

TH23 – Accounting Professional and Ethical Standards update

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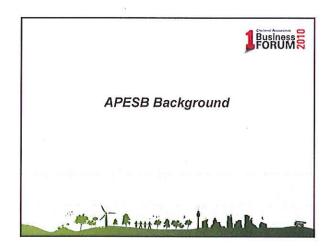
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APESB background APES 350 Participation by members in public practice in due diligence committees in connection with a public document APES 215 Forensic Accounting Services APES 225 Valuation Services APES 220 Taxation Services.



APESB



- > Established in February 2006 as an initiative of ICAA and CPA Australia
- > NIA 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.



APESB's 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.

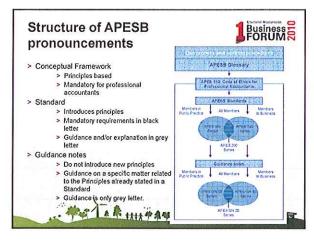


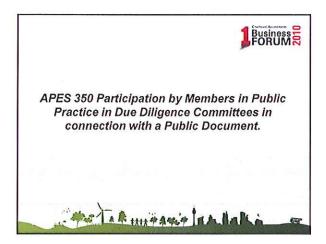
Board Composition

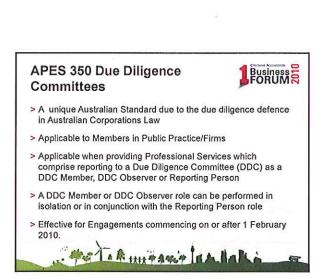


- > Independent Chair
- > Two Directors CPA Australia
- > Two Directors ICAA
- > One Director NIA.









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 or arrangement under Part 5.1 of the Corporations Act or a takeover or compulsory acquisition under Chapter 6 of the Corps 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



Professional Appointments

- > Member shall consider threats to compliance with the fundamental principles and apply appropriate safeguards to reduce them to an acceptable level
- > When providing services to Assurance Clients, Member shall consider s290 Independence of APES 110 to determine whether there are threats to independence
- > When providing services to audit clients, Members shall also comply with independence requirements of the Corporations Act



APES 350 Due Diligence Committees



Professional Engagement

- > Document terms of Engagement in accordance with APES 305
- > Where the Due Diligence Planning Memorandum (DDPM) extends responsibilities beyond the Engagement Document, the Engagement Document shall be amended to ensure the Member's responsibilities are:
 - Consistent with the Engagement Document and requirements of APES 350
- > Professional obligations of the Member cannot be determined by the DDPM as it is not a document the Member controls.



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 only sign a report to Those Charged with Governance on information of a general nature or the due diligence process 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 specific procedures 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

Contents of a Due Diligence Sign-Off:

- > Conclusions of Member 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 the professional services were performed and the DDC Sign-Off was prepared in accordance with APES 350 and other applicable standards.





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 an FAS then APES 215 applies (Para 1.5)
- > Where an FAS other than an Expert Witness Service (EWS), later becomes a EWS then section 5 of APES 215 applies (Para 1.6)
- - 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 WitnessLay Witness
- Consulting Expert - Professional Services
- Proceedings
- Contingent Fees



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.



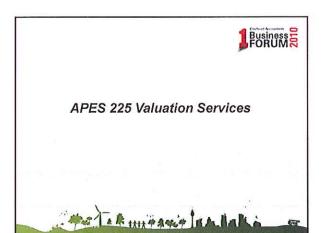
APES 215 Forensic Accounting Services

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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.





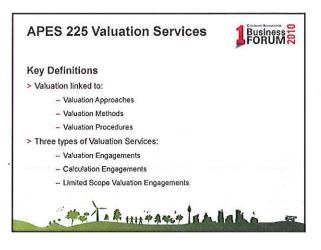
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Australian perspective	
> ATO	
- Market Value Guidelines (2002)	
> ASIC	
- RG 111: Contents of experts reports (Oct 2007)	
- RG 112: Independence of experts (Oct 2007)	
> APESB	
- APES 225 Valuation Services (July 2008)	
- APES 110 Code of Ethics for Professional Accoun	tants (June 2006).
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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).

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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 January 2009 — 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 cont.

- > Results:
 - Valuation Engagement & 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 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).



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 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 appendix for examples.





APES 220 Taxation Services



APES 220 Taxation Services



- > Formerly APS 6
- > Applies to accountants working in public practice as well as now scope extended to members in business
- > Includes mandatory requirements and guidance for Taxation Services
- > Operative on or after 1 July 2008.



APES 220 Taxation Services



- > Taxations Services to a Client or Employer defined as:
 - Preparation of return, notice, statement or similar document
 - Preparation of tax calculations for financial statements
 - Tax planning and other tax advisory
 - Assistance in resolving tax disputes.



APES 220 Taxation Services



- > Preparation and lodgment of returns to Revenue Authorities
 - Returns shall be prepared in accordance with information provided by Client, their instructions and tax law
- > Members must not be involved in tax schemes and arrangements which are not within the law
- > Use of estimates in preparation of revenue returns
 - Shall not prepare or be associated with such estimates unless use is generally accepted or impractical to obtain exact data
- > Members obligations in respect of false and misleading information.



APES 220 Taxation Services



- > Professional obligations in respect of Client monies and prohibition against applying tax refunds to settle amounts due unless prior client approval has been obtained
- > Preparation of work papers to document the work performed.



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QUESTIONS?	-
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