

Forensic Discussion Group

CPA Australia

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Accounting Professional & Ethical Standards Board

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Agenda

- Background to the revision of APES 215 *Forensic Accounting Services*
- Key revisions in APES 215
- International developments:
 - Technology
 - Sustainability
- Recent ethical failings in the accounting profession
- Q & A

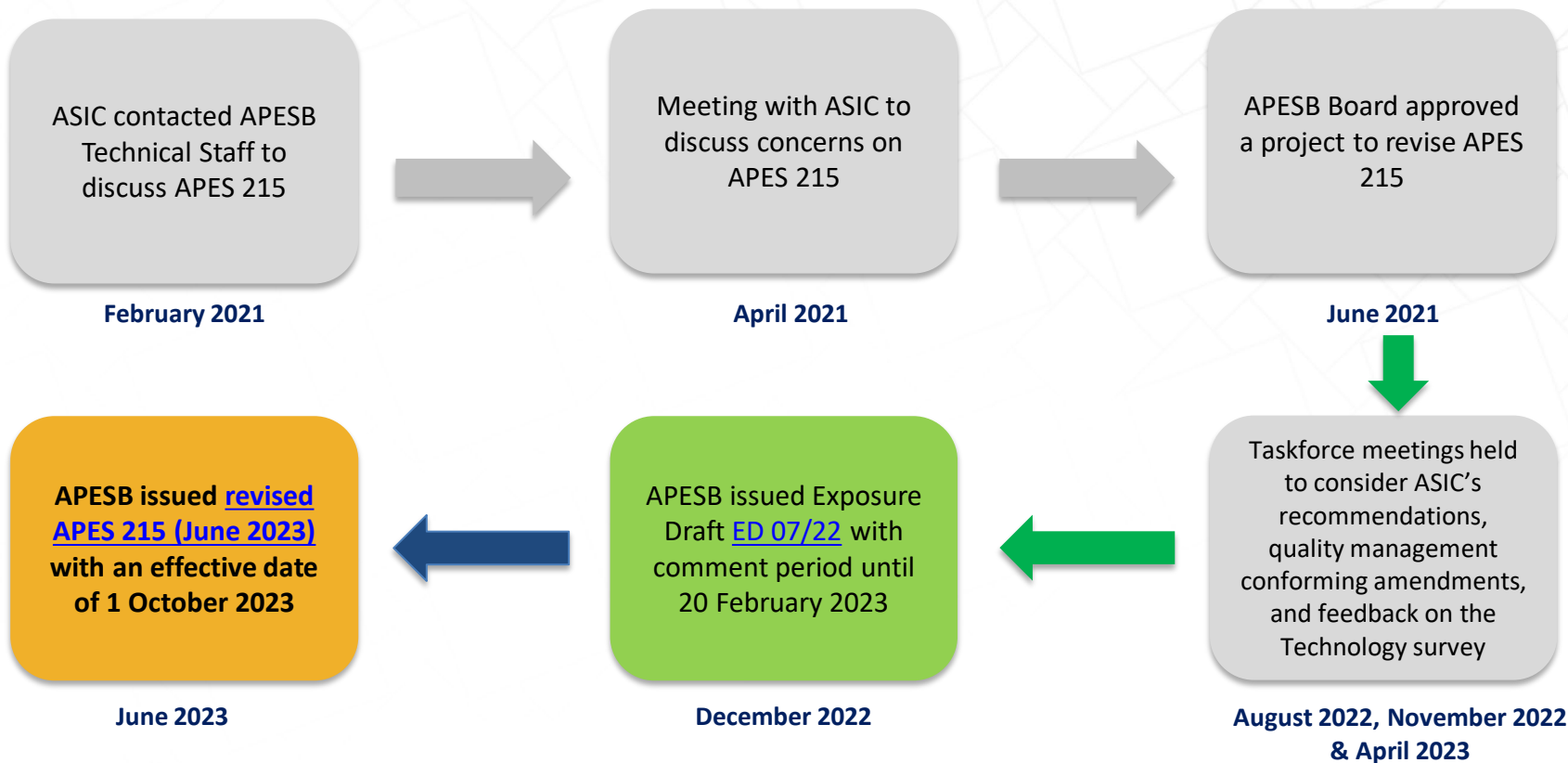
Reissued APES 215
Forensic Accounting Services

Background to the revision of APES 215

ASIC Recommendations to amend APES 215

- ASIC representatives contend that evidence presented to the Court under section 50 of the *Evidence Act 1995* is **not expert evidence** but **lay observations**, in which:
 - Bank officers present underlying documents (including bank statements, bank vouchers and trace reports) to the Court; and
 - ASIC's Forensic Accounting Services officers identify and summarise the key information directly from those source documents.
- ASIC requested to **amend specific definitions and examples** in Appendix 3 of APES 215.

Timeline to the revision of APES 215



Key changes to APES 215

- Provide greater clarity regarding distinction between:
 - **Lay Witness Service** – where Member giving evidence that are directly observed or perceived and does not require Member's specialised knowledge derived from training, study or experience (amendment to definition and examples in Appendix 3)
 - **Expert Witness Service** – where Member's Report is to communicate evidence which refers to Member's specialised knowledge derived from training, study or experience (new paragraph 3.14, amendment to Example 7 in Appendix 3)
- Amendments to paragraph 1.4 and Appendix 2 to clarify that:
 - Member must follow all the requirements in APES 215 when providing an **Expert Witness Service**; and
 - Member must comply with all the requirements in APES 215 (except Section 5) when providing a Forensic Accounting Service that is **not an Expert Witness Service**.

Other key changes to APES 215

- Addition of references to Appendix 1 in the definitions of Expert Witness Service, Lay Witness Service and Other Evidence;
- Addition of references to Appendices 2 and 3 in the definition of Forensic Accounting Services;
- Amendments to the definition of Other Evidence and Examples 6 and 10 in Appendix 3, to remove references to 'summary' to prevent any confusion with a summary that is presented under Section 50 of the *Evidence Act 1995*;
- Amendments to paragraph 4.2 to require Members in Public Practice undertaking a Forensic Accounting Service to comply with Section 300 *Applying the Conceptual Framework – Members in Public Practice* of APES 110;
- New paragraph 4.3 to require Members in Business undertaking a Forensic Accounting Service to comply with Section 200 *Applying the Conceptual Framework – Members in Business* and Section 220 *Preparation and Presentation of Information* of APES 110;
- Quality management-related conforming amendments to paragraphs 1.1, 7.1 and 7.2; and
- Amendments to Appendix 1 to better differentiate between observed and scientific facts.

APES 215 Discussion and Q&A

International Developments on Technology & Sustainability

Technology Revisions to the Code

- IESBA [Final Pronouncement](#) issued in early April 2023
- Guides ethical mindset and behavior of PAs in dealing with changes brought by technology
- Effective December 2024

Draws attention to the **competence, confidentiality, & leadership** imperatives of the digital age

Considers ethical threats from **use of technology & complexity** when exercising professional judgment

Addresses the ethical dimension of **using output of technology**

Strengthens **auditor independence** for technology-related services & business relationships

Applies to assurance on **non-financial information** (e.g. ESG disclosures)



Ethical considerations when using technology outputs

- The nature of the activity to be performed by the technology.
- The expected use of, or extent of reliance on, the output of the technology.
- Whether the accountant has the ability, or has access to an expert with the ability, to understand, use and explain the technology and its appropriateness for the purpose intended.
- Whether the technology used has been appropriately tested and evaluated for the purpose intended.
- Prior experience with the technology and whether its use for specific purposes is generally accepted.
- The employing organisation's oversight of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the technology.
- The controls relating to the use of the technology, including procedures for authorising user access to the technology and overseeing such use.

**Factors to consider
when a PA intends
to
use the output of
technology**

Learn more:

[Technology-related Revisions to the
Code](#)

Exposure Draft – Technology-related revisions to APES 110

- Exposure draft [ED 05/23](#) released on 1 September 2023
- Comment period is now open till **21 October 2023**
- This proposal will align the Code with the IESBA Code. The key revisions include:
 - Incorporating technology-related considerations into the fundamental principles of Professional Competence and Due Care, and Confidentiality;
 - New application material with Section 120 *The Conceptual Framework* on identifying and managing complex circumstances;
 - New requirements for professional accountants in business and public practice to exercise professional judgment, including new guidance on factors to consider when considering the use of the output of technology;
 - Provision of an extensive description of IT system services in Subsection 606, including design, development, implementation, operation, maintenance, monitoring, updating, upgrading, storing and managing data;
 - Clarifying the prohibition and application material on assuming management responsibility when providing an IT systems service for an audit client.

International Sustainability Standards Infrastructure



IESBA actions on Sustainability:

- IESBA considered feedback from global roundtables at June 2023 meeting and supported including the profession-agnostic independence standards for Sustainability Assurance in a new part 5 of the Code.
- IESBA established the Sustainability Reference Group (SRG) with APESB CEO, Channa Wijesinghe appointed to chair the SRG.
- Aim to issue an Exposure Draft for Sustainability Ethics and Independence Standards by December 2023.

Australia actions on Sustainability:

- Treasury issued [Second Consultation Paper](#) on climate-related financial disclosures in June 2023. Comments closed in July 2023.
- AUASB issued [Consultation Paper](#) seeking public comment by November 2023 on IAASB's Exposure Draft on International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*.

Sustainability Assurance

- IESBA is developing ethics and independence standards for Sustainability Assurance irrespective of:
 - Whether the engagements are carried out by a professional accountant (PA) or other Sustainability Assurance provider (profession-agnostic)
 - The reporting and assurance frameworks used to prepare and assure sustainability information (framework-neutral)

Key premise: The new standards to be equivalent to those that apply to audits of financial statements for Sustainability Assurance engagements of heightened public interest, i.e., where the sustainability information is:

- Reported in accordance with a general-purpose reporting framework
- Is required by law or regulation? (CSRD in Europe)
- Publicly available to support decision-making by investors or other stakeholders

Sustainability Reporting

- IESBA is also developing ethics standards for Sustainability Reporting
- IOSCO endorsed the ISSB's Sustainability-related Financial Disclosures Standards on 25 July 2023 and urges for adoption to promote consistent and comparable sustainability and climate-related disclosure for investors.
 - IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
 - IFRS S2 Climate-related Disclosures

Recent Ethical Failings in the accounting profession

Recent ethical failings and resulting impacts

UK – Kingman and CMA Reviews, Brydon Report, FRC overhaul and Big 4 operational separation as a result:

- Carillion – KPMG issued with a £14.4 million fine by the UK FRC
- BHS – PWC fined £6.5m. Auditor fined £325k and banned for 15 years

EU – Wirecard collapse in Germany 2020 – €1.9b fictitious assets, unqualified audit reports and alleged audit failures

USA – US SEC & PCAOB Independence and Ethics breaches

- US\$ 100M fine for EY
- US\$ 450K fine for KPMG

AU – Parliamentary inquiries on audit regulation, use of consultants and ethics and structural accountability

- PwC – Breach of Confidentiality (Multinational taxation schemes)
- KPMG - Conflict of interests (NSW Transport)



APESB response to Australian ethical failings

- **Media Statement on the PwC matter**
 - Released 6 June 2023 – available on [APESB's website](#)
 - APESB will monitor and assess impact on its standards
- **IESBA Consultation Paper on Proposed Strategy and Work Plan for 2024-2027**
 - APESB recommendations (on [APESB's website](#)) submitted in July 2023
 - IESBA undertake a project on firm leadership and cultural issues
 - Thought leadership activities or guidance on leadership and culture
- **Senate Inquiry into Consulting Services**
 - APESB Submission (on [APESB's website](#)) made in April 2023
 - Emphasises the importance of ethical standards

APESB response to Australian ethical failings

- **NSW Government Inquiry into Use and Management of Consulting Services**
 - APESB Submission (on [APESB's website](#)) made in July 2023
 - Support regulators and monitoring bodies taking enforcement and disciplinary action
- **Appearance at the NSW Government Inquiry Public Hearing**
 - APESB Chairman and CEO appeared as witnesses to the public hearing in August 2023
 - Opening Statement – available on [APESB's website](#)
- **PJC Inquiry into Ethics and Professional Accountability**
 - APESB Submission (on [APESB's website](#)) made in August 2023
 - Considers current arrangements are not working and recommends a package of measures to improve ethics and professional accountability of large professional services firms
 - APESB Chairman and CEO will appear at the public hearing in November 2023

APESB's recommendations to the Government

Potential measures to improve the ethics and professional accountability of large professional firms:

Opening Statement at the NSW Government public hearing (August 2023) – available on [APESB's website](#)

- Provide legislative backing for APESB's professional and ethical standards;
- Move APESB under the oversight of the FRC (consistent with the Australian Accounting and Auditing standard setters);
- APESB considers the development of a standard (based on the UK FRC's Audit Firm Governance Code) that focuses on large firm culture and governance in the Australian;
- APESB considers the development of a professional standard for Management Consulting;
- Enhance transparency of large professional firms by requiring them to prepare general purpose financial reports, including remuneration disclosures and subject them to audit;
- Establish an independent body to monitor all professional services firms that provide audit, assurance and consulting services. This body will undertake enforcement actions where appropriate and prepare an annual report of its monitoring and enforcement activities to enhance public trust.
- Enhance the existing ethics module of the professional programs and mandatory continuing professional development by increasing coverage of the APESB Standards.



Q & A

Further Information

For more information visit www.apesb.org.au

Follow the APESB [LinkedIn page](#) for timely updates,

To download APESB's mobile app:



Purpose & Disclaimers

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