

AGENDA PAPER

Item Number: 6 (a)
Date of Meeting: 22 August 2017
Subject: Annual review of APES 305 *Terms of Engagement*

Action required For discussion For noting For information

Purpose

In accordance with APESB's Constitution, an annual review of APES 305 *Terms of Engagement* (APES 305) has been performed to identify and resolve any issues identified by stakeholders.

Background

APESB originally issued APES 305 in December 2007. Subsequently, APES 305 was revised in June 2009, March 2013 and October 2015. The 2015 revised APES 305 has an effective date of 1 January 2016.

Consideration of Issues

APESB Technical Staff have completed the following procedures as part of the annual review of APES 305:

- Consulted with the Professional Bodies to identify whether Members or other stakeholders have raised any issues in respect of APES 305;
- Reviewed the APESB Issues Register to identify whether stakeholders have reported any matters in relation to APES 305;
- Performed an internal technical review of APES 305 including considering the technological neutrality of the Standard; and
- Considered the results of the Quality Reviews conducted by the Professional Bodies in respect of APES 305.

The issues identified as a result of completion of the above procedures are set out below.

Legal Requirements

[This issue is carried forward from the prior year.]

A Professional Body has noted that section 4 of APES 305 could refer to legal requirements (such as the Financial Services Guide). Technical Staff note that Members are required to include details of relevant legislation in paragraph 4.4(c). To ensure all legal and regulatory

requirements are captured, this paragraph could be amended to include a reference to regulations, as shown below:

- (c) references to any legislation, [regulations](#), Professional Standards, accounting or auditing and assurance standards that may be relevant to the Engagement;

This amendment could be considered in the next review of APES 305.

Fees

[This issue is carried forward from the prior year.]

Paragraph 4.8 of APES 305 provides guidance on specifying fees and billing agreements in an Engagement Document. Professional Bodies have suggested revisions to this paragraph to:

- reduce the instances of misunderstanding how fees are calculated; and
- clarify the need to disclose referral fees or commissions (which may be more common when Members refer clients to financial planners for financial advice).

Based on these suggestions, Technical Staff have drafted the following proposed amendments to paragraph 4.8 of APES 305:

Fees and billing arrangements: Reference to the basis [and calculation](#) of fees (e.g. time based billing, fixed price contracts, [referral fees and commissions](#), contingent fee arrangements or other similar agreement). Details of agreed upon billing schedules should also be included.

These amendments can be considered in the next review of APES 305.

Definition of Writing

[This issue is carried forward from the prior year.]

Technical Staff note that the definition of Engagement Document in APES 305 refers to it being in a written form. Paragraph 3.5 outlines that the terms of engagement can be in the form of an electronic communication.

Technical Staff believe that including the definition of the term 'Writing' will assist in clarifying that written form may include electronic formats, consistent with the definition of this term in APES 315. This additional definition can be considered in the next revision of APES 305.

Staff Recommendation

That the amendments identified as part of this annual review be addressed in the next planned revision of APES 305.

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Date: 31 July 2017