

AGENDA PAPER

Item Number: 5
Date of Meeting: 31 May 2023
Subject: Proposed Exposure Draft APES 225 *Valuation Services*

Action required **For discussion** **For noting** **For information**

Purpose

To seek the Board's approval, subject to the Board's review comments and editorials, to issue an Exposure Draft of proposed revisions to APES 225 *Valuation Services* (APES 225).

Background

APES 225 was originally issued in July 2008 (effective 1 January 2009), setting out mandatory requirements and guidance for Members who provide valuation services, including independence, professional competence, confidentiality, professional engagement, reporting and documentation. APES 225 was revised in:

- May 2012 to clarify different types of Valuation Engagements and to incorporate additional examples;
- December 2015 to address amendments made to *APES 110 Code of Ethics for Professional Accountants* (2013);
- March 2018 to address the disclosure of the standard of value used in the Valuation and its definition in the Valuation Report and a new example on the Valuation of intellectual property; and
- July 2019 to incorporate changes required due to the restructured *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110).

Matters for Consideration

Quality Management

The Board approved a [project plan](#) in March 2022 to revise certain APESB pronouncements, including APES 225, for quality management-related conforming amendments resulting from the reissue of APES 320 *Quality Control for Firms* as APES 320 *Quality Management for Firms that provide Non-Assurance Services* and new quality management standards issued by the Auditing and Assurance Standards Board (AUASB).

Technology

The Board approved a [project plan](#) in March 2020 to consider the applicability of APESB's current ethical and professional standards to Artificial Intelligence (AI) and Digital Technologies and whether additional professional and ethical obligations or guidance are required. In June 2021, the Board agreed the project's initial focus should be on APES 225 and APES 215 *Forensic Accounting Services* (refer to Agenda Item 3 regarding APES 215).

The International Ethics Standards Board for Accountants (IESBA) issued technology-related revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) on 11 April 2023, which become globally effective from 15 December 2024. These revisions will be incorporated in APES 110 in due course, subject to APESB's due process and consideration of Australian specific factors and will likely be effective from 1 January 2025.

Proposed Amendments to APES 225

Technical Staff recommend the following amendments in an APES 225 Exposure Draft to address quality management, technology and matters on the APESB Issues Register:

- quality management-related conforming amendments to paragraphs 1.1 and 5.3;
- amendments to paragraph 3.2 to require Members in Business to comply with Section 210 *Conflicts of Interest* of APES 110 (to address [APESB Issues Register 225.1](#)).
- alignment of wording in paragraphs 3.11 and 3.13 with Section 114 *Confidentiality* of APES 110 regarding a legal, regulatory or professional duty or right to disclose (to address [APESB Issues Register 225.2](#));
- alignment of paragraph 3.13 (which requires a Member to notify the client, employer or relevant third party if confidential information is legally provided) with the intent of Whistleblower protection legislation and the approach in the non-compliance with laws and regulations (NOCLAR) provisions of APES 110 on using professional judgement in determining whether to notify (to address [APESB Issues Register 225.3](#)); and
- amendments to ensure APES 225 accommodates Technology-related revisions:
 - including in paragraph 4.3 that Members in Public Practice are required to comply with the requirements of Section 300 *Applying the Conceptual Framework – Members in Public Practice* of APES 110; and
 - a proposed new paragraph 4.4 that Members in Business are required to comply with the requirements of Section 200 *Applying the Conceptual Framework – Members in Business* and Section 220 *Preparation and Presentation of Information* of APES 110.

Technical Staff also recommend including two requests for specific comments in the Exposure Draft on AI and digital technologies to help inform APESB's Technology Project.

APES 225 Taskforce

Technical Staff requested feedback from APES 225 Taskforce members on the above proposed revisions to the standard.

A Taskforce member queried whether the *International Valuation Standards* (IVS) should be referred to in paragraphs 3.9 and 5.4 of APES 215. Technical Staff believe including cross-

references in APES 225 to IVS as guidance to consider or to address why certain Valuation Approaches or Methods were not considered relevant, would require a rigorous assessment of the IVS against APES 225 (which has not been performed) and could be viewed by some stakeholders as an endorsement by APESB. Accordingly, Technical Staff do not recommend these changes.

This Taskforce member also recommended updating paragraph 7.2 due to recent changes to the *International Glossary of Business Valuation Terms*. Technical Staff agree and propose deleting the second sentence of paragraph 7.2 and adding a footnote referring to the *International Valuation Glossary – Business Valuation* and the glossary used in the IVS as examples of glossaries of terms in general use for Valuation Services.

Another Taskforce member queried whether paragraph 3.15 of APES 225 should take the same approach as paragraph 20 of ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report*. Paragraph 20 of ASA 250 requires the auditor to discuss suspected non-compliance (unless prohibited by law) with management or those charged with governance and, if the response is insufficient to determine compliance and is material to the financial report, to consider obtaining legal advice.

Paragraph 3.13 of APES 225 relates to where there is a legal, regulatory or professional duty or right to disclose to consider whether it is appropriate to inform the client, employer or relevant third party. This is consistent with paragraph R360.26 of APES 110 on NOCLAR and paragraph 4.10 of APES 225 (was 4.9), which also refers to NOCLAR obligations concerning breaches that would cause substantial harm to stakeholders. Whether to obtain legal advice is a matter of professional judgement. As such, Technical Staff do not recommend making any changes.

A proposed ED for APES 225 is attached at Agenda Items 5(a) (marked-up) and 5(b) (clean). Technical Staff recommend the ED is released for a public comment period of 45 days.

Small and Medium Practices (SMPs)

Technical Staff believe that as the proposed revisions to APES 225 relate to quality-management conforming amendments and to align the standard and update cross-references to APES 110, these changes will have minimal impact on SMPs.

Recommendations

The Board approve, subject to the Board's review comments and editorials, the issue of an Exposure Draft on proposed revisions to APES 225.

Materials presented

Agenda Item 5(a)	Proposed Exposure Draft for APES 225 (marked-up)
Agenda Item 5(b)	Proposed Exposure Draft for APES 225 (clean)

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