

Joint Accounting Bodies

Competency requirements for assurance practitioners undertaking review engagements in Australia

May 2023



The Joint Accounting Bodies

The major professional accounting bodies in Australia established the Joint Accounting Bodies to speak with a united voice to government bodies, standard setters and regulators on non-competitive matters affecting the profession. The members of the Joint Accounting Bodies are:

Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 135,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

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CPA Australia

CPA Australia is Australia's leading professional accounting body and one of the largest in the world. We have more than 170,000 members in over 100 countries and regions. Our core services include education, training, technical support and advocacy. CPA Australia provides thought leadership on local, national and international issues affecting the accounting profession and public interest. We engage with governments, regulators and industries to advocate policies that stimulate sustainable economic growth and have positive business and public outcomes.

www.cpaaustralia.com.au



The Institute of Public Accountants

The Institute of Public Accountants (IPA) is a professional body that represents more than 50,000 members and students in more than 100 countries.

The IPA provides member services, upholds professional standards, and advocates for small businesses to create a future-ready profession with multi-disciplinary skillsets.

The IPA is also a member of the International Federation of Accountants, the Accounting Professional and Ethical Standards Board, and the Confederation of Asian and Pacific Accountants.

www.publicaccountants.org.au



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Preface

In 2010 changes were made to the *Corporations Act 2001* to introduce a requirement for Tier 2 companies limited by guarantee to have their financial reports reviewed. Following this, similar changes were made to the statutory requirements of other entities that meet certain criteria. This includes medium-sized charities registered with the Australian Charities and Not-for-profits Commission (ACNC).

This document sets out the mandatory minimum competency requirements that must be met by all members of Chartered Accountants Australia and New Zealand (CA ANZ), CPA Australia, and the Institute of Public Accountants (IPA) who are not Registered Company Auditors (RCAs) who are seeking to undertake engagements to review historical financial information (review engagements) in Australia, regardless of whether such review engagements are required by statute.

The experience and competencies that RCAs are required to obtain prior to their registration, along with their continuing professional development obligations, means they are considered to have the appropriate competencies to perform review engagements.

Members who perform review engagements are considered to be assurance practitioners. Review engagements are limited assurance engagements. The terms 'assurance practitioner' and 'review engagement' are defined in the *AUASB Glossary* issued by the Australian Auditing and Assurance Standards Board (AUASB).

Members must comply with the requirements of the professional accounting body of which they are a member in relation to holding a practicing certificate. Members must also maintain appropriate professional indemnity (PI) insurance in accordance with the requirements of the Professional Standards Legislation and the requirements of the professional accounting body of which they are a member.

Effective date

These competency requirements apply to assurance practitioners undertaking review engagements for financial statements with annual reporting periods commencing on or after 1 October 2013.

History of amendments

Version	Amendment	Date
1	Issued	October 2013
2	Updated for changes to standards, names of professional accounting bodies and rebranded	May 2023

Introduction

APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional and Ethical Standards Board (APESB) requires members to comply with the fundamental principle of **professional competence and due care** when providing professional services. The principle of professional competence and due care imposes the obligation on members to:

- (a) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional activities, based on current technical and professional standards and relevant legislation; and
- (b) Act diligently and in accordance with applicable technical and professional standards.

Competency refers to the knowledge and skills drawn on in performing tasks in particular work contexts, with regard to public interest and ethical considerations. A competency requirement describes the specific capabilities needed to competently perform a particular task by reference to performance criteria, environmental factors and individual skills and knowledge.

For assurance practitioners, competency is evaluated by assessing whether a person has acquired the necessary knowledge and skill to perform review engagements. Assurance practitioners must be able to demonstrate to an engagement quality reviewer (EQR) or an assessor that they are able to competently perform review engagements.

APES 210 *Conformity with Auditing and Assurance Standards* imposes the obligation to comply with the applicable auditing and assurance standards issued by the AUASB in the conduct of all audit and assurance engagements.

The **Appendix** sets out the auditing and assurance, and professional and ethical standards of particular importance.

Prerequisite requirements

Prior to conducting review engagements assurance practitioners must meet the following prerequisite requirements.

Standards knowledge

Accounting standards knowledge

Understand the Australian financial reporting framework – both the legislative framework and the accounting standards framework.

Understand the [Australian Accounting Standards](#) (AAS) issued by the Australian Accounting Standards Board (AASB).

Have the skills to prepare journals to correct misstatements.

Auditing and assurance standards knowledge

Understand the applicable [auditing and assurance standards](#) issued by the Australian Auditing and Assurance Standards Board (AUASB), including the Australian Standards on Review Engagements (ASREs), and the Australian Standards on Quality Management (ASQMs).

Be familiar with the Australian Auditing Standards (ASAs) issued by the AUASB.

Have the skills to exercise professional judgement and professional scepticism, recognising that circumstances may exist that cause the financial statements to be materially misstated.

Professional and ethical standards knowledge

Understand the applicable [professional and ethical standards](#) of the Accounting Professional and Ethical Standards Board (APESB) – especially APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Professional practice requirements

- Hold a practising certificate issued by the professional accounting body of which they are a member (where required).
- Have appropriate PI insurance that complies with both the Professional Standards Legislation and the relevant by-laws of the professional accounting body of which they are a member (written advice or confirmation from the insurer is advisable for those not covered by the professional firm's practice insurance).
- Ensure that those who undertake work on their behalf have the appropriate knowledge and experience to perform the task competently and are adequately supervised and reviewed.
- Submit to periodic quality review of compliance against applicable professional standards in accordance with the relevant by-laws of the professional accounting body of which they are a member.
- Complete the required continuing professional development (CPD) requirements.

Continuing professional development requirements

Chartered Accountants Australia and New Zealand

[CR 7 – Continuing Professional Development regulation](#) requires all members (except members who have permanently withdrawn from the workforce) to complete at least 120 hours of relevant professional development activity in each triennium (three-year period), of which 90 hours must be verifiable, with a minimum of 20 hours completed in each year.

CPA Australia

[By-Laws](#) require every member (excluding life members, honorary members, and members on the retired membership list) to, in each triennium, undertake at least 120 hours of continuing professional development, of which at least 20 hours must be undertaken in each year of the triennium.

The Institute of Public Accountants

[Pronouncement 7 – Continuing Professional Development](#) requires all members to complete at least 120 hours of CPD over each three-year CPD period, of which 90 hours must be verifiable. Each three-year CPD period requires minimum of 20 CPD hours (15 verifiable and 5 unverifiable) for each of the three CPD competency areas, being (1) technical and product knowledge, (2) management and professional skills, and (3) professional and ethical standards.

Before undertaking courses provided by other than one of the members of the Joint Accounting Bodies, members are encouraged to contact their respective professional accounting body to determine whether the course(s) is (are) recognised under the professional body's continuing professional development guidelines.

These skills are developed when obtaining an accounting degree and obtaining a professional accounting qualification. Assurance practitioners should ensure that their knowledge and skills are current. Where it has been several years since obtaining a professional accounting qualification assurance practitioners should consider undertaking a refresher course in the topics.

Tasks

Assurance practitioners conducting review engagements will need to display their ability to complete the tasks of planning, evidence gathering, evidence evaluation, decision-making, and documentation in the following five key areas:

1. Client acceptance and continuance
2. Planning
3. Controls evaluation
4. Testing
5. Conclusion

The tasks are intended to be the minimum competencies required of assurance practitioners conducting review engagements. The description of each task sets out the procedures that the assurance practitioner must be able to perform, as well as meet the knowledge requirements.

This is not intended to be a substitute for a review engagement methodology, nor for the need for each assurance practitioner conducting a review engagement to be familiar with the requirements of the applicable auditing and assurance, and professional and ethical standards.

Documentation

Working papers are a key element of any assurance engagement and assist with demonstrating competency.

Paragraph 93 of ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who Is Not the Auditor of the Entity* contains the following requirements with respect to working papers:

The preparation of documentation for the review provides evidence that the review was performed in accordance with this ASRE, and legal and regulatory requirements where relevant, and a sufficient and appropriate record of the basis for the assurance practitioner's report. The assurance practitioner shall document the following aspects of the engagement in a timely manner, sufficient to enable an experienced assurance practitioner, having no previous connection with the engagement, to understand:

- a) The nature, timing, and extent of the procedures performed to comply with this ASRE and applicable legal and regulatory requirements;*
- b) Results obtained from the procedures, and the assurance practitioner's conclusions formed on the basis of those results; and*
- c) Significant matters arising during the engagement, the assurance practitioner's conclusions reached thereon, and significant professional judgements made in reaching those conclusions.*

1. Client acceptance and continuance

Prerequisite knowledge requirements

Assurance practitioners must have knowledge of:

- Professional and ethical requirements (especially independence),
- The applicable legislation or other requirements giving rise to the review engagement,
- Applicable auditing, assurance, and review engagement standards, and
- The terms of assurance engagements.

The concept of **professional independence** is fundamental to compliance with the principles of integrity and objectivity, which are consistent with objective and impartial judgement. Assurance practitioners conducting review engagements are required to be independent of their clients both in appearance and mind. Where an assurance practitioner is unable to satisfy the independence requirements in respect of a review engagement, the engagement must be declined. Assurance practitioners also need to be mindful of independence issues arising during the conduct of the engagement. If such issues arise care needs to be taken to either implement appropriate safeguards, or ultimately resign from the engagement if no safeguards are appropriate.

Assurance practitioners will need to be particularly aware of:

- An advocacy threat created where they have provided advice in connection with a transaction.
- A self-interest threat created where they have an interest in the entity whose financial statements are being reviewed.
- A self-review threat created where they are essentially reviewing their own work.

Task	Practitioner must demonstrate competency to:
1.1 – Planning	Identify the criteria for client acceptance/continuance decision on a potential/existing review engagement.
1.2 – Evidence gathering	Gather evidence related to the client acceptance/continuance decision. Gather information about the entity to ensure that the assurance practitioner is able to make an objective assessment regarding the assurance practitioner's independence and assess whether the assurance practitioner has the knowledge and skill to undertake the required review engagement.
1.3 – Evidence evaluation	Evaluate the evidence related to the client acceptance/continuance decision. Evaluate the information and document any difficulties which may be encountered in the review engagement and their potential resolution. This information will include: <ul style="list-style-type: none"> • any identified independence issues and how they may be mitigated • whether the financial reporting framework to be applied is acceptable • the steps the assurance practitioner has taken to ensure they have the skills to address complex issues which may exist
1.4 – Decision-making	Decide whether to accept or reject a particular review engagement. Make an objective decision regarding the appropriateness of accepting an appointment giving appropriate regard to any independence matters, potential risks and the assurance practitioner's skills and knowledge.
1.5 – Documentation	Prepare and retain documentation that is sufficient and appropriate to demonstrate the planning, evidence gathering, evidence evaluation and decision making in concluding whether to accept or reject the review engagement.

2. Planning

Prerequisite knowledge requirements

Assurance practitioners must have knowledge of the requirements of the applicable review engagement standards, including:

- Understanding the entity and its environment, including internal control, to identify the types of potential material misstatements.
- Consideration that the financial statements may be materially misstated due to fraud.
- Materiality.
- Enquiries, analytical procedures, and other review procedures.

Task	Practitioner must demonstrate competency to:
2.1 – Planning	Identify the objectives of the engagement and any risks to be addressed. The plan must be tailored to suit the review being undertaken.
2.2 – Evidence gathering	Gather evidence relevant to the development of the plan. This evidence includes financial statements, minutes, and other relevant supporting documents.
2.3 – Evidence evaluation	Evaluate the evidence having regard to significant risks.
2.4 – Decision-making	Determine an appropriate materiality level. Determine the types of review procedures to be performed based on the knowledge gained and the risks identified.
2.5 – Documentation	Document the plan. Prepare and retain documentation that is sufficient and appropriate to demonstrate the planning, evidence gathering, evidence evaluation, and decision making in planning the review engagement.

3. Controls evaluation

Prerequisite knowledge requirements

Assurance practitioners must have knowledge of the requirements of the applicable review engagement standards regarding understanding the client's internal control environment.

Task	Practitioner must demonstrate competency to:
3.1 – Planning	Understand the internal control environment to assist in determining the procedures to be performed.
3.2 – Evidence gathering	Obtain responses from enquiries and other procedures about the internal control environment.
3.3 – Evidence evaluation	Evaluate the information obtained, including consideration of any control deficiencies.
3.4 – Decision making	Consider the nature, timing, and extent of testing to be performed from the evaluations made.
3.5 – Documentation	Prepare and retain documentation that is sufficient and appropriate to demonstrate their planning, evidence gathering, evidence evaluation and decision-making in evaluating the internal control environment.

4. Testing

Prerequisite knowledge requirements

Understand the different procedures that can be performed to meet certain objectives.

Task	Practitioner must demonstrate competency to:
4.1 – Planning	Identify the enquiries, analytical procedures, and other review procedures to be performed. This should provide a basis of reporting as to whether anything has come to the attention of the assurance practitioner regarding the preparation of the financial statements.
4.2 – Evidence gathering	Obtain responses from enquiries of relevant personnel and perform the analytical and other review procedures identified. Obtain evidence that the financial statements agree or reconcile with the underlying accounting records.
4.3 – Evidence evaluation	Document the results of work performed and conclude on the findings. Conclusions must be supported by appropriate audit documentation.
4.4 – Decision-making	Consider whether any further procedures are required.
4.5 – Documentation	Prepare and retain documentation sufficient and appropriate to enable a peer, who has no previous involvement with the engagement to gain an understanding of the work performed.

5. Conclusion

Prerequisite knowledge requirements

Assurance practitioners must have sufficient knowledge of assurance procedures, assurance reports and financial reporting requirements to be able to understand the evidence obtained. Assurance practitioners must apply the requirements of the relevant standards to form a conclusion and draft the appropriate review report.

Task	Practitioner must demonstrate competency to:
5.1 – Planning	Identify the nature, timing, and extent of review procedures necessary to form a conclusion on the financial statements.
5.2 – Evidence gathering	Prepare a summary of the review findings relating to the financial statements.
5.3 – Evidence evaluation	Determine the conclusion on the financial statements using the information gathered during the review.
5.4 – Decision-making	Determine the appropriate form of review report on the financial statements.
5.5 – Documentation	Prepare and retain documentation sufficient and appropriate to enable a peer who has no previous involvement with the engagement to gain an understanding of the conclusion reached.

Appendix: Standards of particular importance

Assurance practitioners conducting review engagements **must comply** with all the applicable auditing and assurance standards issued by the AUASB and all the applicable professional and ethical standards issued by the APESB. However, the following standards are of most relevance to review engagements:

Quality management standards

An overarching requirement to the conduct of assurance engagements is having a system of quality management in accordance with:

- ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* – requires a firm to establish and maintain a system of quality management, and
- ASQM 2 *Engagement Quality Reviews* – deals with the appointment and eligibility of an engagement quality reviewer; and the engagement quality reviewer's responsibilities relating to the performance and documentation of an engagement quality review.

Review engagement standards

Assurance practitioners performing a review engagement must comply with ASRE 2415 *Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation* which prescribes the use of either:

- ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity, or*
- ASRE 2410 *Review of Historical Financial Information Other than a Financial Report*

depending on whether the assurance practitioner also audits the entity's financial statements.

Professional and ethical standards

Assurance practitioners conducting review engagements, who are members of the Joint Accounting Bodies, must comply with all the relevant standards issued by the APESB, including:

- APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*. While all sections of the Code are important, Part 4A – Independence for Audit and Review Engagements is particularly significant
- APES 205 *Conformity with Accounting Standards*
- APES 210 *Conformity with Auditing and Assurance Standards*
- APES 305 *Terms of Engagement*
- APES 325 *Risk Management for Firms*

Auditing standards

The principles underpinning the auditing standards is important as some of the requirements and guidance in the auditing standards can assist in certain aspects of the review engagement. The key auditing standards that assurance practitioners should have **an understanding** of include:

- ASA 101 *Preamble to AUASB Standards* – sets out how audit and review standards should be understood, interpreted, and applied.
- ASA 102 *Compliance with Ethical Requirements When Performing Audits, Reviews and Other Assurance Engagements* – requires compliance with ethical requirements.
- ASA 210 *Agreeing the Terms of Audit Engagements* – requires the auditor to issue an engagement letter setting out the terms of the engagement.
- ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information* – requires quality management procedures that are applicable to audit engagements.
- ASA 230 *Audit Documentation* – requires the auditor to prepare work papers which support the audit conclusion. This includes work programs which address financial and compliance sections of the audit as well as work papers which address the findings of the audit, including how the financial statement assertions have been addressed.
- ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* – requires the auditor to specifically address the risk of material misstatements in the financial report due to fraud.
- ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report* – requires the auditor to consider laws and regulations when conducting an audit of a financial report.
- ASA 260 *Communication with Those Charged with Governance* – requires the auditor to communicate audit matters with those charged with governance.
- ASA 300 *Planning an Audit of a Financial Report* – requires the auditor to plan the audit in order to perform the engagement effectively.
- ASA 315 *Identifying and Assessing the Risks of Material Misstatement* – requires the auditor to obtain an understanding of the entity and its environment, including its internal control, sufficient to identify and assess the risks of material misstatement of the financial report whether due to fraud or error, and sufficient to design and perform further audit procedures.
- ASA 320 *Materiality in Planning and Performing an Audit* – requires the auditor to consider materiality and its relationship with audit risk.
- ASA 330 *The Auditor's Responses to Assessed Risks* – requires the auditor to reduce audit risk to an acceptably low level by determining overall responses to assessed risks and designing and performing further audit procedures to respond to risks at the assertion level.
- ASA 450 *Evaluation of Misstatements Identified during the Audit* – requires the auditor to evaluate the effect of misstatements on the audit, including communicating and correcting misstatements.
- ASA 500 *Audit Evidence* – requires the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base their opinion.
- ASA 501 *Audit Evidence – Specific Considerations for Inventory and Segment Information* – requires the auditor to obtain sufficient appropriate audit evidence in relation to inventory and segment information to be able to draw reasonable conclusions on which to base their opinion.
- ASA 502 *Audit Evidence – Specific Considerations for Litigation and Claims* – requires the auditor to obtain sufficient appropriate audit evidence in relation to litigation and claims to be able to draw reasonable conclusions on which to base their opinion.
- ASA 520 *Analytical Procedures* – requires the auditor to apply analytical procedures to form an overall conclusion whether the financial report is consistent with the assurance practitioner's understanding of the entity.
- ASA 540 *Auditing Accounting Estimates and Related Disclosures* – requires the auditor to obtain sufficient appropriate audit evidence that accounting estimates and related disclosures are in accordance with the entity's financial reporting framework.
- ASA 550 *Related Parties* – requires the auditor to obtain sufficient appropriate audit evidence about related party relationships and transactions.
- ASA 560 *Subsequent Events* – requires the auditor to consider the effect of subsequent events on the financial report and on the auditor's report.
- ASA 570 *Going Concern* – requires the auditor to assess whether the use of the going concern assumption is appropriate.
- ASA 580 *Written Representations* – requires the auditor to seek management representations in relation to the preparation of the accounts, internal controls, and compliance matters such as record retention.