

Professional and Ethical Standards

ICAA National Audit Conference
Sydney
April 2009

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Overview

- APESB and the process for setting standards
- APES 110 *Code of Ethics*
- APES 205 *Conformity with Accounting Standards*
- APES 225 *Valuation Services*
- APES 215 *Forensic Accounting Services*
- APES 320 *Quality Control*
- APES 305 *Terms of Engagement*
- APESB's current and future projects

APESB History

- Established in February 2006 as an initiative of ICAA & CPA Australia
- NIA became a Member in December 2006
- Previously professional and ethical pronouncements were developed by the professional bodies
- Members of the three bodies are required to comply and subject to disciplinary procedures of the relevant professional body

APESB Vision

To be recognised by our stakeholders for our leading contribution in achieving the highest level of professional and ethical behaviour in the accounting profession

APESB Board Composition

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

APESB Standard development processes

- Developed internally by technical staff
- Developed by an APESB Taskforce

Taskforce Composition

- APESB Senior Project Manager - Chair
- Subject matter experts
- Representatives from professional bodies
- Legal representation (if required)

A Director is nominated to each taskforce to act as an observer

APESB Standard development framework

- Guiding rule: principles-based

Element	Attributes	Activity
1	Fundamental professional and ethical responsibility	Code: public interest
2	Applicable values and principles	Code: fundamental principles
3	Criteria for application of values and principles	Code: threats – safeguards
4	Practices requiring application of values and principles	Standards
5	Guidance in application of values and principles	Guidance notes
6	Promotion of professional responsibility	Education

APES 110 *Code of Ethics*

- Part A: General Application
- Part B: Members in Public Practice
- Part C: Members in Business

APES 110 *Code of Ethics*

Part A: General Application

Fundamental Principles

- Integrity
- Objectivity
- Professional competence and due care
- Confidentiality
- Professional behaviour

APES 110 Code of Ethics

Part B - Members in Public Practice

- Section 210 – Professional Appointment
- Section 220 – Conflicts of Interest
- Section 230 – Second opinions
- Section 240 – Fees and Other Types of Remuneration
- Section 250 – Marketing Professional Services
- Section 260 – Gifts and Hospitality
- Section 270 – Custody of Client Assets
- Section 280 – Objectivity All Services
- Section 290 – Independence Assurance Engagements

Section 290 Auditor Independence

- Independence requires:
 - Independence of Mind
 - Independence of Appearance

(S. 290.8 and definitions)

Section 290 Independence

- Threats to Independence:
 - Self interest threat
 - Self review threat
 - Advocacy threat
 - Familiarity threat
 - Intimidation threat

(S. 290.28 to 290.28.9)

Section 290 Independence

- Safeguards
 - created by the profession, legislation or regulation
 - within the Assurance client
 - within the firms own systems and procedures

(S. 290.28.10 to 290.29)

Section 290 Independence

- Auditor's responsibility
 - Identify threats to independence
 - Evaluate whether these threats are clearly insignificant
 - If not identify and apply appropriate safeguards
- When safeguards are not available
 - Eliminate activity or interest creating the threat
 - Refuse to accept or continue the Assurance Engagement

APES 110 Code of Ethics

Part C: Members in Business

- Introduction and framework
- Potential conflicts
- Preparation and reporting of information
- Acting with Sufficient expertise
- Financial interest
- Inducements

Recent and Future developments that impact APES 110

- International
 - Revised Code in April 2009 ?
 - Impact of clarity project (Should/Shall)
- Australian developments in 2008
 - Network Firm amendments
 - Corporate law reform
 - Issue of a compiled version of the Code

APES 205 Conformity with Accounting Standards (Formerly APS 1)

Specifies Member's obligations in respect of:

- Reporting Entity Concept
- General Purpose Financial Statements
- Special Purpose Financial Statements

APES 225 Valuation Services

- Engagement → Members in Public Practice
- Assignment → Members in Business
- Mandatory for Members of the three Professional Bodies
- Effective for Valuation Engagements or Assignments commencing on or after 1 January 2009

Types of Valuation Services

- Valuation Engagements
- Calculation Engagements
- Limited Scope Valuation Engagements

Reporting on Valuations

- Mandatory for Members in Public Practice (para 5.1)
- Guidance for Members in Business (para 5.5)
- Reports can be written (para. 5.2) or oral (para. 5.3)
- 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 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 215 Forensic Accounting Services

Background

- Formerly APS 11 & GN 2
- Includes mandatory requirements and guidance for Forensic Accounting Services (FAS) and particularly Expert Witness Services (EWS)
- Extension of scope for Members in Business

Scope and Application of APES 215

- Operative on or after 1 July 2009
- Engagement → Members in Public Practice
- Assignment → Members in Business
- Where a Professional Service later becomes a FAS then APES 215 applies (Para 1.5)
- Where a FAS other than EWS, later becomes a EWS then section 5 of APES 215 applies (Para 1.6)

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 obligations as an Expert Witness (para 5.4)
- The Report of an Expert Witness
 - Relationships with any parties to the Proceedings
 - Significant assumptions
 - Explanation why a significant assumption is likely to be misleading (if any)

APES 305 Terms of Engagement (Formerly APS 2)

- Applicable to all Members in Public Practice
- Must *document* and *communicate* the Terms of Engagement to a Client
- General contents of an Engagement Document

APES 320 Quality Control for Firms

- Applicable to all Members in Public Practice
- Based on the International Standard on Quality Control *ISQC 1*
- Stipulates policies and procedures that Firm's must have which addresses the following elements
 - Leadership responsibilities for quality
 - Ethical requirements
 - Acceptance and continuance of client relationships and specific engagements
 - Human resources
 - Engagement performance
 - Monitoring

APES 320 Quality Control for Firms – Exposure Draft

- Currently an Exposure Draft based on the new clarity version of ISQC 1 is open for comment (comments close April 9th)
- Key changes:
 - Updated for APESB drafting conventions and IFAC's clarity project
 - Objective of the Standard
 - Applying and complying with the relevant requirements
 - Considerations specific to smaller Firms
 - Considerations specific to public sector organisations

APESB Current and future projects

Current projects

- Insolvency Services
- Due Diligence Committees
- Quality Control for Firms
- Client Monies
- Financial Advisory Services

Future projects

- Outsourcing
- Risk management
- Revised Code of Ethics

For more information visit

www.apesb.org.au

Questions?