

# APESB Professional and Ethical Standards

**IPA Shanghai Institute of Certified Public Accountants  
(IPA SHICPA)**

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# Overview

- History and structure of APESB
- APESB pronouncements to date
- APES 225 *Valuation Services*
- APES 215 *Forensic Accounting Services*
- APES 350 *Participation by members in public practice in due diligence committees in connection with a public document*
- APES GN 30 *Outsourced Services*

# APESB History

- Established in February 2006 as an initiative of the Institute of Chartered Accountants in Australia (ICAA) and CPA Australia
- The Institute of Public Accountants (previously National Institute of Accountants) became a member in December 2006
- Previously professional and ethical pronouncements were developed by the three professional bodies
- Members of the three bodies are required to comply with APESB pronouncements and are subject to disciplinary procedures of the relevant professional body
- To date APESB has released 15 Standards, 2 Guidance Notes, with 1 more pronouncement at Exposure Draft stage

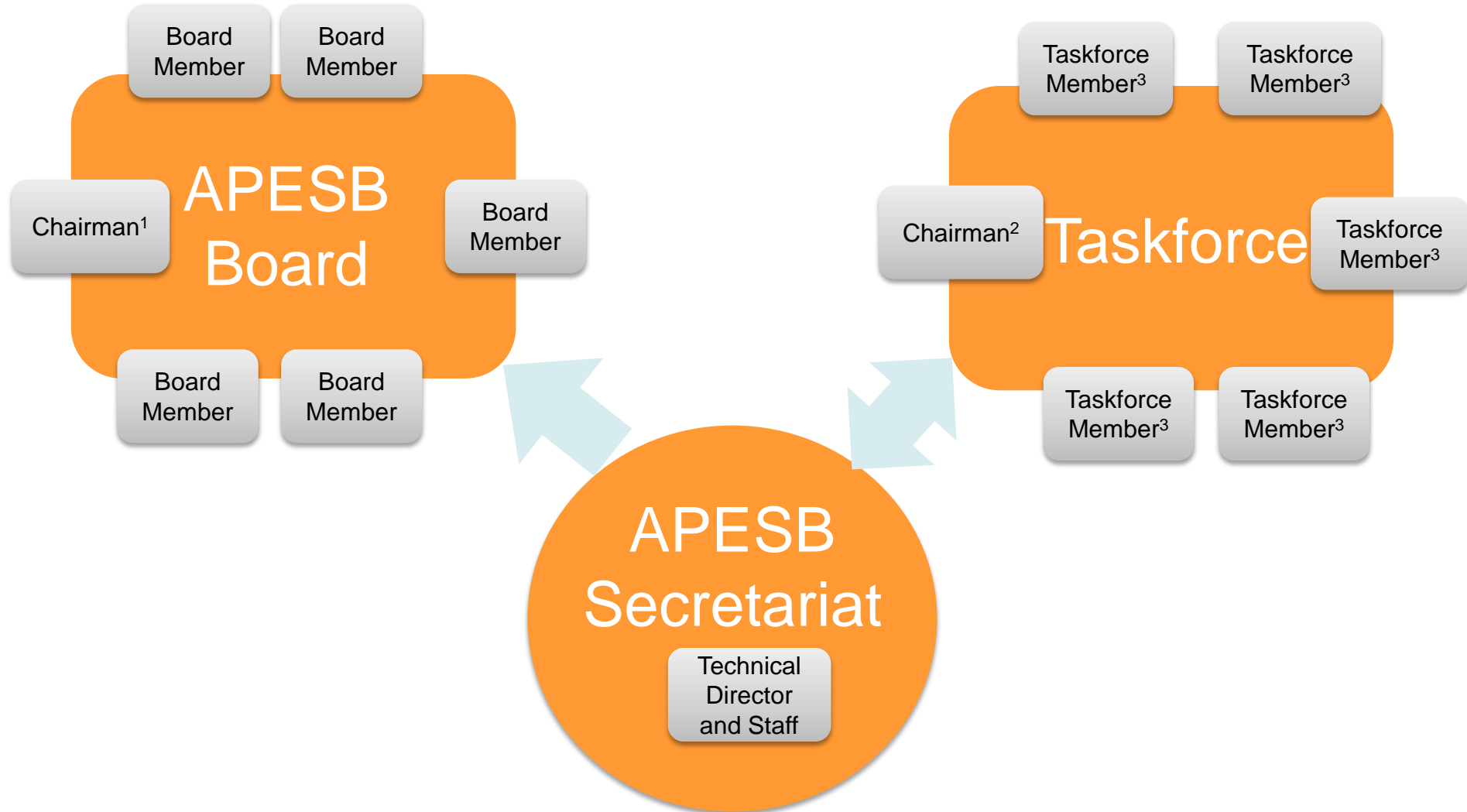
# APESB Vision

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

# Board Composition

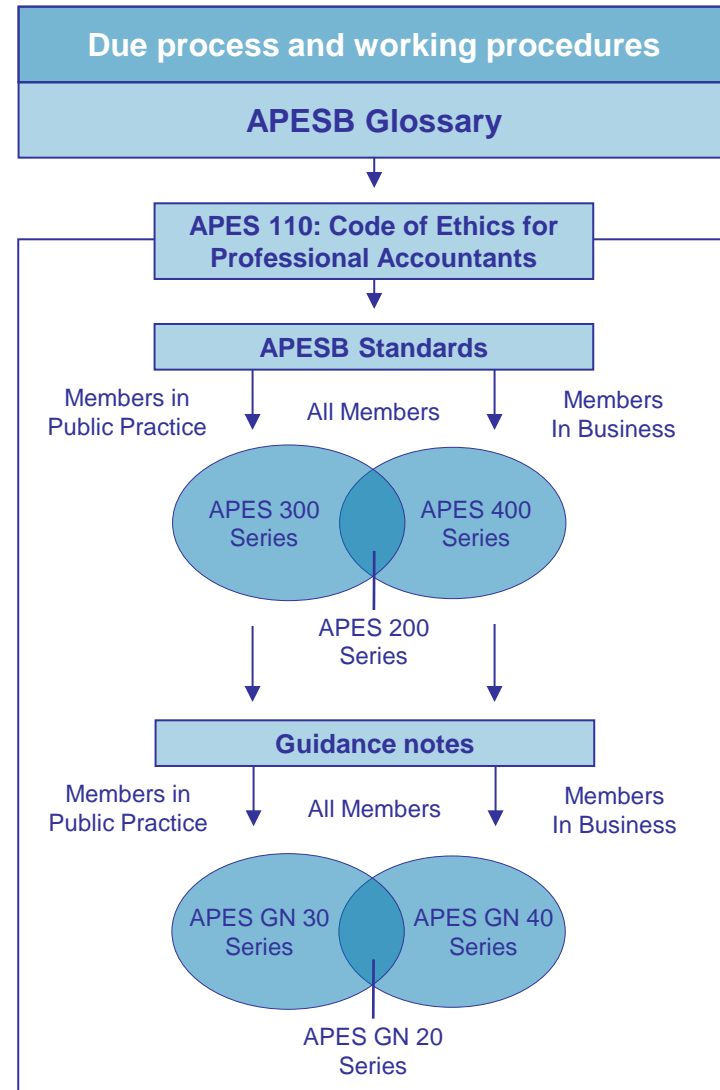
- Independent Chair
- Two Directors CPA Australia
- Two Directors ICAA
- One Director IPA

# APESB Functional Structure



# Structure of APESB pronouncements

- **Conceptual Framework**
  - Principles based
  - Mandatory for professional accountants
  
- **Standard**
  - Introduces principles
  - Mandatory requirements in black letter
  - Guidance and/or explanation in grey letter
  
- **Guidance notes**
  - Do not introduce new principles
  - Guidance on a specific matter on which the Principles are already stated in a Standard
  - Guidance is only in grey letter



# APESB Pronouncements to date

## All members

- APES 110 Code of Ethics for Professional Accountants
- 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 230 Financial Planning Services
- *APES GN 20 Scope and Extent of Work for Valuation Services\**

\* *Projects are currently in progress*



# APESB Pronouncements to date

## Members in Public Practice

- APES 305 Terms of Engagement
- APES 310 Dealing with Client Monies
- APES 315 Compilation of Financial Information
- APES 320 Quality Control for Firms
- APES 325 Risk Management for Firms
- APES 330 Insolvency Services
- APES 345 Reporting on Prospective Financial Information
- APES 350 Due Diligence Committees
- APES GN 30 Outsourced Services

# APESB Pronouncements to date

## Members in Business

- APES GN 40 Ethical Conflicts in the Workplace

***APES 225***  
***Valuation Services***  
***(Revised May 2012)***

# APES 225 Valuation Services

## Australian perspective

- ATO
  - Market Value Guidelines (2002)
- ASIC
  - RG 111: Contents of experts reports (Oct 2007)
  - RG 112: Independence of experts (Oct 2007)
- APESB
  - APES 225 *Valuation Services* (May 2012)
  - APES 110 *Code of Ethics for Professional Accountants* (Dec 2011)

# APES 225 Valuation Services

## International perspective

- CICBV
  - Standards 110, 120 and 130
- IVSC
  - International Valuation Standards
- ICANZ
  - Independent Business Valuation Engagements (2001)
- AICPA
  - Standards for Valuation Services (June 2007)

# APES 225 Valuation Services

## Scope and application

- Engagement → Members in Public Practice
- Assignment → Members in Business
- Mandatory for the Members of the three Professional Bodies
- Effective for Valuation Engagements or Assignments commencing on or after 1 September 2012
  - All Members who provide an estimate of value for a business, business ownership interest, security or intangible asset are required to comply with APES 225

# APES 225 Valuation Services

## Key Definitions

- Valuation linked to:
  - Valuation Approaches
  - Valuation Methods
  - Valuation Procedures
- Three types of Valuation Services:
  - Valuation Engagements
  - Calculation Engagements
  - Limited Scope Valuation Engagements

# APES 225 Valuation Services

## Key Definitions cont.

- Results:
  - Valuation Engagement → Conclusion of Value
  - Limited Scope Valuation Engagement → Conclusion of Value
  - Calculation Engagement → Calculated Value
- Valuation Report:
  - Written or oral communication containing a Conclusion of Value or a Calculated Value



# APES 225 Valuation Services

## Reporting

- Mandatory requirements for Members in Public Practice (para 5.2)
- Guidance for Members in Business (para 5.5)
- Reports can be written (para 5.1) or oral (para 5.3)

# APES 225 Valuation Services

## Reporting cont.

- Key report disclosures from para 5.2 are:
  - Usual disclosures – scope, basis, purpose, limitations etc.
  - Whether acting independently or not
  - Material assumptions and basis of those assumptions
  - Valuation Approaches, Valuation Methods and Valuation Procedures adopted
  - All qualifications that materially affect the Conclusion of Value or Calculated Value
  - Valuation Services conducted in accordance with the Standard
  - Para 5.4 provides additional disclosures to consider

# APES 225 Valuation Services

## Use of a glossary of business valuation terms

- When issuing a Valuation Report define the terms used
- Members are referred to the *International Glossary of Business Valuation*

## What constitutes a valuation service

- Refer to appendix including schematic and examples

***APES 215***  
***Forensic Accounting Services***

# APES 215 Forensic Accounting Services

- Formerly APS 11 & GN 2
- Applies to accountants working in public practice as well as business (i.e. ASIC, Police forces etc.)
- Includes mandatory requirements and guidance for Forensic Accounting Services (FAS)
- Extension of scope for Members in Business
  - Operative on or after 1 July 2009
  - Engagement → Members in Public Practice
  - Assignment → Members in Business

# APES 215 Forensic Accounting Services

- Where a Professional Service later becomes a FAS then APES 215 applies (Para 1.5)
- Where a FAS other than an Expert Witness Service (EWS), later becomes a EWS then section 5 of APES 215 applies (Para 1.6)
- Key sections:
  - Expert Witness Services
  - False or misleading information and changes in opinion
  - Professional fees
  - Appendix – use of the terms “facts”, “assumptions” and “opinions”

# APES 215 Forensic Accounting Services

## Key definitions:

- **Forensic Accounting Services:**
  - Expert Witness Services;
  - Lay Witness Services;
  - Consulting Expert Services; and
  - Investigations Services
- **Court**
- **Expert Witness**
- **Lay Witness**
- **Consulting Expert**
- **Professional Services**
- **Proceedings**
- **Contingent Fees**
- **Report**

# APES 215 Forensic Accounting Services

## Expert Witness Services

- Evaluation of prior and/or existing relationships
  - Member in Public Practice (para 3.8 and 5.1)
  - Member in Business (para. 5.2)
  - Member in Business who is employed by a government agency (para 5.3)
- A Member's obligation as an Expert Witness (para 5.4)
- The Report of an Expert Witness (para 5.6)
  - The instruction received, limitation on the scope, Member's expertise
  - Relationships with any parties to the Proceedings
  - Significant assumptions
  - Explanation why a significant assumption is likely to be misleading (if any)
  - A list of documents and sources of information relied upon



# APES 215 Forensic Accounting Services

## **False or misleading information and changes in opinion**

- Shall not knowingly or recklessly make false or misleading statements
- A Member subsequently becoming aware that information is false or misleading
  - Promptly inform the legal representative of the Client, Employer or the Court as appropriate
  - Consider issuing a supplementary report

# APES 215 Forensic Accounting Services

## Professional fees

- Member in Public Practice
  - Fees will be computed in accordance with s.240 *Fees and other Types of Remuneration* of the Code
  - Not enter into a Contingent Fee arrangement for an Expert Witness Service or Engagements that require Independence
- Member in Business
  - Not receive contingent remuneration for an Expert Witness Service

# APES 215 Forensic Accounting Services

## Quality control

- Member in Public Practice – comply with APES 320 *Quality Control for Firms*
- Member in Business – utilise a system of quality control
- Proper documentation of working papers
- Maintain chain of custody

# APES 215 Forensic Accounting Services

## Use of the terms “facts”, “assumptions” and “opinions”

- Examples are provided to assist Members determine whether a matter is a fact, an assumption or an opinion
- Judged based on the particular facts and circumstances
- **Fact** - Expert Witness has applied specialised knowledge but has not applied any significant degree of judgement
- **Assumption** – ordinary meaning
- **Opinion** – Expert Witness applies a significant degree of expert judgment and draws an inference

# APES 215 Forensic Accounting Services

## Revision of APES 215

- Revised APES 215 proposed to be issued in 2013
- Materials added:
  - Decision tree schematic on the determination whether a professional service constitutes a Forensic Accounting Service
  - Examples for the classification of the type of Forensic Accounting Services provided by Members

## ***APES 350***

# ***Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document (Revised March 2011)***

# APES 350 Due Diligence Committees

- A unique Australian Standard due to the due diligence defence in Australian Corporations Law
- Applicable to Members in Public Practice/Firms
- Applicable when providing Professional Services which comprise reporting to a Due Diligence Committee (DDC) as a DDC Member, DDC Observer or Reporting Person
- A DDC Member or DDC Observer role can be performed in isolation or in conjunction with the Reporting Person role
- Effective for Engagements commencing on or after 1 May 2011

# APES 350 Due Diligence Committees

## Key Definitions

- DDC Member – participates in the DDC’s decisions, signs all collective reports and documents issued by the DDC, and prepares a DDC Sign-Off
- DDC Observer – does not sign the collective reports or participate in the capacity of a DDC Member (limited role and may not involve formal reporting)
  - attend one or more meetings
  - may or may not undertake DD enquiries & provide a report to the DDC
- Due Diligence Sign-Off – written communication of conclusions arising from DD procedures performed



# APES 350 Due Diligence Committees

## Key Definitions cont.

- Public Document – disclosure document, product disclosure document statement or other documentation provided in relation to a scheme of arrangement under Part 5.1 of the *Corporations Act* or a takeover or compulsory acquisition under Chapter 6 of the *Corporations Act 2001*
- Reporting Person – Member engaged to provide professional services and report on a specific issue or area of enquiry
  - may also be a DDC Member or DDC Observer

# APES 350 Due Diligence Committees

## Materiality guidance

- When providing such guidance Members must comply with Auditing and Assurance standards

## Member's Roles and Responsibilities

- Specify the financial and/or other specific information that the Member has performed procedures on
- Not report on matters outside the Member's expertise
- A Member shall sign a report to Those Charged with Governance on information of a general nature or the due diligence process only as a DDC Member when it is approved and signed by other members of the DDC

# APES 350 Due Diligence Committees

## Roles & Responsibilities – cont.

- Agree the specific procedures to be undertaken with the Client in relation to verification processes
- DDC Observers to assess scope of procedures and assess whether they will be in a position to provide a DDC Sign-Off

## Reporting

Considerations for a Due Diligence Sign-Off :

- conclusions of Member to be provided in negative assurance form
- Member's responsibilities in respect of draft documents
- DDC Sign-off pro forma in Appendix 1

# APES 350 Due Diligence Committees

## Some of the key elements of a DDC Sign-Off are:

- identification of the proposed transaction and the purpose of the sign-off
- the financial information and other specific information disclosed in the public document in relation to which the member has undertaken procedures
- any limitations on the scope of work performed
- the basis upon which the statements in the DDC Sign-off are made
- the extent of the member's assurance whether the financial and other specific information as presented in the identified sections are misleading or deceptive
- the significant assumptions
- any restrictions on the use and distribution of the DDC Sign-Off; and
- a statement that that the professional services were performed and the DDC Sign-Off was prepared in accordance with APES 350 and other applicable standards

***APES GN 30***  
***Outsourced Services***

# APES GN 30 Outsourced Services

- Issued in March 2013
- APES GN 30 *Outsourced Services* provides guidance to Members in Public Practice to manage risks associated with Outsourced Services
- Includes guidance in respect of:
  - Maintaining confidentiality of Client information
  - Ensuring quality control of the Outsourced Service provided
  - Appropriate level of disclosure of the nature and extent of use of Outsourced Services in the delivery of a Professional Service to the Client
  - Matters to be disclosed in the Service Level Agreement (SLA)

# APES GN 30 Outsourced Services

- **Scope of APES GN 30**
  - Applies to the utilisation and provision of Outsourced Services
  - Applies to the utilisation of cross border teams and Network Firms in the delivery of Professional Services
  - Excludes Engagements subject to *ASA 600 Special Considerations – Audits of a Group Financial Report (Including the Work of Component Auditors)*
- **Key Definitions**
  - Outsourcing
  - Outsourcing Agreement
  - Outsourced Service
  - Outsourced Service Provider
  - Material Business Activity

# APES GN 30 Outsourced Services

- **Communication with the Client**
  - Disclose Outsourced Service arrangements to the Client
  - Should obtain the Client's written consent to use Outsourced Services in the delivery of Professional Services
- **Management of risks associated with Outsourced Services**
  - Development and documentation of Outsourcing Policy Framework for managing risks associated with Outsourcing
  - Matters to be addressed by the Outsourcing Policy Framework
  - Perform appropriate Due Diligence assessments prior to the engagement of the Outsourced Service Provider



# APES GN 30 Outsourced Services

- **Terms of the Outsourcing Agreement**
- **Performance of the Outsourcing Agreement**
  - Transfer process and knowledge
  - Monitor and manage performance
  - Renew, renegotiate and terminate
  - Client monies
- **Documentation**

# APES GN 30 Outsourced Services

- **Appendix 1**

- Provides nine examples to assist Members in Public Practice with the determination of whether a particular Professional Service is an Outsourced Service
- Takes into consideration whether the Outsourced activity is a Material Business Activity

- **Appendix 2**

- Provides guidance in respect of the subject matters to be included in an Outsourcing Service Level Agreement (SLA):
  - Terms of the Outsourcing Agreement
  - The required service levels and performance requirements
  - Transition process
  - Pricing model
  - Management of Client information
  - Audit and monitoring procedures
  - Details of liability and indemnity insurance
  - Dispute resolution mechanisms
  - Conditions for SLA termination

# Questions?

For more information visit:

[www.apesb.org.au](http://www.apesb.org.au)

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