

4 December 2015

### **APESB issues revised APES 225 *Valuation Services***

Accounting Professional & Ethical Standards Board Limited (APESB) today announced the issue of the revised APES 225 *Valuation Services* (revised APES 225) to replace the existing APES 225 (Issued May 2012).

The significant new additions to the revised APES 225 now provide:

- flexibility for retainer engagements; and
- new guidance on obtaining representations from the client, management or third party.

Please refer to Appendix 1 of this technical update for details of the revisions. The revised APES 225 will be effective from 1 April 2016 with early adoption permitted.

The revised standard is available from APESB's website: [www.apesb.org.au](http://www.apesb.org.au)

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## Appendix 1

### Revisions to existing APES 225 (May 2012)

Accounting Professional & Ethical Standards Board Limited (APESB) has approved the following revisions to APES 225 *Valuation Services* which was originally issued in July 2008 and revised in May 2012.

Paragraph Reference	Revisions
1.1	<p>The objective of APES 225 <i>Valuation Services</i> is to specify a Member's professional and ethical obligations in respect of:</p> <ul style="list-style-type: none"> <li>• the provision of a Valuation Service to a Client or Employer;</li> <li>• the types of Engagement or Assignment that are a Valuation Service;</li> <li>• matters a Member in Public Practice must address in the Terms of Engagement;</li> <li>• matters to be disclosed in a Valuation Report; and</li> <li>• quality control and documentation requirements.</li> </ul>
1.4 2	<p>Accounting Professional &amp; Ethical Standards Board Limited (APESB) <del>issues</del> <u>has revised</u> professional standard APES 225 <i>Valuation Services</i> (<b>the Standard</b>), which is effective for Valuation Engagements or Assignments commencing on or after 1 <del>September 2012</del> <u>April 2016</u> and <del>supersedes</del> APES 225 issued in May 2012. Earlier adoption of this Standard is permitted.</p>
1.2 3	<p>APES 225 sets the standards for Members in the provision of quality and ethical Valuation Services. The mandatory requirements of this Standard are in <b>bold-type</b>, preceded or followed by discussion or explanations in <del>grey</del> <u>normal</u> type. APES 225 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.</p>
1.4 5	<p><b>Members outside of Australia shall follow the mandatory requirements of APES 225 when they provide Valuation Services, to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.</b></p>
1.5 6	<p><b>Members shall be familiar with relevant pProfessional sStandards and guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.</b></p>
1.7 8	<p>All references to pProfessional sStandards <del>and</del> <u>guidance notes and legislation</u> are references to those provisions as amended from time to time.</p>
1.8 9	<p>In applying <u>the requirements outlined in APES 225</u>, Members should be guided not merely by the words but also by the spirit of the Standard and the Code.</p>
1.10	<p><u>In this Standard, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.</u></p>
2	<p><b>Assignment</b> means an instruction, whether written or otherwise, by an Employer to a Member in Business relating to the provision of <del>services</del> <u>Professional Activities</u> by a Member in Business. However, consultations with the Employer prior to such instruction are not part of an Assignment.</p>

**Client** means an individual, Firm, entity or organisation to whom or to which ~~Valuation Services~~ Professional Activities are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature.

**Contingent Fee** means a fee calculated on a predetermined basis relating to the outcome ~~or result~~ of a transaction or the result of the ~~work~~ services performed by the Firm. A fee that is established by a court or other public authority is not a Contingent Fee.

**Engagement Document** means the document (i.e. letter, agreement or any other appropriate means) in which the Terms of Engagement are specified in a written form.

**Firm** means:

- (a) ~~a~~ A sole practitioner, partnership, corporation or other entity of professional accountants;
- (b) ~~a~~ An entity that controls such parties, through ownership, management or other means;
- (c) ~~a~~ An entity controlled by such parties, through ownership, management or other means; or
- (d) ~~a~~ An Auditor-General's office or department.

**Independence means is:**

- (a) Independence of mind - the state of mind that permits the ~~provision~~ expression of an opinion a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism; ~~and~~.
- (b) Independence in appearance - the avoidance of facts and circumstances that are so significant that a reasonable and informed third party, ~~having knowledge of all relevant information, including any safeguards applied,~~ would reasonably be likely to conclude, weighing all the specific facts and circumstances, that a Firm's, or a member of the Engagement team's, integrity, objectivity or professional scepticism ~~had~~ has been compromised.

**Member** means a member of a ~~p~~ Professional ~~b~~ Body that has adopted this Standard as applicable to their membership, as defined by that ~~p~~ Professional ~~b~~ Body.

**Member in Public Practice** means a Member, irrespective of functional classification (e.g. audit, tax or consulting) in a Firm that provides Professional Services. ~~The~~ This term is also used to refer to a Firm of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable ~~p~~ Professional ~~b~~ Body.

**Professional Activity** means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.

**Professional Bodies** means Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.

**Professional Services** means ~~services requiring accountancy or related skills performed by a professional accountant including accounting, auditing, taxation, management consulting, and financial management services~~ Professional Activities performed for Clients.

**Professional Standards** means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable Professional Body.

3.2	<b>Members in Public Practice shall comply with Section 220 <u>Conflicts of Interest</u> and Section 280 <u>Objectivity</u> – All Services <del>in</del> <u>of</u> the Code.</b>
3.9	In undertaking a Valuation Service, a Member should consider the contents of any guidance in respect of Valuation matters issued by the <del>Professional Accounting Bodies</del> <u>Professional Accounting Bodies</u> and appropriate regulatory authorities.
3.10	<b>In accordance with Section 140 <u>Confidentiality</u> of the Code, a Member who acquires confidential information in the course of <del>professional work performing a Valuation Service</del> <u>performing a Valuation Service</u> for a Client or Employer shall not use that information for any purpose other than the proper performance of <del>professional work</del> <u>the Valuation Service</u> for that Client or Employer.</b>
4.1	<b>A Member in Public Practice shall document and communicate <u>to the Client in an Engagement Document</u> the Terms of Engagement to provide the Valuation Service in accordance with APES 305 <u>Terms of Engagement</u>.</b>
4.2	<p><b>A Member in Public Practice shall include the following in the <u>Terms of Engagement Document</u>:</b></p> <ul style="list-style-type: none"> <li><b>(a) a statement as to which type of Engagement the Member has been engaged to perform <u>(if that has been determined at the date of the Engagement Document)</u>;</b></li> <li><b>(b) the definitions of a Valuation Engagement, a Limited Scope Valuation Engagement and a Calculation Engagement;</b></li> <li><b>(c) for a Valuation Engagement, a statement that if the Member becomes aware during the course of performing the Valuation of a limitation or restriction that could have a material impact on the estimate of value, then the Engagement will become a Limited Scope Valuation Engagement;</b></li> <li><b>(d) for a Calculation Engagement, a statement as to which Valuation Approaches, Valuation Methods and Valuation Procedures the Member has been engaged to perform;</b></li> <li><b>(e) for a Valuation Service which requires Independence or purports to be independent, a statement confirming the Member’s Independence and the Member’s compliance with the Independence requirements of this Standard; and</b></li> <li><b>(f) a statement that the Valuation Service will be conducted in accordance with this Standard.</b></li> </ul>
4.4	<b>A Member in Public Practice who has <del>utilised</del> <u>engaged</u> the services of a third party in connection with the performance of a Valuation Service, such as a valuer of property, plant and equipment, shall not disclose the opinion or the name of that third party without the prior consent of that party unless the Member has a legal obligation of disclosure.</b>
4.6	<p>Subject to the Terms of Engagement and paragraph 3.11, a Member in Public Practice who has relied on information provided by the Client, its management, or a third party, should consider requesting a written representation from the relevant party that:</p> <ul style="list-style-type: none"> <li><b>(a) <u>the relevant party has reviewed the draft Valuation Report or extract thereof;</u></b></li> <li><b>(b) <u>the facts upon which the draft Valuation Report or extract thereof is based are correct and no material, relevant facts have been omitted;</u></b></li> <li><b>(c) <u>the historical financial information upon which the draft Valuation Report or extract thereof is based is complete, accurate, and reliable;</u></b></li> </ul>

	<p>(d) <u>the assumptions upon which the draft Valuation Report or extract thereof is based are reasonable; and</u></p> <p>(e) <u>there are no other matters, in the opinion of the Client, its management or a third party, which should be brought to the Member's attention.</u></p>
4.7	<u>Where a Member relies on a representation made by a relevant party, the Member is making an assumption that the matter represented is true, unless the Member has independently gathered sufficient and appropriate evidence to provide reasonable grounds that the matter represented is supported.</u>
5.3	<b>Where a Member in Public Practice communicates the Valuation Report orally, the Member shall communicate the elements noted in paragraph 5.2, as appropriate in the circumstances, and document the oral communication, the reasons for issuing an oral report and the work performed in accordance with this Standard and the Firm's policies and procedures established under <i>Documentation of the system of quality control</i> of APES 320 <i>Quality Control for Firms</i>.</b>
8.1	<b>A Member in Public Practice providing Valuation Services shall be remunerated for such <u>Professional s</u>Services by way of professional fees computed in accordance with Section 240 <i>Fees and e</i>Other Types of <i>Remuneration</i> of the Code.</b>
<b>Appendix 1</b>	Schematic and Examples – Amended (minor editorials)
<b>Appendix 2</b>	Summary of revisions to the previous APES 225 (Issued May 2012) – Amended