and reissued (whether as standards or as guidance) by the AUASB, to the extent that they are not inconsistent with the AUASB standards.</p>
2	<p>Code means APES 110 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i>.</p>
2	<p>Compliance Framework means:</p> <p>(a) a financial reporting framework that requires compliance with the requirements of the applicable framework, but does not contain the acknowledgements in respect of a fair presentation framework (refer Applicable Financial Reporting Framework); or</p> <p>(b) a framework (not related to financial reporting) used <u>adopted</u> by the entity, which is designed to ensure that the entity achieves compliance, and includes governance structures, programs, processes, systems, controls and procedures.</p>
2	<p>Financial Statements means a structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of Financial Statements, but it can also refer to a single Financial Statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes. The requirements of the financial reporting framework determine the form and content of the Financial Statements and what constitutes a complete set of Financial Statements. <u>For the purposes of this Standard, financial report is considered to be an equivalent term to Financial Statements.</u></p>
<u>2</u>	<p><u>Member in Business</u> means a Member working in areas such as <u>commerce, industry, service, the public sector, education, the not-for-profit sector, or in regulatory or professional bodies, who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer.</u></p>
2	<p>Member in Public Practice means a Member, irrespective of functional classification (e.g. for example, 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 Professional Body.</p>
2	<p>Professional Activity means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.</p>

Paragraph Reference	Revisions
2	<i>Review Engagement</i> means an Assurance Engagement, <u>conducted in accordance with Auditing and Assurance Standards on Review Engagements or equivalent</u> , in which a Member in Public Practice expresses a conclusion <u>on</u> whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the Member's attention of the Member that causes the Member to believe that the historical financial information is not prepared, in all material respects, in accordance with an Applicable Financial Reporting Framework such as an Engagement conducted in accordance with Auditing and Assurance Standards on Review Engagements .
2	<i>Statements of Accounting Concepts 1</i> means SAC 1 <i>Definition of the Reporting Entity</i> and SAC 2 <i>Objective of General Purpose Financial Reporting</i> issued by the AASB.
2	<i>Those Charged with Governance</i> means the person(s) 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 may <u>might</u> include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.
<u>3.1</u>	<u>A Member shall comply with Part 1 <i>Complying with the Code, Fundamental Principles and Conceptual Framework</i> of the Code and with relevant laws and regulations when they prepare, present, audit, review or compile Financial Statements.</u>
<u>3.21</u>	In accordance with Section 100 <i>Introduction and Fundamental Principles Complying with the Code</i> of the Code, Members shall observe and comply with their Member's public interest obligations when they prepare, present, audit, review or compile Financial Statements.
<u>3.32</u>	In accordance with Subsection 430 <u>113 <i>Professional Competence and Due Care</i></u> of the Code, a Member in Public Practice who is performing a Professional Service based on an Applicable Financial Reporting Framework shall ensure that the Member or the Firm has the requisite professional knowledge and skill or shall engage a suitably qualified external person. If a Member in Public Practice is unable to engage a suitably qualified person when required, the Member shall decline the Engagement.
<u>3.4</u>	<u>If a Member in Business who is performing a Professional Activity based on an Applicable Financial Reporting Framework determines they do not have the requisite professional knowledge and skill as required by Subsection 113 <i>Professional Competence and Due Care</i> of the Code, the Member shall determine whether to decline to perform the duties in question in accordance with Section 230 <i>Acting with Sufficient Expertise of the Code</i>.</u>
4.1	Members should take all reasonable steps to apply the principles and guidance provided in the Statements of Accounting Concepts <u>1</u> and the <i>Framework for the pPreparation and pPresentation of Financial Statements</i> issued by the AASB when assessing whether an entity is a Reporting Entity.

Paragraph Reference	Revisions
4.2	Statement of Accounting Concepts SAC 1 Definition of Reporting Entity provides guidance on circumstances in which an entity or economic entity should be identified as a Reporting Entity.
5.6	Where a Member in Public Practice is unable to ensure that a Client complies with Australian Accounting Standards pursuant to paragraph 5.5, the Member shall consider Australian Auditing and Assurance Standards applicable to Audit or Review Engagements or Professional Standards applicable to compilation Engagements.
6.2	Where a Member in Public Practice is unable to ensure that a Client complies with an Applicable Financial Reporting Framework pursuant to paragraph 6.1, the Member shall consider Australian Auditing and Assurance Standards applicable to Audit or Review Engagements or Professional Standards applicable to compilation Engagements.
Appendix 1	Summary of revisions to the previous APES 205 (Issued in October 2015) – amended