

**Accounting  
Professional &  
Ethical Standards  
Board Limited**

ACN 118 227 259

**Annual Report**

for the year ended  
30 June 2016





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# **APESB's Strategic Plan 2016 – 2020**

## **Vision**

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**Exemplary levels of professionalism and ethical behaviour in the accounting profession.**

## **Statement of Purpose**

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**To develop and issue, in the public interest, high quality professional and ethical standards.**

## **Values**

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**To be consultative and transparent in all our activities and work independently and resourcefully in the public interest.**

# We will promote professionalism and ethical behaviour and maximise the integrity of the accounting profession by:

## Standards

**Issuing professional and ethical standards that are relevant to members of the Professional Accounting Bodies\* while serving the public interest.**

### Strategies

- Develop and issue Standards and Guidance Notes
- Monitor the external environment to ensure the issued pronouncements remain relevant and identify the need for new Standards and Guidance Notes
- Ensure that the concepts of professionalism and public interest are the cornerstones of the standard setting process
- Attract and retain an appropriate mix of skills, experience, knowledge and expertise to the Board, management and taskforces
- Ensure the organisation is governed, structured and resourced appropriately with transparent oversight

## Engagement

**Effectively engaging our key stakeholders, including professional accountants, the public, government bodies, regulators and the Professional Accounting Bodies.**

### Strategies

- Engage with key stakeholders across the profession in practice and in business in order to provide leadership in respect of accounting, professional and ethical matters

- Adopt a communication strategy that facilitates a continuous process of engagement that takes advantage of appropriate platforms
- Raise awareness within targeted audiences: Members in Business, SMP/SMEs, Universities and others
- Engagement and interaction with key regulators (i.e. ASIC, APRA, ATO and NZ equivalents)
- Maintaining ongoing communication with the staff of the Professional Accounting Bodies who are involved in professional standards, quality review and disciplinary activities.

## Influence

**Influencing and responding to the national and international agenda in relation to professional and ethical standards.**

### Strategies

- Influence and engage with the work program of regulators, government bodies and other Australian standard setters
- Influence and engage with the work program of the International Federation of Accountants (IFAC) and the International Ethics Standards Board for Accountants (IESBA) and contribute to the agenda of the IESBA National Standard Setters Group
- Identify future trends and emerging issues that have an impact on the accounting profession and professional standards in order to proactively develop solutions to capitalise on these opportunities
- Develop and maintain a communication and awareness raising program nationally and for the Asia-Pacific region

## Ethics Outreach

**Promoting that professionalism and ethical conduct drive the behaviour of accountants and conducting outreach activities in collaboration with key stakeholders.**

### Strategies

- Demonstrate leadership in ethical thinking and practice
- Promote to the public the professionalism and ethical conduct of accountants in the public sphere
- Raise awareness of APESB standards with universities, the academic community and collaborate with the Professional Accounting Bodies in outreach activities to support the emerging diverse young professionals
- Partner with the Professional Accounting Bodies to enhance integration of APESB standards within continuing professional development programs and conduct specific activities to engage with the SMP practices
- Partner with the business community and influence debates on business ethics and professional standards

\* Professional Accounting Bodies means CPA Australia, Chartered Accountants Australia and New Zealand and the Institute of Public Accountants who are all members of the APESB.

# Achievements for 2015 – 2016

## APESB Strategy and Work Plan

APESB continues to focus on ensuring professional accountants are equipped with current and relevant professional standards. During 2015/16 APESB revised 12 pronouncements and developed guidance for members performing valuation services for financial reporting. In the same year, APESB also significantly progressed with the development of a guidance note on management representations and exposure draft on the revised standard on dealing with client monies.

Communication and awareness raising activities have also been a focus for APESB this year. APESB has engaged with professional accountants who are members of Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants (the Professional Accounting Bodies) through different forums (both on-line and in person). Hosting a member networking event in Adelaide in conjunction with a Board meeting, provided the opportunity for APESB to promote awareness of our

function and professional standards to a broader audience. APESB also continues to develop its online presence through its website and mobile apps.

APESB also embarked on the development of its 2016 - 2020 Strategic Plan to build on its successes and leverage its existing activities to provide leadership in the local and international arenas in respect of accounting professional standards. The four strategic priorities outlined in the Strategic Plan will promote professionalism and ethical behaviour and strengthen the integrity of the accounting profession. The four strategic priorities over the 2016 - 2020 strategic period are:

Issuing professional and ethical standards that are relevant to members of the Professional Accounting Bodies in Australia while serving the public interest;

- Effectively engaging our key stakeholders, including professional accountants, the public, government bodies, regulators and the Professional Accounting Bodies;
- Influencing and responding to the national and international agenda in relation to professional and ethical standards; and

- Promoting that professionalism and ethical conduct drive the behaviour of accountants and conducting outreach activities in collaboration with key stakeholders.

## Improving Professional Practice through Standard Setting

APESB delivered on its primary strategic objective of developing and issuing professional and ethical standards by issuing and revising the following standards, exposure drafts and guidance notes:

### *Revision of APESB Pronouncements*

A revision of the following standards and guidance notes was undertaken due to definitional changes arising from the revision of APES 110 *Code of Ethics for Professional Accountants*, matters noted by stakeholders on the APESB's Issues Register and other minor editorial matters in respect of these pronouncements:

- APES 205 *Conformity with Accounting Standards*;
- APES 210 *Conformity with Auditing and Assurance Standards*;

- APES 215 *Forensic Accounting Services*;
- APES 220 *Taxation Services*;
- APES 225 *Valuation Services*;
- APES 305 *Terms of Engagement*;
- APES 310 *Quality Control for Firms*;
- APES 325 *Risk Management for Firms*;
- APES 345 *Reporting on Prospective Financial Information prepared in connection with a Public Document*;
- APES GN 30 *Outsourced Services*; and
- APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business*.

APESB completed the work on this project midway through the 2015/2016 financial year.

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

A revision of this standard was initiated primarily due to definitional changes arising from the revision of APES 110 *Code of Ethics for Professional Accountants*, to update references to auditing and assurance

standards and to address other matters raised by stakeholders. The revised standard was issued in August 2015.

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***Revision of APES 310 Dealing with Client Monies***

The revision of APES 310 *Dealing with Client Monies* is being undertaken to address the impact of developments in e-commerce to ensure the standard appropriately addresses the increased use of electronic record keeping and electronic data processing. The project has utilised valuable input and perspectives on the developments in e-commerce and other issues from industry participants. An Exposure Draft incorporating changes that reflect the requirements of APES 110 *Code of Ethics for Professional Accountants* and other changes to enhance the clarity of professional obligations has been released for comments. APESB expects to complete the work on this project in the 2016/2017 financial year.

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***Issue of APES GN 21 Valuation Services for Financial Reporting***

APESB has issued APES GN 21 *Valuation Services for Financial Reporting* (APES GN 21) in response to an identified market need to provide

members who perform valuation services with guidance due to the increased use of fair value basis of measurement in International Financial Reporting Standards which has created the ensuing demand for valuation services. APES GN 21 was released in July 2016.

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***Proposed APES GN 41 Management Representations***

During the 2015/2016 financial year APESB released an Exposure Draft for APES GN 41 *Management Representations* (APES GN 41) primarily directed at members of professional accounting bodies who are chief finance officers or in senior finance roles. The Exposure Draft provides guidance that assists Members in Business in understanding the contents, implications and responsibilities associated with management representation letters. This project will be completed in the 2016/17 financial year.

### Enhanced Stakeholder Engagement and Ethics Outreach Activities

APESB continued to deliver on its strategic objectives of engagement and outreach by enhancing its communication platforms, roundtable events for stakeholders and engaging subject matter experts on its taskforces.

### Thought Leadership Activities

#### APESB Roundtables: IESBA's Proposed Changes to the Code Addressing Non-Compliance with Laws and Regulations

APESB hosted two roundtable events in July 2015 in Melbourne and Sydney in respect of the IESBA's *Non-Compliance with Laws and Regulations* (NOCLAR) Exposure Draft. The events were conducted to obtain feedback from constituents regarding the IESBA's Exposure Draft *Responding to Non-Compliance with Laws and Regulations*. The stakeholders who participated at the APESB roundtables discussed and evaluated the IESBA's proposed framework to guide auditors and accountants in deciding how best to act in the public interest when they come across an act or suspected act of non-compliance with laws and regulations.

#### APESB Roundtables: International Exposure Drafts and Invitation to Comment

APESB held two roundtable events in March 2016 in Melbourne and Sydney. The roundtables were held to seek stakeholders' views on the following international releases:

- IESBA's Exposure Draft *Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1*

- IESBA's Exposure Draft *Limited Re-exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client*;
- IESBA's Exposure Draft *Proposed Revisions Pertaining to Safeguards in the Code – Phase 1*; and
- IAASB's Invitation to Comment *Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits*.

These APESB roundtable events were well-attended by stakeholders representing accounting firms, the Auditor-General's office, G100, industry participants, standards setters and the Professional Accounting Bodies. The Board greatly appreciates the input and feedback provided by stakeholders at these events in formulating the Board's response to the above named international releases.

### Engaging with Experts in the Development of Professional and Ethical Standards

During the financial year APESB convened 4 taskforces to provide expert advice on the development of key standards and guidance notes in the following areas:

- Due Diligence Committees;
- Valuation Services;
- Management Representations; and
- Dealing with Client Monies.

### Influencing the international and national Standard Setting Agenda

APESB is focussed on the need to engage with standards setters and raise the awareness of APESB in both the domestic and the international arena. Since implementation of the 2016 – 2020 Strategic Plan, APESB has achieved this engagement both locally and internationally utilising a number of mechanisms as follows:

### International developments

APESB is one of the National Standards Setters of the IESBA National Standards Setters Group (IESBA NSS Group) and represents Australia's interests in this group. The IESBA NSS Group held their eighth annual meeting in New York in June 2016 and APESB Chairman, Nicola Roxon, and Technical Director, Channa Wijesinghe, attended this meeting. The meeting provides a valuable forum in which National Standards Setters share information on, and insights into, emerging ethical issues and developments in jurisdictions around the world that are of international relevance.

### National developments

As noted above, APESB has collaborated with other National Standards Setters such as the AUASB in the development of standards as well as engaging with regulators and other key stakeholders. APESB continues to work to increase awareness of Accounting Professional and Ethical Standards by making presentations at relevant conferences and member professional development events.

### Communication Strategy

In the prior year APESB released a mobile app to provide easy access to professional and ethical pronouncements, and also updated its website to be more responsive. This year APESB is receiving the benefits from establishing this strong electronic communications platform.

During 2015/16 APESB used its electronic platform to engage with more stakeholders via the mobile app, communications with subscribers and social media. APESB has seen growth in both the download number for the mobile app and the number of followers of its LinkedIn page. APESB posts regular updates on LinkedIn and



have received more than 6,000 views on average per update. The LinkedIn page also promotes the company's E-Newsletter – *Professionalism* with the number of subscribers growing steadily over time.

The APESB website continues to engage its stakeholders, providing updates on exposure drafts, details of finalisation of pronouncements and media releases in respect of APESB activities. APESB meeting information including agenda items, board papers and meeting minutes are published providing transparency of activities to our stakeholders in a timely manner consistent with the strategic goals set out in the APESB Communication Strategy. APESB continues to raise awareness of its pronouncements and standard-setting activities at various conferences and member professional development events and liaises with the media as appropriate.

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### Maintaining Strong Governance of APESB

The Board experienced some changes during the year, with two of our long standing directors retiring - Stuart Black AM and Peter Day, and the appointment of two new directors – Penny Egan and Claire Mackay.

Stuart Black was a founding Board member and has played a pivotal role in the APESB's establishment and development as a National Standards Setter. Stuart has made a truly significant contribution to the APESB, including bringing his particular expertise in small to medium practices, acting as Chair of APESB during the first 18 months of the Board and serving six years as a member of the International Federation of Accountants (IFAC) SMP Committee.

Peter Day also retired from the Board after seven years of service. Peter has been a tireless advocate for professional accountants in business during the development process of APESB's suite of pronouncements and represented APESB at various national conferences and forums of the Professional Accounting Bodies.

APESB welcomes Penny Egan for an initial three-year term with the Board. Penny has worked in senior management roles across a number of Tasmanian government organisations including as Chief Financial Officer with the Department of Health and Human Services and Forestry Tasmania. Penny is the Chief Executive Officer of Cancer Council Tasmania and a Life Member and former President of CPA Australia. Penny currently sits on the Compliance Advisory Panel of the International Federation of Accountants (IFAC).

APESB also welcomes Claire Mackay who joined the Board on 1 July 2016 for an initial term of three years. An award-winning independent financial advisor, business owner and Principal at Quantum Financial, Claire is also a qualified Chartered Accountant, Certified Financial Planner, self-managed super fund expert and a qualified lawyer. The Board welcomes Claire's range and depth of expertise which includes roles at Macquarie Bank and PwC.

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### APESB farewells long-serving directors



**Mr Stuart Black AM**

7 February 2006 – 30 June 2016



**Mr W Peter Day**

15 April 2009 – 14 April 2016

# 2015 – 2016 Strategic Achievements Highlights

## Standards

**12**

Revised Standards and Guidance Notes during the year.

**8**

Completed 100% of Scheduled Reviews of APESB pronouncements addressing issues raised by stakeholders.

**12**

Released Technical Updates during the year to keep stakeholders informed of changes to APESB pronouncements.

## Engagement

### Communications

**1.4 million**

APESB had approximately 1.4 million hits on its website during the year.

**69,534**

LinkedIn impressions during the year.

**44.8%**

LinkedIn followers at the Partner, Director and Senior Manager level.

**23.8%**

LinkedIn followers at the Graduate or accounting entry level.

**15%**

LinkedIn followers at the Manager level.

Engaging stakeholders at all levels of experience.

**3 Articles**

contributed to professional body publications.

**8 Media Releases**

promoting and communicating APESB's activities.

## APESB Mobile App

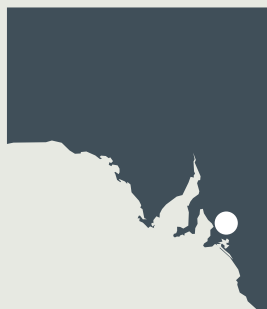


APESB is the first accounting standards setting body in Australia to develop an app for accessing its standards and one of only a handful worldwide. The app is available for Apple, Android and Windows devices and is free from the respective app stores.

Only in its second year, the app which is linked to the APESB website, has been downloaded by over **1,300** stakeholders and is a useful tool for the APESB to engage with stakeholders. It facilitates easy access to APESB pronouncements and keeping stakeholders up to date with developments in APESB projects and activities.

## Networking Event

In **May 2016**, APESB hosted a networking event in Adelaide that provided an opportunity to engage with our stakeholders in South Australia comprising representatives from the public and private sector and the local academic community (refer to pages 10-11).



## Influence

Stakeholders  
National & International



**APESB Board Member with a position on International Boards and Committees during the year.**



**International submissions with contributions from national stakeholders.**



**Attendance at IESBA's 8th Annual National Standards Setters meeting in New York in June 2016.**

## Ethics Outreach

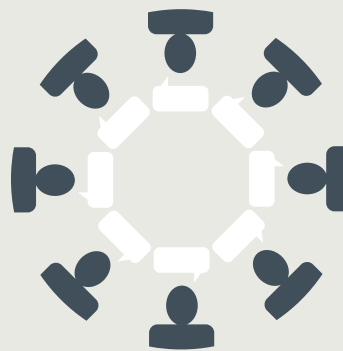
APESB Roundtables



The roundtables provided the opportunity for practitioners and other interested constituents to discuss and exchange their views.

In **July 2015**, APESB held two roundtable events in Sydney and Melbourne to obtain feedback from constituents in respect of IESBA's Exposure Draft *Responding to Non-Compliance with Laws and Regulations (NOCLAR)*.

In **March 2016**, APESB held two roundtable events in Sydney and Melbourne to obtain feedback from constituents in respect of IESBA's proposed revisions to the Code relating to *Improving the Structure of the Code, Long Association of Personnel with an Audit Client and Safeguards in the Code*, and the International Auditing and Assurance Standards Board's Invitation to Comment on *Enhancing Audit Quality in the Public Interest*.



# APESB's first Adelaide Board meeting and networking event a great success



1

APESB held its first Adelaide Board meeting on Tuesday, 31 May 2016 at CPA Australia's Adelaide office. Alongside this meeting, the APESB hosted a networking event attended by over 70 stakeholders at the CA ANZ Adelaide office. This event provided an invaluable opportunity to engage with our public and private sector stakeholders in South Australia, as well as the local academic community. APESB would like to thank all stakeholders who attended this event.



2



3



4

1. The Hon. Nicola Roxon acknowledges Mr Stuart Black's founding contribution and 10 years of distinguished service to the APESB. 2. The Hon. Nicola Roxon, Mr Stuart Black AM, Mr Craig Farrow, Ms Claire Mackay, Ms Penny Egan 3. Ms Anita Wasserman, Principal, Precision Management Accounting, The Hon. Nicola Roxon, Chairman, APESB, Mr David Dahm, CEO, Health and Life 4. Ms Claire Mackay, Director, APESB, Mr John Cahill, Director, APESB, Mr Richard Stewart, Partner, PwC



5

5. Ms Penny Egan, Director, APESB, Mr Richard Stewart, Partner, PwC, Mr John Cahill, Director, APESB, Mr Lee White, CEO, CA ANZ



6

6. Mr Craig Farrow, Director, APESB, Mr Mark Jones, General Manager SA/NT, CA ANZ, Ms Alice McCleary, Chairman, Uranium SA 7-8. Guests enjoying the Adelaide networking function



7



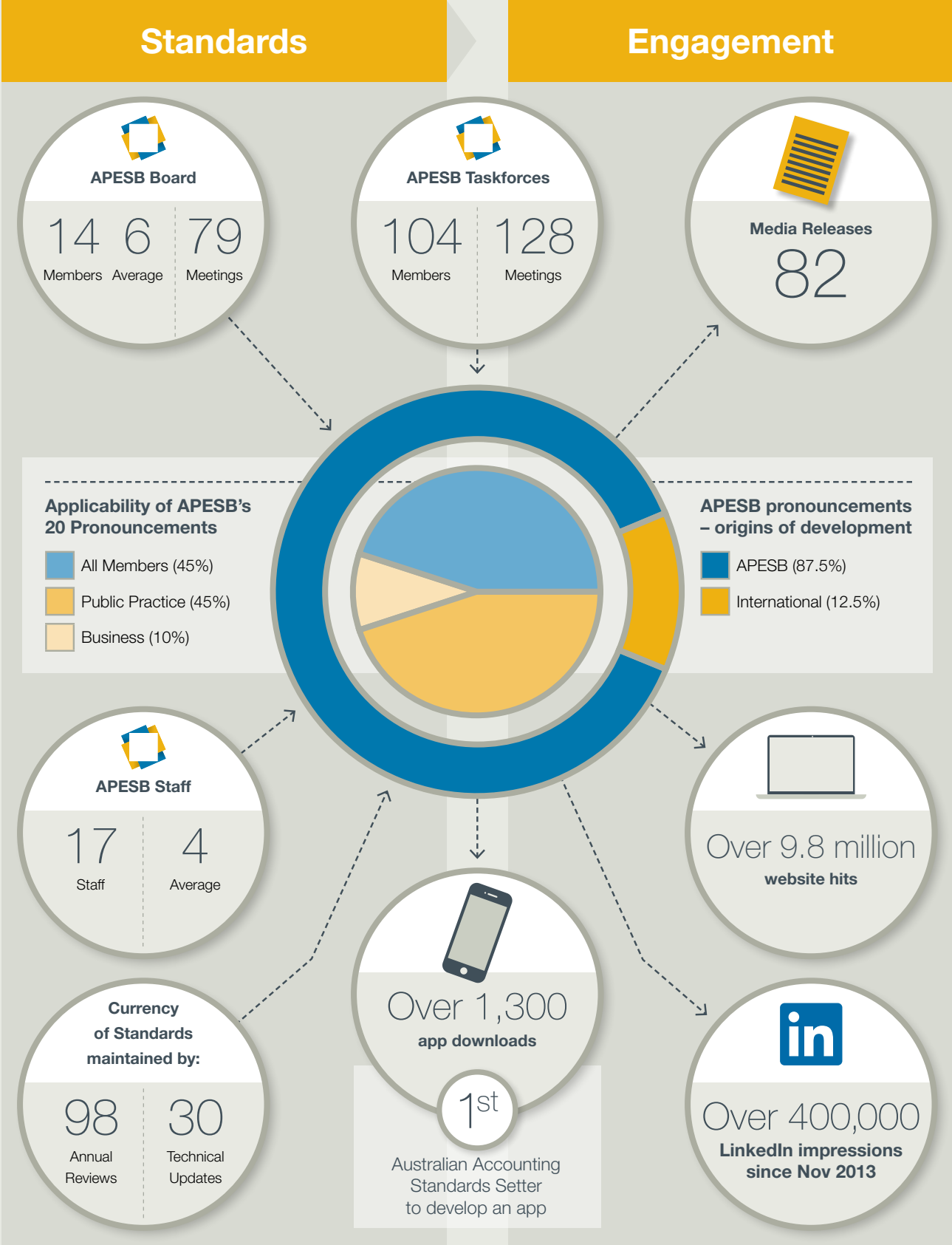
8

## APESB relocates to its new office

APESB has now relocated to a purpose built office at 99 William Street, Melbourne. The new design facilitates the APESB holding its board meetings, as well as, networking events.



# APESB 2006 – 2016



## Influence



### International influence

APESB is a member of IESBA's National Standards Setters Group and has attended all of its meetings in the **last 8 years**.

### APESB board members concurrently on international boards/committees

IESBA	2010 – 2014	K Spargo
IFAC SMP	2009 – 2014	S Black AM
IFAC PAIB	2014	J Cahill
IFAC Compliance Advisory Panel	2016 – To date	P Egan

### International submissions

to IESBA, IAASB, IFAC and EU



29

### National submissions

National Standards Setters, government and regulatory agencies



12

## Advocacy



79

**Presentations** by APESB Board and staff at international and national conferences, CPD events and various stakeholder forums

**Technical articles** for journals of the Professional Accounting Bodies

33

**Roundtable events** to inform the development of APESB's international submissions

10



Major **thought leadership** events with around 100 guests at each event

# Taskforces

for the year ended 30 June 2016

## Due Diligence Committees

**Channa Wijesinghe**

APESB (Chairman)

**Jeff Cook**

KPMG

**Marina Stuart**

Deloitte

**Claire Cardno**

Ernst & Young

**Mark Haberlin**

PricewaterhouseCoopers

**Jeffrey Luckins**

William Buck

**Kristen Wydell**

Chartered Accountants Australia and  
New Zealand

**Dr John Purcell**

CPA Australia

**Colin Parker**

IPA

## Valuation Services

**Channa Wijesinghe**

APESB (Chairman)

**Richard Stewart**

PricewaterhouseCoopers

**Brendan Halligan**

Halligan & Co

**Alan Max**

Moore Stephens

**Tapan Parekh**

Deloitte

**Dr Eva Tsahuridu**

CPA Australia

## Management Representations

**Channa Wijesinghe**

APESB (Chairman)

**David Castle**

Solicitor

**Geoff Harris**

G100

**Alan Lee**

Wolseley Private Equity

**Michael Ford**

Commonwealth Bank of Australia

**Dr Eva Tsahuridu**

CPA Australia

**Justin Reid**

IPA

**Liz Stamford**

Chartered Accountants Australia and  
New Zealand

## Dealing with Client Monies

**Channa Wijesinghe**

APESB (Chairman)

**Rob Florence**

Florence Audit & Assurance

**Geoff Gray**

Pitcher Partners

**Caroline Karavias**

CPA Australia

**Sonya Sinclair**

IPA

**Hana Thompson**

Chartered Accountants Australia and  
New Zealand

**Dr Eva Tsahuridu**

CPA Australia

*Directors left to right:*

*Ms Penny Egan*

*The Hon. Nicola Roxon (Chairman)*

*Mr Craig Farrow*

*Ms Claire Mackay*

*Mr Kevin Osborn*

*Absent: Mr John Cahill*

*Staff left to right:*

*Ms Jacinta Hanrahan*

*(Senior Project Manager)*

*Ms Ruth Oliquino*

*(Senior Project Manager)*

*Mr Channa Wijesinghe*

*(Technical Director/Company Secretary)*

*Ms Rebecca Williams*

*(Administration & Communications Officer)*





# Chairman's Report

**In February 2016 APESB completed its 10th year of operations. Since its inception in 2006 the APESB has successfully developed a world class suite of accounting professional and ethical pronouncements in the public interest that apply to members of the Professional Accounting Bodies.**

In developing these 20 pronouncements over the last 10 years, APESB has called upon the services of 104 Taskforce members (accountants from public practice and business), the Professional Accounting Bodies, regulators and other stakeholders. The valuable input from all of these parties have shaped pronouncements that are practical and relevant for professional accountants.

I look forward to leading the APESB this coming year as the Board evolves from focussing on standards development to a new phase where existing pronouncements are consolidated and maintained and the company can promote and build awareness of business ethics and professionalism.

Communication and outreach are important components of the 2016-2020 Strategic Plan. APESB continues to work on establishing

and maintaining strong networks with stakeholders and other standard setters, both nationally and internationally. The Technical Director and I attended the IESBA's National Standards Setters Group meeting in New York which provided an opportunity to discuss emerging issues and the current overhaul of the International *Code of Ethics for Professional Accountants*. APESB also conducted a number of roundtable consultations with its stakeholders during the year to consult on IESBA's exposure drafts.

## **APESB's Strategic Direction**

During the fiscal year 2015/2016, the Board worked on completing the APESB's Strategic Plan for 2016-2020. The Plan sees APESB focus on the consolidation and maintenance of its existing pronouncements,

enhanced communication activities to influence and build awareness of APESB Standards and to emphasise the importance of business ethics and professionalism that should underpin the work of professional accountants.

In the current year APESB have reviewed most of its current pronouncements, released additional guidance for members providing valuation services for financial reporting and prepared submissions on a range of international exposure drafts and invitations to comment. At the end of the year, APESB was in the process of finalising a guidance note on management representations and exposure draft on dealing with client monies. APESB have engaged with a broader range of stakeholders, enabled through the Board meeting and networking event in Adelaide, and roundtable events in both Sydney and Melbourne.

## **Taskforce Program and stakeholders**

During the year, APESB had four active taskforces in the areas of:

- due diligence committees,
- valuation services,
- management representations and
- client monies.

APESB relies significantly on the interest, commitment and hard work of the members of these volunteer taskforces throughout the year.

Much of the preparatory work of developing standards and guidance notes is completed by these groups and, on behalf of the Board, I would like to thank the participants and acknowledge their valuable input.

The Board is also grateful for the valuable contributions made by our stakeholders including staff of the Professional Accounting Bodies, accounting firms, government bodies, regulators and others who provide input and different perspectives to our standard setting process. We particularly acknowledge the interest of those who attend the APESB board meetings and offer valuable input at the time we are deliberating on matters.

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## Board

APESB has been fortunate over the last 10 years to have been supported by a talented and dedicated Board. During 2015/16, two of our long standing Board members, Stuart Black AM and Peter Day, retired from the Board. We also welcomed two new directors, Penny Egan and Claire Mackay.

Stuart, a founding member of the APESB served as a Board Member for 10 years until his retirement in June 2016. Stuart's expertise in Small to Medium practices and extensive governance experience was invaluable to the Board.

Peter served as Board Member for 7 years until his retirement in April 2016. Peter's views, insights, and perspectives as a former regulator and a Chief Financial Officer often provided solutions to complex issues.

On behalf of the Board, I acknowledge the outstanding contributions of Stuart and Peter to the APESB and the accounting profession in general.

I also welcome Penny and Claire and look forward to their valuable contributions to APESB's activities.

With sadness, I note the passing of Dr Ken Levy RFD, one of APESB's founding directors, in January 2016. Ken made a significant contribution to the creation of the Board during its formative years and he will be missed.

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## Staff

The APESB Secretariat is a small management team lead by Channa Wijesinghe (Technical Director/ Company Secretary). Channa is supported by Jacinta Hanrahan (Senior Project Manager), Ruth Oliquino (Senior Project Manager), Rebecca Williams (Administration & Communications Officer) and Dolla Wilkinson (Bookkeeper).

I would like to take this opportunity to thank the management team for all their hard work to deliver the Board's Strategic Plan and technical work program

for the benefit of the accounting profession. On behalf of the Board and our stakeholders, I acknowledge their commitment to their work and the high quality output they produce with limited resources.

I look forward to sharing our progress with you as APESB enters its new 2016-2020 Strategic Period.



Nicola Roxon  
Chairman

21 October 2016

# Directors' Report

The directors of Accounting Professional & Ethical Standards Board Limited (APESB or the company) present the financial report of the company for the year ended 30 June 2016. In complying with the provisions of the *Australian Charities and Not-for-profits Commission Act 2012*, the directors' report is as follows:

## Principal Activities

The principal activities of APESB during the year were the development and issue, in the public interest, of professional and ethical standards that apply to the members of the Professional Accounting Bodies and the provision of a formal and rigorous forum for the consideration, promulgation and approval of professional and ethical standards in an open, timely, independent and proactive manner.

The company's objectives are to monitor and evaluate the robustness of professional and ethical pronouncements for professional accountants in Australia and to develop in the public interest additional pronouncements as required. To achieve its objectives, the company has adopted the following strategies:

- Communicating and raising awareness of APESB pronouncements with our constituency;
- Engaging in and keeping up to date with international developments in ethical standard setting;

- Requesting input in terms of work plan inclusions from the Professional Accounting Bodies;
- Maintaining awareness of the business environment and legislative developments to identify opportunities where APESB should develop pronouncements in the public interest; and
- Engaging in stakeholder consultation when developing pronouncements for members.

## Results of Operations

The company's operations for the year ended 30 June 2016 resulted in a surplus of \$35,675 (2015: surplus \$82,634).

## Review of Operations

The major focus of the company's operations for the year continued to be the review of existing standards and guidance notes and the development of new pronouncements as required.

## Significant Changes in the State of Affairs

There were no significant changes in the company's state of affairs during the financial year.

## Environmental Issues

The operations of the company are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## Future Developments

The company expects to maintain the present status and level of operations and hence there are no likely developments in the company's operations. The company is continually updating, reviewing and improving its management and governance practices to ensure that the strategic objectives of the company are met.

## Dividends

The company is limited by guarantee and its Constitution precludes the payments of dividends.

## Events after the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or are likely to significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

## Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated. None of the directors listed had any special responsibilities during the year other than as noted below.

### Nicola Roxon (Chairman)

Ms Nicola Roxon was appointed Chairman of APESB in June 2014. Nicola became Australia's first female Attorney-General in 2011. Nicola Roxon was first elected to the federal seat of Gellibrand in 1998, was a senior cabinet minister and held the complex portfolio of Minister for Health and Ageing for four years. Nicola holds a BA/LLB (first class honours) from Melbourne University and is a Graduate Member of the Australian Institute of Company Directors. Since 2014 Nicola has developed her career as a non-executive director and currently serves in this capacity on the Board of BUPA ANZ and is the Chairman of Cancer Council Australia. Nicola is an Adjunct Professor within the College of Law and Justice at Victoria University and is a well-known public speaker nationally and internationally.

*Date of Appointment: 1 June 2014*

### Stuart Black AM

Mr Stuart Black is a past President and a Fellow of Chartered Accountants Australia and New Zealand and a Fellow of both CPA Australia and the Australian Institute of Company Directors. He is a former managing partner of the mid-sized accountancy practice Chapman Eastway. Stuart serves as a non-executive director of Australian Agricultural Company Limited, NetComm Wireless Ltd and is a former non-executive director of Coffey International Ltd. He chairs the Chartered Accountants Benevolent Foundation Ltd and is a non-executive director of the Country Education Foundation of Australia Ltd. He recently retired from the International Federation of Accountants Small Medium Practices Committee.

*Date of Appointment: 7 February 2006*

*Date of Retirement: 30 June 2016*

### John Cahill

Mr. John Cahill is a past President/Chairman, a Fellow and Life Member of CPA Australia Ltd, a Graduate Member of the Australian Institute of Company Directors and a member of the Australian Institute of Management. John is a non-executive Director of Emeco Holdings Ltd, Toro Energy Ltd and a Councillor at Edith Cowan University. John's past roles include being Chief Executive Officer of Alinta Infrastructure Holdings, Chief Financial Officer of Alinta Ltd and other senior management roles in treasury, finance, accounting and risk management, predominantly in the energy industry.

*Date of Appointment: 1 February 2014*

### W Peter Day

Mr Peter Day is a non-executive director of Ansell, Alumina, Boart Longyear, Central Gippsland Region Water Corporation Board, Financial Executives Institute of Australia, Multiple Sclerosis Ltd and SAI Global. Peter is the Chair of the Australian Prudential Regulation Authority (APRA) Audit Committee, a Member of APRA's Risk Management Committee, and a Member of the Takeovers Panel. Peter was formerly CFO of Amcor for seven years and previously held senior positions with Bonlac Foods, Rio Tinto, CRA and Comalco. Peter is a past Chairman of the Australian Accounting Standards Board and a past Deputy Chairman of the Australian Securities and Investments Commission. He is a Fellow of both CPA Australia and the Chartered Accountants Australia and New Zealand, and a Fellow of the Australian Institute of Company Directors.

*Date of Appointment: 15 April 2009*

*Date of Retirement: 14 April 2016*

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**Penny Egan**

Ms Penny Egan is the Chief Executive Officer of Cancer Council Tasmania and a Life Member of CPA Australia. She currently sits on the Compliance Advisory Panel of the International Federation of Accountants. Her previous positions include Board Director and President of CPA Australia, Director of Softwood Tasmania and Director of Newwood Holdings Pty Ltd. Penny has worked in senior management roles across a number of Tasmanian government organisations including as Chief Financial Officer with the Department of Health and Human Services and Forestry Tasmania. Penny is a Fellow of CPA Australia and a Graduate Member of the Australian Institute of Company Directors.

*Date of Appointment: 21 April 2016*

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**Craig Farrow**

Mr Craig Farrow is the Chairman and a Partner of Brentnalls SA and is a past President of the Institute of Chartered Accountants Australia (ICAA). Craig played a pivotal role in ICAA's historic merger with the New Zealand Institute of Chartered Accountants as the Executive Chair of the merger project that led to the creation of Chartered Accountants Australia and New Zealand. Craig is the Deputy Chairman and a non-executive Director of Vocus Communications Ltd, Chairman of Australian Independent Rural Retailers, Tonkin Consulting Engineers and Scientists, AMPS Agribusiness, Doctor's Health SA and General Practice SA. He is also a non-executive Director of Petrosys Pty Ltd and Centre State Exports Group. Craig is a Fellow of both the Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors, and a Fellow of the Australian Institute of Management (AIM). He is also a certified practicing manager and holds a Diploma of Financial Services.

*Date of Appointment: 10 February 2015*

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**Kevin Osborn**

Mr Kevin Osborn is Chairman of VUCA Pty Ltd, Beerenberg Farm Advisory Board and Deputy Chairman of Port Adelaide Football Club. Kevin is a Director of Pateka Pty Ltd which consults to Australian and International clients, a Foundation Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Public Accountants. He was formerly the Deputy Chairman of Bendigo and Adelaide Bank and a non-executive Director of Calgary based Viterro Inc. Prior to his career as a non-executive Director, Kevin had a 25 year career in international financial markets where he held various global senior management positions with the USA's then 4th largest Banking Corporation, Bank One, which is now part of J P Morgan Chase.

*Date of Appointment: 18 March 2013*

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**Claire Mackay**

Ms Claire Mackay is a Principal and Head of Advice at Quantum Financial, a leading independent financial planning firm. Previously Claire worked in structured tax at PwC and Macquarie Bank. Claire is a member of ASIC's External Advisory Panel, ATO's Superannuation Industry Relationship Network, SMSF Committee at Chartered Accountants Australia and New Zealand and the Professional Standards and Conduct Committee at the Financial Planning Association. Claire is an Adjunct Lecturer in Applied Finance and Corporate Finance at Macquarie University. Previously Claire was an industry nominated Panel Adjudicator for the Financial Ombudsman Service. Claire holds Bachelor of Commerce, Bachelor of Law and a Masters of Law degrees. Claire is admitted to the NSW Supreme Court, a Chartered Accountant (SMSF and Financial Planning Specialist), Certified Financial Planner, Chartered Tax Advisor and Graduate Member of the Australian Institute of Company Directors.

*Date of Appointment: 1 July 2016*

Director	Directors' Meetings	
	Number Eligible to Attend	Number Attended
Nicola Roxon	5	5
Stuart Black	5	4
John Cahill	5	5
Peter Day	4	4
Penny Egan	1	1
Craig Farrow	5	5
Kevin Osborn	5	5
Claire Mackay	-	-

**Company Secretary**

**Channa Wijesinghe**

Mr Channa Wijesinghe is the Technical Director and Company Secretary of APESB. He is a Fellow of both Chartered Accountants Australia and New Zealand and CPA Australia. Channa has been with APESB since January 2007 and was previously an Audit Director at Deloitte Touche Tohmatsu.

**Indemnification of Officers and Auditors**

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary and all executive officers of the company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the cover and the amount of the premium.

The company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such officer or auditor.

**Directors' Meetings**

The table above sets out the number of directors' meetings held during the financial reporting year and the number of meetings attended by each director. During the financial reporting year, five directors' meetings were held.

**Proceedings on Behalf of the Company**

No person has applied for leave of the Court to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstandings and obligations of the company. At 30 June 2016 the number of members was 3 (2015: 3 members).

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration for the year ended 30 June 2016 has been received and can be found in the directors' report on page 23.

Signed in accordance with a resolution of the Board of Directors.



Nicola Roxon  
Chairman

21 October 2016

The background features a large, light-colored wood grain texture. This texture is partially obscured by several large, angular geometric shapes. A prominent white shape is in the upper left, and a dark blue shape is in the upper right. In the lower right, there are dark blue and black shapes. The overall composition is modern and minimalist.

# **Financial Statements**



## Auditor's Independence Declaration

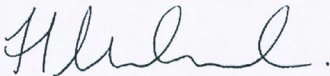
### To the Directors of Accounting Professional & Ethical Standards Board Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

*ShineWing Australia*

**ShineWing Australia**  
Chartered Accountants



Hayley Underwood  
Partner

Melbourne, 21 October 2016

# Directors' Declaration

The directors of the company declare that:

- (1) The financial statements and notes, as set out on pages 25 to 43 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* including:
  - (a) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and the *Australian Charities and Not for Profits Commission Regulation 2013*; and
  - (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the company.
- (2) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Nicola Roxon  
Chairman

21 October 2016

# Statement of Comprehensive Income

for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue	2	1,389,450	1,350,000
Other income	2	24,459	24,948
Employee costs, contractors and directors fees		(899,954)	(899,668)
Employee benefits expense	3	(53,871)	(44,441)
Rent		(63,486)	(63,863)
Board meeting costs		(76,170)	(62,904)
Conferences and events		(54,985)	(31,724)
Consulting fees		(19,700)	(4,800)
Depreciation and amortisation	3	(7,038)	(9,492)
Finance (charges)/writebacks		(564)	304
Accounting and legal fees		(37,909)	(39,534)
Cleaning and outgoings		(26,290)	(25,413)
Information technology support and development		(30,380)	(24,485)
Marketing		(39,726)	(26,952)
Insurance		(10,676)	(9,164)
Postage, printing and stationery		(15,439)	(13,094)
Communications		(12,552)	(11,668)
Other expenses		(29,494)	(25,416)
<b>Surplus before income tax</b>		<b>35,675</b>	<b>82,634</b>
Income tax expense	1(i)	-	-
<b>Surplus after income tax</b>		<b>35,675</b>	<b>82,634</b>
<b>Surplus for the financial year</b>		<b>35,675</b>	<b>82,634</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>35,675</b>	<b>82,634</b>

*The accompanying notes form part of these financial statements*

# Statement of Financial Position

at 30 June 2016

	Note	2016 \$	2015 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash	4,14(a)	249,752	388,958
Term Deposits	4	860,465	788,956
Other assets	5	208,484	20,684
<b>Total Current Assets</b>		<b>1,318,701</b>	<b>1,198,598</b>
<b>Non-Current Assets</b>			
Other assets	4	42,383	-
Property, plant and equipment	6	28,489	10,027
<b>Total Non-Current Assets</b>		<b>70,872</b>	<b>10,027</b>
<b>Total Assets</b>		<b>1,389,573</b>	<b>1,208,625</b>
<b>Current Liabilities</b>			
Trade and other payables	7	124,935	88,339
Provisions	8	91,197	79,461
<b>Total Current Liabilities</b>		<b>216,132</b>	<b>167,800</b>
<b>Non-Current Liabilities</b>			
Other payables	7	125,007	(46)
Provisions	8	477	28,589
<b>Total Non-Current Liabilities</b>		<b>125,484</b>	<b>28,543</b>
<b>Total Liabilities</b>		<b>341,616</b>	<b>196,343</b>
<b>Net Assets</b>		<b>1,047,957</b>	<b>1,012,282</b>
Accumulated surplus		1,047,957	1,012,282
<b>Total Equity</b>		<b>1,047,957</b>	<b>1,012,282</b>

*The accompanying notes form part of these financial statements*

# Statement of Changes in Equity

for the year ended 30 June 2016

	Accumulated Surplus \$
Balance at 1 July 2014	929,648
Net surplus for the financial year	82,634
Other comprehensive income for the year	-
<b>Balance at 30 June 2015</b>	<b>1,012,282</b>
Balance at 1 July 2015	1,012,282
Net surplus for the financial year	35,675
Other comprehensive income for the year	-
<b>Balance at 30 June 2016</b>	<b>1,047,957</b>

*The accompanying notes form part of these financial statements*

# Statement of Cash Flows

for the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from Professional Bodies		1,528,395	1,485,000
Receipts from other operating activities		2,249	-
Payments to suppliers and employees		(1,552,666)	(1,405,536)
Interest received		22,208	28,644
Net cash generated by operating activities	14(b)	186	108,108
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant and equipment		(25,500)	(3,081)
Net cash used in investing activities		(25,500)	(3,081)
<b>Cash Flows from Financing Activities</b>			
Net cash used in financing activities		-	-
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>		(25,314)	105,027
<b>Cash and Cash Equivalents at the Beginning of the Financial Year</b>		1,177,914	1,072,887
<b>Cash and Cash Equivalents at the End of the Financial Year</b>	14(a)	1,152,600	1,177,914

*The accompanying notes form part of these financial statements*

# Notes to the Financial Statements

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<b>Surplus for the Year</b>	<b>3</b>
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Accounting Professional & Ethical Standards Board Limited (APESB or the company) is an individual company, incorporated and domiciled in Australia. APESB is a not-for-profit company limited by guarantee. The address of its registered office and principal place of business is disclosed in note 18. The financial report was authorised for issue on 21 October 2016 by the Board of Directors.

## Note 1: Statement of Significant Accounting Policies

### Basis of Preparation

The financial statements are General Purpose Financial Statements that have been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the *Australian Accounting Standards Board (AASB)*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements that contain relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated. The functional and presentation currency of the company is in Australian dollars.

The financial statements except for cash flow information have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

### Accounting Policies

#### (a) Revenue

Revenue primarily consists of subscriptions paid by the Professional Accounting Bodies (Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants) in the form of transfers of resources to the company in return for past or future compliance with certain conditions relating to the operating activities of the company. Revenue is recognised when an invoice is raised and it is receivable.

#### Interest revenue

Revenue is recognised as interest accrues, using the effective interest rate method.

#### (b) Property, Plant and Equipment

Plant and equipment and leasehold improvements are measured on the basis of cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation Rate
Leasehold improvements	20%
Lease assets	10%
Furniture	20%
Computer equipment	25% - 33.3%
Office equipment	25% - 33.3%



The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Comprehensive Income.

**(c) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

**(d) Financial Instruments**

***Initial Recognition and Measurement***

Financial assets are recognised when the company becomes entitled to the risks and rewards of ownership of the asset. The company's financial assets are classified as cash and cash equivalents and trade and other receivables.

Financial liabilities are recognised when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation, and the amount at which settlement will take place can be measured reliably.

***Classification and Subsequent Measurement***

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties.

Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- i. the amount at which the financial asset or financial liability is measured at initial recognition;
- ii. less principal repayments;
- iii. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- iv. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the profit or loss.

***(i) Financial Assets at Fair Value Through Profit or Loss***

Financial assets are classified at 'fair value through profit and loss' when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

***(ii) Loans and Receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

***(iii) Held-to-Maturity Investments***

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months of the end of the reporting period.

***(iv) Financial Liabilities***

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

***Fair Value***

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

***Impairment***

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Comprehensive Income.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Comprehensive Income.

**(e) Impairment of Assets**

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

As a not-for-profit company where the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows, value in use is determined as the depreciated replacement cost of an asset.

**(f) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period.

Employee benefits expected to be settled within 12 months together with benefits arising from wages, salaries and annual leave which may be settled after 12 months, have been measured at the amounts expected to be paid when the liability is settled. Other employee benefits payable later than one year have been measured at the net present value.

Contributions to defined contribution superannuation plans are expensed when incurred.

**(g) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at-call at banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

**(h) Goods and Services Tax (GST)**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

**(i) Income Tax**

No provision for income tax has been raised as the company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

**(j) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**(k) Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**(l) Make Good Provision**

A provision is recognised for the present value of anticipated costs of future restoration of leased office premises.

The provision includes future cost estimates associated with the dismantling of office premises, fixtures and fittings. The calculation of this provision is based on the best estimate of future costs which may result in future actual expenditure differing from the amounts currently provided. The provision recognised for the office premises is periodically reviewed and updated based on the facts and information available at the time. Changes to the estimated future costs for the office premises

are recognised in the Statement of Financial Position by adjusting both the expense and asset (if applicable) and provision. The related carrying amounts are disclosed in notes 6 and 8 to the financial statements.

The company has settled all of its obligations in respect of the make good provision in the current financial year.

#### (m) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Within the prior year Statement of Financial Position, a reclassification between cash and cash equivalents and financial assets has occurred. This reclassification is a result of term deposits with maturities of more than 3 months duration being classified as cash and cash equivalents which should have been classified as financial assets. The impact on the Statement of Financial Position for the year ended 30 June 2015 was that cash and cash equivalents decreased by \$788,956 and financial assets have increased by \$788,956. These restatements have no impact on the prior year financial results.

#### (n) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the company.

The company did not have any significant accounting estimates or judgements that required any further disclosures during the year.

#### (o) Economic Dependency

APESB is dependent on the Professional Accounting Bodies (CPA Australia, Chartered Accountants Australia and New Zealand and the Institute of Public Accountants) for the majority of its revenue used to operate the business. As per clause 2.2 of the Memorandum of Agreement between the Chartered Accountants Australia and New Zealand, CPA Australia and APESB, funding is on a three year rolling cycle, reviewable annually.

At the date of this report the Board of Directors has no reason to believe the Professional Accounting Bodies will not continue to support APESB.

#### (p) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of these new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company and are applicable in future reporting periods is set out below:

- **AASB 9:** Financial Instruments (December 2014), AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) and AASB 2014-8 and Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) are applicable for annual reporting periods commencing on or after 1 January 2018.
- **AASB 2014-4:** Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation is applicable for annual reporting periods beginning on or after 1 January 2016.
- **AASB 2015-1:** Amendments to Australian Accounting Standards –

Annual Improvements to Australian Accounting Standards 2012–2014 Cycle is applicable for annual reporting periods beginning on or after 1 January 2016.

- **AASB 2015-2:** Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2016.

These standards are not expected to impact the company's financial statements.

- **AASB 16:** Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets.

AASB 16 applies to annual periods beginning on or after 1 January 2019. The directors of the company anticipate that the application of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the company's financial statements. However, it is not practical to provide a reasonable estimate of the effect of AASB 16 until the company performs a detailed review.

**Note 2: Revenue**

	2016 \$	2015 \$
<b>Revenue from Professional Bodies</b>		
Operating revenue	1,389,450	1,350,000
Total Revenue	1,389,450	1,350,000
<b>Other Income</b>		
Bank deposits interest revenue	22,210	24,948
Licensing fees	404	-
Other income	1,845	-
Total other income	24,459	24,948
<b>Total Revenue and Other Income</b>	1,413,909	1,374,948

**Note 3: Surplus for the Year**

	2016 \$	2015 \$
<b>Expenses</b>		
Depreciation and Amortisation		
– Lease asset/leasehold improvement make good	2,359	3,259
– Computer equipment	4,544	5,416
– Office equipment	135	817
Total Depreciation and Amortisation	7,038	9,492
Employee Benefits Expense		
– Annual leave	47,195	37,663
– Long service leave	6,676	6,778
Total Employee Benefits Expense	53,871	44,441
Auditor's Remuneration		
– Audit services	13,000	12,500
– Other services	11,500	8,600
Total Auditor's Remuneration	24,500	21,100

**Note 4: Cash and Cash Equivalents**

	2016 \$	2015 \$
<b>Current</b>		
Cash at bank	249,702	388,908
Cash on hand	50	50
	249,752	388,958
Term deposits	860,465	788,956
	1,110,217	1,177,914
<b>Non Current</b>		
Security deposits	42,383	-
	42,383	-
	1,152,600	1,177,914

**Note 5: Other Assets**

	2016 \$	2015 \$
<b>Current</b>		
Trade debtors	2,029	-
Accrued interest	5,533	5,531
Other debtors	168,962	-
Prepayments and deposits	31,960	15,153
	208,484	20,684

The company has assessed the recoverability of amounts receivable and on the basis that no amounts are past due or are considered impaired, a provision for impairment of receivables is not required. Further there is no material credit risk exposure to any single receivable or group of receivables.

**Note 6: Property, Plant and Equipment**

	Lease Asset/ Leasehold Improvement Make Good \$	Leasehold Improvements \$	Furniture \$	Computer Equipment \$	Office Equipment \$	Total \$
<b>Gross Carrying Amount</b>						
<b>Balance at 1 July 2015</b>	23,589	197,072	38,511	21,503	13,397	294,072
Additions	-	21,362	-	4,138	-	25,500
Increase in make good provision	-	-	-	-	-	-
Disposals	(23,589)	(195,622)	(22,376)	(5,342)	(7,360)	(254,289)
<b>Balance at 30 June 2016</b>	-	22,812	16,135	20,299	6,037	65,283
<b>Accumulated Depreciation/ Amortisation and Impairment</b>						
<b>Balance at 1 July 2015</b>	(21,230)	(197,072)	(38,511)	(14,365)	(12,867)	(284,045)
Depreciation and amortisation expense	(2,359)	-	-	(4,544)	(135)	(7,038)
Eliminated on disposal of assets	23,589	195,622	22,376	5,342	7,360	254,289
<b>Balance at 30 June 2016</b>	-	(1,450)	(16,135)	(13,567)	(5,642)	(36,794)
<b>Net Book Value</b>						
<b>As at 1 July 2015</b>	2,359	-	-	7,138	530	10,027
<b>As at 30 June 2016</b>	-	21,362	-	6,732	395	28,489
<b>Gross Carrying Amount</b>						
<b>Balance at 1 July 2014</b>	22,464	197,072	38,511	18,967	13,125	290,139
Additions	-	-	-	2,536	545	3,081
Increase in make good provision	1,125	-	-	-	-	1,125
Disposals	-	-	-	-	(273)	(273)
<b>Balance at 30 June 2015</b>	23,589	197,072	38,511	21,503	13,397	294,072
<b>Accumulated Depreciation/ Amortisation and Impairment</b>						
<b>Balance at 1 July 2014</b>	(17,971)	(197,072)	(38,511)	(8,949)	(12,323)	(274,826)
Depreciation and amortisation expense	(3,259)	-	-	(5,416)	(817)	(9,492)
Eliminated on disposal of assets	-	-	-	-	273	273
<b>Balance at 30 June 2015</b>	(21,230)	(197,072)	(38,511)	(14,365)	(12,867)	(284,045)
<b>Net Book Value</b>						
<b>As at 1 July 2014</b>	4,493	-	-	10,018	802	15,313
<b>As at 30 June 2015</b>	2,359	-	-	7,138	530	10,027

**Note 7: Trade and Other Payables**

	2016 \$	2015 \$
<b>Current</b>		
Trade payables	5,406	26,149
Other payables	15,000	-
Goods and services tax payable	33,036	23,302
Rent payable	46	5,218
Lease incentive	29,686	-
PAYG payable	17,261	16,620
Audit fees payable	24,500	17,050
	124,935	88,339
<b>Non Current</b>		
Rent (receivable)/payable	-	(46)
Lease incentive	125,007	-
	125,007	(46)
	249,942	88,293

**Note 8: Provisions**

	2016 \$	2015 \$	
<b>Current</b>			
Annual leave provision	51,147	35,465	
Long service leave provision	40,050	43,996	
	91,197	79,461	
<b>Non-Current</b>			
Make good provision	-	28,191	
Long service leave provision	477	398	
	477	28,589	
	91,674	108,050	
	Annual Leave Provision \$	Make Good Provision \$	Long Service Leave Provision \$
Opening Balance at 1 July 2014	28,598	27,370	37,616
Additional provisions recognised	37,663	821	6,778
Reductions arising from payments	(30,796)	-	-
Closing Balance at 30 June 2015	35,465	28,191	44,394
Opening Balance at 1 July 2015	35,465	28,191	44,394
Additional provisions recognised	47,195	3,800	6,676
Reductions arising from payments	(31,513)	(31,991)	(10,543)
Closing Balance at 30 June 2016	51,147	-	40,527

## Note 9: Leasing Commitments

### Leasing Arrangements

The company has operating leases relating to office facilities and office equipment.

The office facilities lease for Level 7 at 600 Bourke Street, Melbourne, Victoria, 3000, was for an initial term of five years which expired on 31 August 2011. Thereafter the company exercised its option to extend the lease for a further period of four years and eleven months which ended on 30 July 2016.

The office equipment lease is for a fixed term of four years with no options to extend or to purchase the leased asset at the expiry of the lease period.

A provision has been made over the ten years for the present value of anticipated costs of future restoration of the previous leased office premises. Changes to the estimated future costs for the office premises are recognised in the Statement of Financial Position by adjusting both the expense and asset (if applicable) and provision. Based on the deed of release negotiated with the previous landlord, APESB paid \$31,991 to the landlord in respect of its make good obligations. The related carrying amounts are disclosed in notes 6 and 8 to the financial statements.

### Non-Cancellable Operating Lease Commitments

	2016 \$	2015 \$
Not longer than 1 year	77,652	63,650
Longer than 1 year and not longer than 5 years	345,384	5,304
Greater than 5 years	200,930	-
	623,966	68,954

In respect of non-cancellable operating leases the following prepayments and liabilities have been recognised:

	2016 \$	2015 \$
Current (prepayment)/liability	(46)	5,218
Non-current (prepayment)/liability	-	(46)
	(46)	5,172

On 21 June 2016 APESB signed a lease agreement to occupy new premises at Level 11, 99 William Street, Melbourne, Victoria, 3000. The lease commenced on 1 August 2016 and will be for an initial term of 7 years with a further 3 year option. The commencing rent is \$78,925 per annum with an agreed rental increase of 3.75% on each anniversary of commencement.

## Note 10: Contingent Liabilities

The directors are not aware of any material contingent liabilities as at 30 June 2016 (2015: Nil).



## Note 11: Events after the Reporting Period

No matters or circumstances have arisen since the end of the financial reporting year to the date of this report that have or may significantly affect the activities of the company, the results of those activities or the state of affairs of the company in future financial years.

## Note 12: Key Management Personnel Compensation

The aggregate compensation paid to directors and other key management personnel of the company is set out below:

	2016 \$	2015 \$
Short-term employee benefits <sup>1</sup>	487,831	526,202
Post-employment benefits <sup>2</sup>	46,344	73,980
	534,175	600,182

<sup>1</sup> Includes payments to directors for their services.

<sup>2</sup> Comprises payments to contributory superannuation funds.

## Note 13: Related Party Transactions

### (a) Equity Interests in Related Entities

The company does not have any equity interests in related entities.

### (b) Key Management Personnel Compensation

Disclosures relating to key management personnel compensation are set out in note 12.

### (c) Key Management Personnel Loans

There are no loans to or from key management personnel.

### (d) Transactions with Key Management Personnel

Key management personnel have transactions with the company that occur within a normal employment relationship. There have been no transactions with key management personnel, with the exception of the above, or their related entities.

### (e) Transactions with Members of the Company

All transactions with related parties were carried out on an "arms length" basis. Funding income received from the members of the company during the year is as follows:

	2016 \$	2015 \$
Chartered Accountants Australia and New Zealand	463,150	450,000
CPA Australia	463,150	450,000
Institute of Public Accountants	463,150	450,000
	1,389,450	1,350,000

## Note 14: Cash Flow Information

### (a) Reconciliation of Cash

	2016 \$	2015 \$
<b>Current</b>		
Cash at bank	249,702	388,908
Cash on hand	50	50
Term deposits	860,465	788,956
	1,110,217	1,177,914
<b>Non Current</b>		
Security deposits	42,383	-
	42,383	-
	1,152,600	1,177,914

### (b) Reconciliation of Cash Flows from Operations with Surplus for the reporting period

	2016 \$	2015 \$
Surplus for the year	35,675	82,634
<i>Non-Cash Flows:</i>		
Depreciation and amortisation expense	7,038	9,492
<b>Movement in Working Capital</b>		
(Increase)/Decrease in receivables	(187,800)	(4,134)
Increase in trade and other payables	161,649	6,775
Increase/(Decrease) in provisions	(16,376)	13,341
Net cash from operating activities	186	108,108

## Note 15: Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable.

The company does not have any derivative instruments as at 30 June 2016.

### Specific Financial Risk Exposures

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

#### (a) Interest Rate Risk

The company is not exposed to any fluctuations in interest rates, other than interest income earned on bank deposits. The company monitors interest rate risk by effective oversight of the treasury transactions.

#### (b) Liquidity Risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised funds are maintained.

*Financial liability and financial asset maturity analysis*

Weighted Average Effective Interest Rate		Variable Interest Rate		Fixed Interest Rate Maturing				Non Interest Bearing		Total	
2016	2015	2016	2015	2016		2015		2016	2015	2016	2015
				<1 year	>1 year	<1 year	>1 year				
%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

#### Financial Assets

Cash and cash equivalents	0.00	0.00	-	-	249,752	-	388,958	-	-	-	249,752	388,958
Term deposits and security deposits	2.58	2.16	-	-	860,465	-	788,956	-	-	-	860,465	788,956
Other receivables	-	-	-	-	42,383	-	-	-	208,484	20,684	250,867	20,684
<b>Total Financial Assets</b>	<b>2.58</b>	<b>2.16</b>	<b>-</b>	<b>-</b>	<b>1,152,600</b>	<b>-</b>	<b>1,177,914</b>	<b>-</b>	<b>208,484</b>	<b>20,684</b>	<b>1,361,084</b>	<b>1,198,598</b>

#### Financial Liabilities

Trade payables	-	-	-	-	-	-	-	-	249,942	88,293	249,942	88,293
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>249,942</b>	<b>88,293</b>	<b>249,942</b>	<b>88,293</b>

## Notes to the Financial Statements

### (c) Credit Risk

The maximum exposure to credit risk, excluding the value of collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

The company manages credit risk by continuously monitoring its exposure to credit risk by dealing with reputable counter parties.

### (d) Sensitivity Analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates. The table indicates the impact on how surplus and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in interest rates is independent of other variables.

	Surplus \$	Equity \$
<b>Year Ended 30 June 2016</b>		
+2% in interest rates	21,055	21,055
-2% in interest rates	(16,492)	(16,492)
<b>Year Ended 30 June 2015</b>		
+2% in interest rates	21,397	21,397
-2% in interest rates	(15,951)	(15,951)

No sensitivity analysis has been performed on foreign exchange risk as the company is not exposed to foreign currency fluctuations.

### (e) Net Fair Values

For all assets and liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to the financial statements. Aggregate net fair values and carrying amounts of financial assets and financial liabilities at the end of the reporting period are as follows:

	30 June 2016	
	Carrying Amount \$	Net Fair Value \$
Financial assets	1,361,084	1,361,084
Financial liabilities	249,942	249,942
	30 June 2015	
	Carrying Amount \$	Net Fair Value \$
Financial assets	1,198,598	1,198,598
Financial liabilities	88,293	88,293

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**Note 16:  
Capital Management**

Management manages the capital of the company to ensure that adequate cash flows are available to fund its activities. The Board ensures that the overall risk management strategy is in line with this objective. Management operates under policies approved and regularly reviewed by the Board of Directors. These include credit risk policies and cash flow policies. The company's capital consists of an accumulated surplus, represented and supported by total assets, net of total liabilities.

The company's capital is managed by assessing its financial risks and responding to changes in these risks. Investments are directed at ensuring minimal risk of capital loss on invested funds.

There have been no changes to the strategy adopted by management to manage the capital of the company since the previous year.

Consistent with the previous financial year, APESB does not have any borrowings and funds its operations utilising subscriptions from its members.

APESB is not subject to any externally imposed capital requirements.

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**Note 17:  
Members' Guarantee**

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstandings and obligations of the company. At 30 June 2016 the number of members was 3 (2015: 3 members).

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**Note 18: Company Details**

The registered office and principal place of business of the company is Level 11, 99 William Street, Melbourne, Victoria, 3000 (2015: Level 7, 600 Bourke Street, Melbourne, Victoria, 3000).

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCOUNTING PROFESSIONAL AND ETHICAL STANDARDS BOARD LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Accounting Professional and Ethical Standards Board (the registered entity), which comprises the statement of financial position as at 30 June 2016, the statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of the registered entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the registered entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit we have complied with the independence requirements of the *Australian Charities and Not-for-Profits Commission Act 2012*. We confirm that the independence declaration required by the *Australian Charities and Not-for-Profits Commission Act 2012*, which has been given to the directors of Accounting Professional and Ethical Standards Board Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion the financial report of Accounting Professional and Ethical Standards Board Limited has been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- i) giving a true and fair view of the registered entity's financial position as at 30 June 2016 and of its financial performance for the year ended on that date; and
- ii) complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

*ShineWing Australia*

**ShineWing Australia**  
Chartered Accountants

*Hayley Underwood*

**Hayley Underwood**  
Partner

Melbourne, 24 October 2016

**Accounting Professional & Ethical Standards Board**

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