



## **Exposure Draft **0X/24**** **Revision of APESB pronouncements**

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## A. Explanatory Memorandum to Exposure Draft 0X/24 Revision of APESB pronouncements

### Introduction

In December 2023, APESB released the newly compiled Code for APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). The Amending Standards issued by APESB include the revisions to the Definitions of Listed Entity and Public Interest Entity in November 2023, and Technology-related revisions in June 2024. The pronouncements listed below have been revised to update cross-references to the Code and Amending Standards to ensure consistency of definitions and terminology and other matters.

The aim of this Explanatory Memorandum is to provide stakeholders with the background, development process and rationale for Exposure Draft 0X/24 *Revision of APESB pronouncements* (the Exposure Draft) issued in XXX 2024.

The Explanatory Memorandum has been prepared by Technical Staff of APESB and approved by the Board of Directors of APESB. The Explanatory Memorandum **does not** form part of the Exposure Draft and is not a substitute for reading it in full.

### Summary of APESB Pronouncements

This Exposure Draft comprises proposed amendments to the following pronouncements, grouped into related topics where relevant:

Pronouncement	Name of pronouncement	Part of Explanatory Memorandum
<b>Part 1: General and Firm Pronouncements</b>		
APES 210	<i>Conformity with Auditing and Assurance Standards</i>	<b>Part 1 and Appendix 1</b>
APES 305	<i>Terms of Engagement</i>	
<b>Part 2: Forensic and Valuation Services Related Pronouncements</b>		
APES 215	<i>Forensic Accounting Services</i>	<b>Part 2 and Appendix 2</b>
APES 225	<i>Valuation Services</i>	
APES GN 20	<i>Scope and Extent of Work for Valuation Services</i>	

The grouping of pronouncements is to assist some stakeholders who may prefer to consider and respond on specific pronouncements or Professional Activities.

Stakeholders are welcome to respond to one or more of the proposed revised pronouncements.

### Key proposed amendments

The marked-up version of each pronouncement in the Exposure Draft (refer to **Appendices 1 and 2**) reflects the proposed changes for the following key matters:

- (i) Revisions to reflect the amendments to the Code.
- (ii) Matters noted through reviews of pronouncements by APESB Technical Staff.
- (iii) Inclusion of references to Technology-related revisions to the Code.

(iv) Minor editorials.

The specific details of the proposed changes for each pronouncement are set out in Parts 1 to 2 of this Explanatory Memorandum.

#### Effective Date

The effective date for all of the revised pronouncements will be 1 January 2025.

This is marked up in each Standard in paragraph 1.2 proposing that the revised standard will be operative from 1 January 2025 and that earlier adoption of the standard is permitted.

Guidance notes are effective from the date of issue.

## B. Request for comments on Exposure Draft

### Commenting on this Exposure Draft

APESB invites stakeholders to provide comments on these proposed revisions to the pronouncements identified in ED 0X/24.

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by XX XXX 2024.**

Comments should be addressed to:

Chief Executive Officer  
Accounting Professional & Ethical Standards Board Limited  
Level 11, 99 William Street  
Melbourne, Victoria 3000  
Australia

APESB would prefer that respondents express a clear overall opinion on whether the revisions to a proposed pronouncement or the pronouncements (refer to the marked-up version of each pronouncement in **Appendices 1 and 2** of the Exposure Draft), are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed pronouncements.

Respondents are asked to submit their comments electronically through the APESB website, using the link <https://apesb.org.au/current-projects/>.

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website [www.apesb.org.au](http://www.apesb.org.au).

APESB prefers that comments are submitted via its website. However, if there are technical difficulties, comments can also be sent to [sub@apesb.org.au](mailto:sub@apesb.org.au) or mailed to the address noted above.

### Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: [www.apesb.org.au](http://www.apesb.org.au).

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Level 11, 99 William Street  
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## C. Key Proposed Amendments

The marked-up version of each pronouncement in the Exposure Draft (refer to **Appendices 1 and 2**) reflects the proposed changes incorporated into the existing pronouncement and addresses the following key matters:

(i) **Revisions to reflect the revision to the Definitions of Listed Entity and Public Interest Entity and Technology-related revisions**

APESB issued the Amending Standards for revision to the Definitions of Listed Entity and Public Interest Entity and Technology-related revisions to the Code in November 2023 and June 2024 respectively.

As a result, APESB has commenced a project to revise its current pronouncements where relevant, to align definitions and update any cross-references to the Amending Standards where relevant to ensure consistency of definitions and obligations across the Code.

Refer to **Section C.1.1** and **C.2.1** for tables that summarise the proposed revisions to the pronouncements in Exposure Draft 0X/24.

(ii) **Matters noted through review of pronouncement by APESB Technical Staff**

In reviewing these pronouncements APESB Technical Staff noted the following matter to be addressed in this revision:

- alignment of the definition of Assurance Engagement in APES 210 *Conformity with Auditing and Assurance Standards* with the revised definition in the Amending Standard *Amendments to Part 4B of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*.

(iii) **Minor editorials**

Minor editorials are highlighted in the proposed revisions in the Exposure Draft.

**Section C.1.2** and **C.2.2** set out the tables summarising the proposed revisions to the pronouncement in Exposure Draft 0X/24 not addressed in Section C.1.1 and C.2.1.

## PART 1: GENERAL AND FIRM PRONOUNCEMENTS

Part 1 of the Explanatory Memorandum focuses on the following two pronouncements (grouped as the General and Firm Pronouncements):

Pronouncement	Name of pronouncement
APES 210	<i>Conformity with Auditing and Assurance Standards</i>
APES 305	<i>Terms of Engagement</i>

### 1.1 Table of proposed revisions to align to Amending Standards for revisions to the Definitions of Listed Entity and Public Interest Entity and Technology-related revisions to the Code

The table below provides a summary of the proposed revisions to the General and Firm Pronouncements in this Exposure Draft to align the definitions and relevant cross-references to the Amending Standards *Revisions to the Definitions of Listed Entity and Public Interest Entity in APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* and *Technology-related revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* issued in November 2023 and June 2024 respectively.

Revisions to reflect the Amending Standards to the Code	General and Firm pronouncements	
	APES 210	APES 305
<b>New Definition added to align with the Amending Standard for Technology-related revisions to the Code</b>		
Confidential Information		✓
<b>Amendments to align with Amending Standards for revisions to the Listed Entity and Public Interest Entity and Technology-related revisions to the Code</b>		
Paragraph 3.4		✓
Paragraph 3.5		✓
Paragraph 3.7		✓

### 1.2 Table of other proposed revisions to the General and Firm Pronouncements

The table below provides a summary of the proposed revisions to the General and Firm Pronouncements in this Exposure Draft. Note that this summary does not include the revisions noted in Section 1.1.

Summary of proposed amendments	General and Firm Pronouncements	
	APES 210	APES 305
Effective date (paragraph 1.2)	✓	✓
Appendix 1	✓	✓
<b>Amendment to definitions to align with Amendments to Part 4B of APES 110</b>		
Assurance Engagement	✓	

## Appendix 1

### APESB General and Firm Pronouncements in ED 0X/24

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# APES 210 Conformity with Auditing and Assurance Standards

[Supersedes APES 210 Conformity with Auditing and Assurance Standards issued in ~~October 2015~~July 2019]

REVISED: ~~July 2019~~ **XXX 2024**

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## 1. Scope and application

- 1.1 The objectives of APES 210 *Conformity with Auditing and Assurance Standards* are to specify a **Member's** professional and ethical obligations in respect of:
- fundamental responsibilities when the **Member** performs an **Assurance Assignment** or an **Assurance Engagement**;
  - compliance with applicable independence requirements;
  - compliance with **Auditing and Assurance Standards**; and
  - consideration of relevant **Auditing and Assurance Guidance**.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 210 *Conformity with Auditing and Assurance Standards* (**the Standard**), which is effective from ~~1 January 2020~~ **1 January 2025** and supersedes APES 210 issued in ~~October 2015~~ **July 2019**. Earlier adoption of this Standard is permitted.
- 1.3 APES 210 sets the standards for **Members** to comply with **Auditing and Assurance Standards** when they conduct **Assurance Assignments** or **Assurance Engagements**. The mandatory requirements of this Standard are in **bold-type**, preceded or followed by discussion or explanations in normal type. APES 210 should be read in conjunction with other professional duties of **Members**, and any legal obligations that may apply.
- 1.4 In undertaking work, including honorary work that is within the scope of an **Assurance Engagement**, a **Member in Business** is a **Member in Public Practice** for the purpose of this Standard.
- 1.5 **Members in Australia shall follow the mandatory requirements of APES 210.**
- 1.6 **Members outside of Australia shall follow the provisions of APES 210 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.**
- 1.7 **Members shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when performing Professional Activities. All Members shall comply with the fundamental principles outlined in the Code.**
- 1.8 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.9 All references to **Professional Standards**, guidance notes and legislation are references to those provisions as amended from time to time.
- 1.10 In applying the requirements outlined in APES 210, **Members** should be guided not merely by the words but also by the spirit of this Standard and the **Code**.
- 1.11 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.

## 2. Definitions

Defined terms are shown in the body of the Standard in title case.

For the purpose of this Standard:

**Assignment** means an instruction, whether written or otherwise, by an employer to a **Member in Business** relating to the provision of **Professional Activities** by a **Member in Business**. However, consultations with the employer prior to such instruction are not part of an Assignment.

**Assurance Assignment** means an **Assignment** in which a conclusion is expressed by a **Member in Business** designed to enhance the degree of confidence of the intended users about the outcome of the evaluation or measurement of a subject matter against criteria.

**Assurance Engagement** means an **Engagement** in which a **Member in Public Practice** aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information ~~(that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria).~~

This includes an **Engagement** in accordance with the *Framework for Assurance Engagements* issued by the **AUASB** or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.

(For guidance on Assurance Engagements, see the *Framework for Assurance Engagements* issued by the **AUASB**. The *Framework for Assurance Engagements* describes the elements and objectives of an Assurance Engagement and identifies **Engagements** to which *Australian Auditing Standards (ASAs)*, *Standards on Review Engagements (ASREs)* and *Standards on Assurance Engagements (ASAEs)* apply.)

**AUASB** means the Australian statutory body called the Auditing and Assurance Standards Board established under section 227A of the *Australian Securities and Investments Commission Act 2001*.

**Auditing and Assurance Guidance** means the guidance statements and other guidance publications, as defined in the *Foreword to AUASB Pronouncements*, issued by the **AUASB**.

**Auditing and Assurance Standards** means the **AUASB** standards, as described in *ASA 100 Preamble to AUASB Standards*, *ASA 101 Preamble to Australian Auditing Standards* and the *Foreword to AUASB Pronouncements*, issued by the **AUASB**, and operative from the date specified in each standard.

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

**Code** means APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

**Engagement** means an agreement, whether written or otherwise, between a **Member in Public Practice** and a **Client** relating to the provision of **Professional Services** by a **Member in Public Practice**. However, consultations with a prospective **Client** prior to such agreement are not part of an Engagement.

**Firm** means:

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

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

**Member in Business** means a **Member** working in areas such as commerce, industry, service, the public sector, education, the not-for-profit sector, or in regulatory or professional bodies, who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer.

**Member in Public Practice** means a **Member**, irrespective of functional classification (for example, audit, tax or consulting) in a **Firm** that provides **Professional Services**. 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 **Professional Body**.

**Professional Activity** means an activity requiring accountancy or related skills undertaken by a **Member**, including accounting, auditing, tax, 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 **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. Fundamental responsibilities of Members

#### Public interest

- 3.1 In accordance with Section 100 *Complying with the Code* of the **Code**, **Members** shall observe and comply with their public interest obligations when they perform an **Assurance Assignment** or an **Assurance Engagement**.

#### Independence

- 3.2 When engaged to perform an **Assurance Engagement**, a **Member in Public Practice** shall comply with Part 4A *Independence for Audit and Review Engagements* or Part 4B *Independence for Assurance Engagements Other than Audit and Review Engagements* of the **Code**, as applicable.

#### Professional competence and due care

- 3.3 In accordance with Subsection 113 *Professional Competence and Due Care* of the **Code**, a **Member in Public Practice** who is performing an **Assurance Engagement** shall ensure that the **Member** or the **Firm** has the requisite professional knowledge and skill or shall engage a suitably qualified external person. If the **Member** is unable to engage a suitably qualified person when required, the **Member** shall decline the **Engagement**.

### 4. Auditing and Assurance Standards

- 4.1 Except for the circumstances described in paragraph 4.2, a **Member** shall comply with **Auditing and Assurance Standards**.
- 4.2 Where legislation or other government authority requires a departure from **Auditing and Assurance Standards**, a **Member** shall disclose that fact in the **Member's** report. In these circumstances, a **Member** shall not assert compliance with any of those standards in the **Member's** report.

- 4.3 The limited circumstances in which paragraph 4.2 is likely to have applicability is in respect of [Assurance Engagements](#) performed by an Auditor-General's office or department.

## **5. Auditing and Assurance Guidance**

- 5.1 A [Member](#) should follow relevant [Auditing and Assurance Guidance](#).

### ***Conformity with International Pronouncements***

The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES 210.

## Appendix 1

### Summary of revisions to the previous APES 210 (Issued in ~~October 2015~~ July 2019)

APES 210 *Conformity with Auditing and Assurance Standards* was originally issued in September 2008 and revised in November 2011, ~~and~~ October 2015 and July 2019. APES 210 has been revised by APESB in ~~July 2019~~ XXX 2024. A summary of the revisions is given in the table below.

#### Table of revisions\*

Paragraph affected	How affected
1.2	Amended
2 – Definition of Assurance Engagement	Amended

\* Refer Technical Update ~~2019/1~~ 2024/X

# APES 305 Terms of Engagement

[Supersedes APES 305 Terms of Engagement issued in ~~August 2019~~December 2020]

REVISED: ~~December 2020~~ **XXX 2024**

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*Conformity with International Pronouncements*

| *Appendix 1: Summary of revisions to the previous APES 305 (Issued in ~~August 2019~~December 2020)*

## 1. Scope and application

- 1.1 The objectives of APES 305 *Terms of Engagement* are to specify a **Member in Public Practice's** professional and ethical obligations in respect of:
- documentation and communication of the **Terms of Engagement** to a **Client**;
  - matters to be included in an **Engagement Document**;
  - circumstances in which an **Engagement Document** should be reissued in respect of a recurring **Engagement**; and
  - limitation of liability schemes.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 305 *Terms of Engagement (the Standard)*, which is effective for **Engagements** commencing on or after ~~1 July 2024~~ **1 January 2025** and supersedes APES 305 *Terms of Engagement* issued in ~~August 2019~~ **December 2020**. Earlier adoption of this Standard is permitted.
- 1.3 APES 305 sets the standards in respect of **Terms of Engagement** for **Members in Public Practice** in the provision of quality and ethical **Professional Services** to **Clients**. The mandatory requirements of this Standard are in **bold-type**, preceded or followed by discussion or explanations in normal type. APES 305 should be read in conjunction with other professional duties of **Members**, and any legal obligations that may apply. In some instances there are specific standards applicable to **Members in Public Practice** issued by other standard setting bodies or specific requirements of statutes in respect of **Terms of Engagement**, for example ASA 210 *Agreeing the Terms of Audit Engagements* issued by the Auditing and Assurance Standards Board which governs audit **Engagements**. Compliance with these other standards or statutes should result in compliance with APES 305.
- 1.4 **Members in Public Practice in Australia shall follow the mandatory requirements of APES 305 when they provide Professional Services to Clients.**
- 1.5 **Members in Public Practice practising outside of Australia shall follow the provisions of APES 305 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.**
- 1.6 **Members in Public Practice shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.**
- 1.7 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.8 All references to **Professional Standards**, guidance notes and legislation are references to those provisions as amended from time to time.
- 1.9 In applying the requirements outlined in APES 305, **Members in Public Practice** should be guided not merely by the words but also by the spirit of this Standard and the **Code**.
- 1.10 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.

## 2. Definitions

Defined terms are shown in the body of the Standard in title case.

For the purpose of this Standard:

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

**Cloud Computing** means computing resources that are usually provided by a third party over the internet to a **Member in Public Practice**, including on-demand access to networks, servers, data storage, databases, software and applications. Cloud Computing entrusts the remote third party with data and information of the **Member's Clients**.

**Code** means APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

**Confidential Information** means any information, data or other material in whatever form or medium (including written, electronic, visual or oral) that is not publicly available.

**Engagement** means an agreement, whether written or otherwise, between a **Member in Public Practice** and a **Client** relating to the provision of **Professional Services** by a **Member in Public Practice**. However, consultations with a prospective **Client** prior to such agreement are not part of an Engagement.

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

**Firm** means:

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

**Material Business Activity** means an activity of an entity or a **Firm** that has the potential, if disrupted, to significantly impact upon the quality, timeliness or scale of **Professional Services** offered by a **Member in Public Practice** or received by a **Client**. Whether a business activity is a Material Business Activity should be based on an assessment of the risks associated with the nature and size of the activity and the business activity's relevance to the **Professional Service** delivered to the **Client**. Material Business Activities exclude the internal operational activities of the **Firm** or activities that merely support the **Professional Services** delivered to the **Client**, such as record storage, software application hosting or informational reference sources.

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

**Member in Public Practice** means a **Member**, irrespective of functional classification (for example, audit, tax or consulting) in a **Firm** that provides **Professional Services**. 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 **Professional Body**.

**Outsourced Service** means a service involved in **Outsourcing** a **Material Business Activity** to an **Outsourced Service Provider**.<sup>1</sup>

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<sup>1</sup> **Engagements** which are subject to ASA 600 *Special Considerations – Audits of a Group Financial Report* are not considered to be an **Outsourced Service**. Appendix 1 to APES GN 30 *Outsourced Services* includes a series of examples of **Outsourced Services** including considerations relevant to what is a **Material Business Activity**.

**Outsourced Service Provider** means an entity, including a person, that is providing services in accordance with an **Outsourcing Agreement**. The Outsourced Service Provider may not be located in the same country as the **Member in Public Practice** or the **Client** and may not even be a **Member**.

**Outsourcing** means an activity where an entity or a **Firm** engages a party, on a continuing basis, to perform a business activity that is being, has been, or could be performed by that entity or **Firm**. Outsourcing can be from a **Client** to a **Member in Public Practice** or from a **Member in Public Practice** to another service provider to assist with the delivery of a **Professional Service** to a **Client**.

**Outsourcing Agreement** means the document (i.e. letter, agreement or any other appropriate means) in which the terms and conditions of an **Outsourced Service** are set out.

**Professional Activity** means an activity requiring accountancy or related skills undertaken by a **Member**, including accounting, auditing, tax, 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 **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**.

**Terms of Engagement** means the terms and conditions that are agreed between the **Client** and the **Member in Public Practice** for the **Engagement**.

**Writing** means a mode of representing or reproducing words in a visible form and includes words in an electronic format capable of being converted to printed text.

### **3. Terms of Engagement for Professional Services**

**3.1 A Member in Public Practice shall document and communicate to the Client the Terms of Engagement.**

**3.2** The practice of documenting and communicating the **Terms of Engagement** should ensure that there is a clear understanding between the **Client** and the **Member in Public Practice** regarding the **Terms of Engagement**.

**3.3** It is in the interests of both the **Client** and the **Member in Public Practice** that the **Member** documents and communicates the **Terms of Engagement**, preferably before the **Engagement** commences, to avoid misunderstandings with respect to the **Engagement**.

#### **Confidentiality**

**3.4 A Member in Public Practice who acquires eConfidential Information in the provision of Professional Services to a Client shall comply with Subsection 114 Confidentiality of the Code.**

#### **Utilising Outsourced Services or Cloud Computing**

**3.5** Utilising **Outsourced Services** or **Cloud Computing** in the provision of **Professional Services** to a **Client** impacts the amount of risk associated with the **Professional Service** being delivered and the management of the **Client's eConfidential Information**. **Members in Public Practice** should refer to APES GN 30 **Outsourced Services** to determine whether a service is an **Outsourced Service** (which may include **Cloud Computing**) and for guidance in relation to professional and ethical obligations in respect of **Outsourced Services**.

- 3.6 **Where a Member in Public Practice will utilise Outsourced Services in the provision of Professional Services to a Client, the Member shall document and communicate the details of the Outsourced Service Provider, the geographical location of where the Outsourced Services will be performed and the nature and extent of the Outsourced Services to be utilised.**
- 3.7 Where a Member in Public Practice will utilise Cloud Computing in the provision of Professional Services to a Client which is not an Outsourced Service, the Member in Public Practice should document and communicate to the Client the details of the Cloud Computing provider, the geographical location of where the Cloud Computing will be provided and how the Client's eConfidential Information will be stored.

### Engagement Document

- 3.8 **A Member in Public Practice shall document the Terms of Engagement in the Engagement Document.**
- 3.9 The Engagement Document need not be in the form of a letter or agreement. For example, a standard format handout, brochure, leaflet or electronic communication is also acceptable.
- 3.10 The objectives and scope of some Engagements are established by law. Documentation of the Terms of Engagement cannot reduce obligations imposed by law. Where the Engagement is undertaken under statute, a Member in Public Practice should refer to the applicable provisions of the law in the Engagement Document.

## 4. General contents of an Engagement Document

- 4.1 The following is a guide to matters that should, for most Engagements, be considered for inclusion in an Engagement Document. Engagement Documents will vary according to the nature of the Engagement and the terms of appointment of the Member in Public Practice. The matters referred to below in paragraphs 4.2 to 4.10 should therefore be varied to meet the individual requirements and circumstances of each Engagement.
- 4.2 *Purpose:* The Engagement Document should explain that its purpose is to set out and confirm the understanding of the Member in Public Practice of the Terms of Engagement.
- 4.3 *Objectives of the Engagement:* A brief summary of the objectives of the Engagement including reference to the fact that:
- (a) procedures to be performed will be limited exclusively to those related to the Engagement;
  - (b) neither an audit nor a review will be conducted and, accordingly, no assurance will be expressed (if applicable); and
  - (c) unless otherwise agreed, the Engagement cannot be relied upon to disclose irregularities, including fraud, other illegal acts and errors that may occur.

- 4.4 *Scope of the Engagement*: Pertinent details of such matters as:
- (a) time periods covered by the **Engagement**;
  - (b) period of appointment and time schedules;
  - (c) references to any legislation, regulations, **Professional Standards**, accounting standards, auditing and assurance standards or any other applicable standards that may be relevant to the **Engagement**;
  - (d) any limitations on the conduct of the **Engagement** including scope limitations and limitations arising from legal or professional and ethical requirements;
  - (e) **Client** operations or procedures to be included in the **Engagement**; and
  - (f) details of information to be provided by the **Client**.

The **Member in Public Practice** should consider the implications of a recurring **Engagement** when documenting the details noted above.

- 4.5 *Engagement output*: Details of reports or other anticipated outputs, including:
- (a) expected timing;
  - (b) the intended use and distribution of reports; and
  - (c) the nature of any anticipated disclaimer or arrangement that limits the liability of the **Member in Public Practice** (for example, appropriate limitation of liability clauses for **Members in Public Practice** participating in Professional Standards Legislation schemes) with respect to the **Client** or any other user of the results of the **Engagement**.
- 4.6 *Relative responsibilities*: Responsibilities agreed upon, detailing those acknowledged to be the responsibility of:
- (a) the **Member in Public Practice**, including reference to relevant confidentiality requirements and the impact of them on the quality review program of the relevant **Professional Body** to which the **Member in Public Practice** belongs, and the **Member's** obligations on responding to actual or suspected non-compliance with laws and regulations (NOCLAR);
  - (b) the **Client**, noting the fact that the **Client** is responsible for the completeness and accuracy of information supplied to the **Member in Public Practice**; and
  - (c) any third party including **Outsourced Service Providers**.
- 4.7 *Involvement of other Members in Public Practice*: Where the work of another **Member in Public Practice** is to be used on some aspects of the **Engagement**, the details of this involvement should be documented in the **Engagement Document**.
- 4.8 *Fees and billing arrangements*: Reference to the basis and calculation of fees (for example, 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.
- 4.9 *Ownership of documents and data*: The **Engagement Document** should make clear who owns any documents or electronic data produced as a result of the **Engagement** or provided by the **Client** for such a purpose. If a **Member in Public Practice** has a policy of seeking to exercise a right of lien over such documents in the event of a dispute with the **Client**, this policy should be disclosed in the **Engagement Document** communicated to the **Client**, including the process for dealing with disputes over the lien.
- 4.10 *Confirmation by the Client*: Request for a response from the **Client** confirming its understanding of the **Terms of Engagement** as outlined in the **Engagement Document**. It is preferable for this confirmation of **Client** acceptance of the **Terms of Engagement** to be obtained in **Writing**.

## 5. Recurring Engagements

- 5.1 In certain circumstances a **Member in Public Practice** will have to determine whether an **Engagement** is a recurring **Engagement**. A recurring **Engagement** generally exhibits the following features:
- (a) unchanged **Terms of Engagement** under which the **Professional Services** are provided;
  - (b) the same or similar **Professional Service** provided by the **Member** in each period;
  - (c) defined or identifiable commencement and completion dates each time the **Engagement** is performed; and
  - (d) performance of the **Engagement** is on a regular periodic basis as agreed with the **Client**, for example annually.
- 5.2 When determining the need to reissue or amend an **Engagement Document** for a recurring **Engagement**, a **Member in Public Practice** should consider the following factors:
- (a) any indication that the **Client** misunderstands the objectives and scope of the **Engagement**;
  - (b) any significant changes in the **Engagement**;
  - (c) any significant changes in the **Professional Services** to be provided or the **Terms of Engagement**;
  - (d) a recent change of **Client** management or ownership;
  - (e) a significant change in the nature or size of the **Client's** business;
  - (f) any significant changes to **Professional Standards** or applicable accounting standards, auditing and assurance standards and any other standards; and
  - (g) any changes to legal or regulatory requirements.

## 6. Professional Standards Schemes

- 6.1 **A Member in Public Practice who is participating in a Professional Standards Scheme that limits liability shall comply with the relevant Professional Standards Legislation and applicable regulations of the Professional Body.**
- 6.2 **A Member in Public Practice who is a participant in a scheme under Professional Standards Legislation shall disclose to the Client that the Member's liability may be limited under the scheme in accordance with the disclosure requirements in applicable laws and/or regulations.**

### ***Conformity with International Pronouncements***

The International Ethics Standards Boards for Accountants (IESBA) has not issued a pronouncement equivalent to APES 305.

## Appendix 1

### Summary of revisions to the previous APES 305 (Issued in ~~August 2019~~December 2020)

APES 305 *Terms of Engagement* was originally issued in December 2007 and revised in June 2009, March 2013, October 2015, ~~and August 2019~~ and December 2020 (extant APES 305). APES 305 has been revised by APESB in ~~December 2020~~ XXX 2024. A summary of the revisions is given in the table below.

#### Table of revisions\*

Paragraph affected	How affected
1.2	Amended
2 – Definition of Confidential Information	Added
3.4	Amended
3.5	Amended
3.7	Amended

\* Refer Technical Update ~~2020/8~~2024/X



## PART 2: FORENSIC AND VALUATION SERVICES RELATED PRONOUNCEMENTS

Part 2 of the Explanatory Memorandum focuses on the following three pronouncements (grouped as the Forensic and Valuation Services Related Pronouncements):

Pronouncement	Name of pronouncement
APES 215	<i>Forensic Accounting Services</i>
APES 225	<i>Valuation Services</i>
APES GN 20	<i>Scope and Extent of Work for Valuation Services</i>

### 2.1 Table of proposed revisions to align to Amending Standards for revisions to the Definitions of Listed Entity and Public Interest Entity and Technology-related revisions to the Code

The table below provides a summary of the proposed revisions to the Forensic and Valuation Services Related Pronouncements in this Exposure Draft to align the definitions and relevant cross-references to the Amending Standards *Revisions to the Definitions of Listed Entity and Public Interest Entity in APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* and *Technology-related revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* issued in November 2023 and June 2024 respectively.

Revisions to reflect the Amending Standards to the Code	Forensic and Valuation Services Related Pronouncements		
	APES 215	APES 225	APES GN 20
<b>New Definition added to align with the Amending Standard for Technology-related revisions to the Code</b>			
Confidential Information	✓	✓	
<b>Amendments to align with Amending Standards for revisions to the Listed Entity and Public Interest Entity and Technology-related revisions to the Code</b>			
Paragraph 3.9 - Footnote 1	✓		
Paragraph 3.10		✓	
Paragraph 3.12		✓	
Paragraph 3.13		✓	
Paragraph 3.18	✓		
Paragraph 3.19	✓		
Paragraph 5.1 - Footnote 2	✓		
Paragraph 5.2 - Footnote 3	✓		
Appendix 1 – Example 1 - Footnote 2			✓
Appendix 1 – Example 4 - Footnote 3			✓

## 2.2 Table of other proposed revisions to Forensic and Valuation Services Related Pronouncements

The table below provides a summary of the proposed revisions to the Forensic and Valuation Services Related Pronouncements in the Exposure Draft. Note that this summary does not include the revisions noted in Section 2.1.

Summary of proposed amendments	Forensic and Valuation Services Related Pronouncements		
	APES 215	APES 225	APES GN 20
Effective date (paragraph 1.2)	✓	✓	✓
Paragraph 3.1			✓
Appendix 2		✓	✓
Appendix 4	✓		

## Appendix 2

### APESB Forensic and Valuation Services Related Pronouncements in ED 0X/24

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APES 225 <i>Valuation Services</i> .....	56
APES GN 20 <i>Scope and Extent of Work for Valuation Services</i> .....	77

# APES 215 Forensic Accounting Services

[Supersedes APES 215 Forensic Accounting Services issued in ~~July-2019~~ June 2023]

REVISED: ~~June-2023~~ XXX 2024

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## 1. Scope and Application

- 1.1 The objective of APES 215 *Forensic Accounting Services* is to specify a **Member's** professional and ethical obligations in respect of:
- the provision of a **Forensic Accounting Service** to a **Client** or **Employer**;
  - the types of **Engagements** or **Assignments** that are a **Forensic Accounting Service**
  - applicable **Independence** requirements;
  - relationships and the provision of other **Professional Activities** that create threats to compliance with the fundamental principles;
  - the obligations of a **Member** who provides an **Expert Witness Service** and the required disclosures in the **Member's Report**; and
  - applicable quality management and documentation obligations.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 215 *Forensic Accounting Services* (**the Standard**), which is effective for **Engagements** or **Assignments** commencing on or after ~~1 October 2023~~ **1 January 2025** and supersedes APES 215 issued in ~~June 2023~~ **July 2019**. Earlier adoption of this Standard is permitted.
- 1.3 APES 215 sets the standards for **Members** in the provision of quality and ethical **Forensic Accounting Services**. The mandatory requirements of this Standard are in **bold-type**, preceded or followed by discussion or explanations in normal type. APES 215 should be read in conjunction with other professional duties of **Members**, and any legal obligations that may apply.
- 1.4 **Members in Australia shall follow all the mandatory requirements of APES 215 when they provide a Forensic Accounting Service that is an Expert Witness Service. Members in Australia shall follow the mandatory requirements of APES 215 except for those in Section 5, when they provide a Forensic Accounting Service that is not an Expert Witness Service.**
- 1.5 **Members outside of Australia shall follow the mandatory requirements of APES 215 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.**
- 1.6 **Where a Professional Activity which, when it commenced was not a Forensic Accounting Service, later becomes a Forensic Accounting Service, the Member shall comply with the requirements of this Standard from that time onwards.**
- 1.7 **Where a Member is undertaking a Forensic Accounting Service, other than an Expert Witness Service, which later becomes an Expert Witness Service, the Member shall comply with the requirements of Section 5 of this Standard from that time onwards.**
- 1.8 **Members shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when performing Professional Activities. All Members shall comply with the fundamental principles outlined in the Code.**
- 1.9 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.10 All references to **Professional Standards**, guidance notes and legislation are references to those provisions as amended from time to time.

- 1.11 In applying the requirements outlined in APES 215, **Members** should be guided not merely by the words but also by the spirit of the Standard and the **Code**.
- 1.12 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.

## 2. Definitions

Defined terms are shown in the body of the Standard in title case.

For the purpose of this Standard:

**Assignment** means an instruction, whether written or otherwise, by an **Employer** to a **Member in Business** relating to the provision of **Professional Activities** by a **Member in Business**. However, consultations with the **Employer** prior to such instruction are not part of an Assignment.

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

**Code** means APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

**Confidential Information** means any information, data or other material in whatever form or medium (including written, electronic, visual or oral) that is not publicly available.

**Consulting Expert** means a **Member** who has been engaged or assigned to provide a **Consulting Expert Service**.

**Consulting Expert Service** means a **Professional Activity** provided in the context of **Proceedings**, other than an **Expert Witness Service**, a **Lay Witness Service** or an **Investigation Service**. It includes acting as an adviser, an arbitrator, a mediator, a member of a professional tribunal, an expert in an expert determination, a referee or in a similar role.

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

**Court** means any body described as such and all other bodies exercising judicial or quasi-judicial functions and includes professional disciplinary tribunals, industrial and administrative tribunals, statutory or parliamentary investigations and inquiries, royal commissions, arbitrations and mediations.

**Employer** means an entity or person that employs, engages or contracts a **Member in Business**.

**Engagement** means an agreement, whether written or otherwise, between a **Member in Public Practice** and a **Client** relating to the provision of **Professional Services** by a **Member in Public Practice**. However, consultations with a prospective **Client** prior to such agreement are not part of an Engagement.

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

**Expert Witness** means a **Member** who has been engaged, assigned or otherwise obligated to provide an **Expert Witness Service**. As an Expert Witness, the **Member** may express opinions or provide **Other Evidence** to the **Court** based on the **Member's** specialised knowledge derived from the **Member's**

training, study or experience on matters such as whether technical or [Professional Standards](#) have been breached, the amount of damages, the amount of an account of profits, or the amount of a claim under an insurance policy. Generally, opinion evidence is expert evidence if it is wholly or substantially based on the specialised knowledge derived from the [Member's](#) training, study or experience. However, not all expert evidence is opinion evidence. Expert evidence may be opinion evidence or [Other Evidence](#).

**Expert Witness Service** means a [Professional Activity](#) provided in the context of [Proceedings](#) to give expert evidence, whether orally or in the form of a [Report](#) or both.

*Appendix 1 includes a discussion on expert evidence, facts, assumptions and opinions, and some examples to assist a [Member](#) to determine whether a matter is a fact, an assumption or an opinion, for the purposes of APES 215.*

**Firm** means:

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

**Forensic Accounting Services** means [Expert Witness Services](#), [Lay Witness Services](#), [Consulting Expert Services](#) and [Investigation Services](#).

*Appendix 2 includes a Decision Tree, and Appendix 3 includes examples of Forensic Accounting Services, to assist a [Member](#) to determine the type of Forensic Accounting Service the [Member](#) has been engaged, assigned or otherwise obligated to provide for the purposes of APES 215.*

**Independence** comprises:

- (a) Independence of mind - the state of mind that permits the expression of 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.
- (b) Independence in appearance - the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a [Firm's](#), or a [Member's](#) integrity, objectivity or professional scepticism has been compromised.

**Investigation Service** means a [Professional Activity](#) to perform, advise on, or assist with an investigation, whether in the context of [Proceedings](#), or in connection with allegations of, or concerns regarding conduct that may be illegal, unethical or otherwise improper in respect of which the [Member](#) has a reasonable expectation that the matter will be brought before a [Court](#).

**Lay Witness** means a [Member](#) who has been engaged, assigned or otherwise obligated to provide a [Lay Witness Service](#).

**Lay Witness Service** means a [Professional Activity](#) provided in the context of [Proceedings](#) to give evidence other than expert evidence, whether orally or in the form of a [Report](#) or both. This service involves the [Member](#) giving evidence on matters that are directly observed or perceived by the [Member](#) that does not require the [Member](#) to use the [Member's](#) specialised knowledge derived from the [Member's](#) training, study or experience.

*Appendix 1 includes a discussion on facts (including observed facts), assumptions and opinions, and some examples to assist a [Member](#) to determine whether a matter is a fact, an assumption or an opinion, for the purposes of APES 215.*

**Member** means a member of a [Professional Body](#) that has adopted this Standard as applicable to their membership, as defined by that [Professional Body](#).



**Member in Business** means a **Member** working in areas such as commerce, industry, service, the public sector, education, the not-for-profit sector, or in regulatory or professional bodies, who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer.

**Member in Public Practice** means a **Member**, irrespective of functional classification (for example, audit, tax or consulting) in a **Firm** that provides **Professional Services**. 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 **Professional Body**.

**Other Evidence** means evidence which does not provide an opinion, but which requires the use of the **Expert Witness's** specialised knowledge derived from the **Expert Witness's** training, study or experience. An example might be where a **Member** provides an analysis of the sales, by month, by product, by geography, based on the information contained within a series of invoices and a general ledger. Whilst it may be a matter of fact as to what sales were made, the extraction and analysis of this information is facilitated by the **Member's** specialised knowledge. Another example requiring specialised knowledge might be where a **Member** sets out the accounting standards that are relevant to particular types of transactions without actually expressing an opinion as to whether the actual treatment is in line with those standards.

*Appendix 1 includes a discussion on expert evidence, facts, assumptions and opinions, and some examples to assist a **Member** to determine whether a matter is a fact, an assumption or an opinion, for the purposes of APES 215.*

**Proceedings** means a matter before a **Court**, a matter which the **Member** has a reasonable expectation will be brought before a **Court** or a matter in which the **Member** is undertaking **Professional Activities** to help a **Client** or an **Employer** make an assessment as to whether a matter should be brought before a **Court**.

**Professional Activity** means an activity requiring accountancy or related skills undertaken by a **Member**, including accounting, auditing, tax, 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 **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**.

**Report** means a written report, affidavit or written statement that is for the purpose of communicating expert evidence or lay evidence in **Court**.

**Terms of Engagement** means the terms and conditions that are agreed between the **Client** and the **Member in Public Practice** for the **Engagement**.

**Writing** means a mode of representing or reproducing words in a visible form and includes words in an electronic format capable of being converted to printed text.

### **3. Fundamental responsibilities of Members**

**3.1 A **Member** providing a **Forensic Accounting Service** shall comply with Part 1 **Complying with the Code, Fundamental Principles and Conceptual Framework** of the **Code** and with relevant laws and regulations.**

## Public interest

- 3.2 In accordance with Section 100 *Complying with the Code* of the Code, a Member shall observe and comply with the Member's public interest obligations when providing a Forensic Accounting Service.
- 3.3 When engaged to perform a Forensic Accounting Service, a Member shall be and be seen to be free of any interest which may be regarded as being incompatible with the fundamental principles of Subsection 111 *Integrity* and Subsection 112 *Objectivity* of the Code.
- 3.4 Members in Public Practice shall comply with Section 310 *Conflicts of Interest* of the Code.
- 3.5 When a Member is requested to perform an Expert Witness Service and the Member or the Member's Firm has previously provided a Forensic Accounting Service other than an Expert Witness Service, the Member shall consider whether the Member is able to perform the Expert Witness Service in an objective manner.

## Professional Independence

- 3.6 When a Member in Public Practice is engaged to provide a Forensic Accounting Service which requires Independence or when the Member purports to be independent in providing a Forensic Accounting Service, the Member shall comply with Independence as defined in this Standard.
- 3.7 A Member in Public Practice shall determine whether the circumstances of the Forensic Accounting Service make the Engagement an assurance Engagement under the Framework for Assurance Engagements issued by the Auditing and Assurance Standards Board (AUASB).
- 3.8 Where a Forensic Accounting Service is an assurance Engagement, the Member in Public Practice shall comply with Part 4A *Independence for Audit and Review Engagements* or Part 4B *Independence for Assurance Engagements Other than Audit and Review Engagements* of the Code, as applicable.
- 3.9 If a Member in Public Practice is asked to provide a Professional Service to a Client where:
- (a) the Member or the Member's Firm is providing or has provided an Expert Witness Service to the Client; or
  - (b) the Member or the Member's Firm is providing or has provided an Expert Witness Service to a different Client,
- and the proposed Professional Service is related to the Expert Witness Service, and the Member determines that a reasonable and informed third party<sup>1</sup> would regard the objectives of the proposed Professional Service to be undertaken as being inconsistent with the objectives of the Expert Witness Service, then the Member shall decline the Engagement or the relevant part thereof.
- 3.10 There is no requirement, at law, that an Expert Witness be free of any relationship with parties to Proceedings. For example, there is no legal prohibition on a Member in Public Practice acting as an Expert Witness for a Client for whom the Member provides other Professional Services.

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<sup>1</sup> The term 'reasonable and informed third party' is explained in paragraph 120.5 A96 of the Code.

- 3.11 A **Member** who is providing an **Expert Witness Service** shall disclose all matters in the **Member's Report** that would assist the **Court** to assess the degree of the **Member's Independence**.

### Professional competence and due care

- 3.12 A **Member** providing a **Forensic Accounting Service** shall maintain professional competence and take due care in the performance of the **Member's** work in accordance with Subsection 113 *Professional Competence and Due Care* of the **Code**.
- 3.13 **Forensic Accounting Services** generally require a **Member** to have specialised knowledge derived from the **Member's** training, study or experience. Before accepting an **Engagement** or **Assignment** to provide a **Forensic Accounting Service**, a **Member** should exercise professional judgement to determine if the **Member** is competent to provide the requested **Forensic Accounting Service** having regard to the specialised knowledge derived from the **Member's** training, study or experience.
- 3.14 Where there is an expectation that a **Member's Report** will refer to the **Member's** specialised knowledge and/or the **Member's** training, study or experience, the **Member** shall perform the service that is the subject of the **Report** as an **Expert Witness Service** for the purposes of this Standard.
- 3.15 In accordance with Section 230 *Acting with Sufficient Expertise* of the **Code**, a **Member in Business** shall only undertake **Assignments** for which the **Member** has, or can obtain, sufficient training or expertise and shall not intentionally mislead an **Employer** as to the level of expertise or experience possessed, nor shall a **Member** fail to seek appropriate expert advice and assistance when required.
- 3.16 Where a **Forensic Accounting Service** or part thereof requires the consideration of matters that are outside a **Member in Public Practice's** professional expertise, the **Member** shall seek expert assistance or advice from a suitably qualified third party on those matters or decline all, or that part of, the **Forensic Accounting Service**. Where the **Member** relies upon the advice of a third party, the **Member** shall disclose in any **Report** issued by the **Member** the name and qualifications of the third party and the area in the **Report** where the third party advice has been obtained.
- 3.17 Where a **Member** performs a **Forensic Accounting Service** that involves acting as an investigator or as a decision-maker (as might be the case for certain **Consulting Expert Services**, such as acting as an arbitrator, mediator or referee), the **Member** may be required to observe some or all of the rules of procedural fairness (which collectively are referred to as "natural justice"). If a **Member** is not certain of the **Member's** legal obligations then the **Member** should consider taking legal advice.

### Confidentiality

- 3.18 A **Member** who acquires **eConfidential Information** in the course of performing a **Forensic Accounting Service** for a **Client** or **Employer** shall comply with Subsection 114 *Confidentiality* of the **Code**.
- 3.19 Subject to legislative requirements, where a **Client** or **Employer** has given a **Member** permission to disclose **eConfidential Information** to a third party, it is preferable that this permission is in **Writing**. Where oral permission is obtained, a contemporaneous note should be made and kept on file by the **Member** recording the relevant details of the **Client's** or **Employer's** permission.

#### 4. Engagement and other matters

- 4.1 A **Member in Public Practice** shall document and communicate the **Terms of Engagement** to provide a **Forensic Accounting Service** to a **Client** in an **Engagement Document** in accordance with APES 305 *Terms of Engagement*.
- 4.2 A **Member in Public Practice** who is approached by a potential **Client** to undertake a **Forensic Accounting Service** shall comply with Section 300 *Applying the Conceptual Framework – Members in Public Practice* and Section 320 *Professional Appointments of the Code*.
- 4.3 A **Member in Business** who is approached by the **Member's Employer** to undertake a **Forensic Accounting Service** shall comply with Section 200 *Applying the Conceptual Framework – Members in Business* and Section 220 *Preparation and Presentation of Information of the Code*.

#### 5. Expert Witness Services

- 5.1 If a **Member in Public Practice** is asked to provide an **Expert Witness Service** to a **Client** where:
- (a) the **Member** or the **Member's Firm** is providing or has provided another **Professional Service** to the **Client**; or
  - (b) the **Member** or the **Member's Firm** is providing or has provided another **Professional Service** to a different **Client**,

and the proposed **Expert Witness Service** is related to the other **Professional Service**, and the **Member** determines that a reasonable and informed third party<sup>2</sup> would regard the objectives of the proposed **Expert Witness Service** to be undertaken as giving rise to a conflict with the objectives of the other **Professional Service**, then the **Member** shall decline the **Engagement** or the relevant part thereof.

- 5.2 Subject to paragraph 5.3, if a **Member in Business** is asked to provide an **Expert Witness Service** to the **Member's Employer** where:
- (a) the **Member** or another employee of the **Member's Employer** has provided, or is providing, another service to the **Employer** which is related to the proposed **Expert Witness Service**; or
  - (b) the **Member's Employer** has an interest in the outcome of the **Proceedings** (whether as a party or otherwise),

and the **Member** determines that a reasonable and informed third party<sup>3</sup> would regard the objectives of the proposed **Expert Witness Service** to be undertaken as giving rise to a conflict with the objectives of the other service, or if the **Member's** objectivity is impaired as a result of the **Employer's** interest in the outcome of the **Proceedings**, then the **Member** shall decline the **Assignment** or the relevant part thereof.

- 5.3 Paragraph 5.2 does not apply to a **Member in Business** who is employed by a government agency, where that agency has a statutory function of regulation, investigation, or law enforcement.

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<sup>2</sup> The term 'reasonable and informed third party' is explained in paragraph 120.5 A96 of the **Code**.

<sup>3</sup> The term 'reasonable and informed third party' is explained in paragraph 120.5 A96 of the **Code**.

- 5.4 A **Member** who is acting as an **Expert Witness** shall comply with the following:
- (a) the paramount duty to the **Court** which overrides any duty to the **Client** or **Employer**;
  - (b) a duty to assist the **Court** on matters relevant to the **Member's** area of expertise in an objective and unbiased manner;
  - (c) a duty not to be an advocate for a party; and
  - (d) a duty to make it clear to the **Court** when a particular question or issue falls outside the **Member's** expertise.
- 5.5 A **Member** who is acting as an **Expert Witness** should comply with evidentiary and procedural requirements relating to **Expert Witnesses**.

### The Report of an Expert Witness

- 5.6 Subject to any legal requirements or restrictions, a **Member** providing an **Expert Witness Service** shall clearly communicate in any **Report**:
- (a) the instructions received, whether oral or in **Writing**;
  - (b) any limitations on the scope of work performed;
  - (c) a statement of the **Member's** training, study or experience that are relevant to the matters on which the **Member** is providing expert evidence;
  - (d) whether any of the opinions, findings or conclusions of the **Member** are not based wholly or substantially on the **Member's** specialised knowledge derived from training, study or experience;
  - (e) the relationships, if any, the **Member** or the **Member's Firm** or the **Member's Employer** has with any of the parties to the **Proceedings** (including any of the matters referred to in paragraphs 3.9, 5.1 or 5.2) that may create a threat or a perceived threat to the **Member's** obligation to comply with the fundamental principles of the **Code** or the **Member's** paramount duty to the **Court**, and any appropriate safeguards implemented;
  - (f) the extent, if any, of reliance by the **Member** on the work of others;
  - (g) the opinions formed, or **Other Evidence** given, by the **Member**;
  - (h) whether an opinion or **Other Evidence** is provisional rather than concluded, and, if so, the reasons why a concluded opinion or concluded **Other Evidence** has not been provided;
  - (i) the significant facts upon which the opinions or **Other Evidence** are based;
  - (j) the significant assumptions upon which the opinions or **Other Evidence** are based and the following matters in respect of each significant assumption:
    - (i) whether the **Member** was instructed to make the assumption or whether the **Member** chose to make the assumption; and
    - (ii) if the **Member** chose to make the assumption, then the reason why the **Member** made that choice;
  - (k) if the **Member** considers that an opinion or **Other Evidence** may be misleading because a significant assumption is likely to mislead, then a statement to that effect and an explanation of why the assumption is likely to mislead;
  - (l) where applicable, that the **Member's** opinion or **Other Evidence** is based upon another person's report;

- (m) the reasoning by which the **Member** formed the opinions or arrived at the **Other Evidence**, including an explanation of any method employed and the reasons why that method was chosen;
  - (n) a list of all documents and sources of information relied upon in the preparation of the **Report**;
  - (o) any restrictions on the use of the **Report**; and
  - (p) a statement that the **Expert Witness Service** was conducted in accordance with this Standard.
- 5.7 In providing an **Expert Witness Service**, a **Member** should consider whether APES 225 *Valuation Services* is applicable to the **Engagement** or **Assignment**. APES 225 requires, amongst other things, that a **Member** make certain disclosures in a **Report**.
- 5.8 If a **Member** is not certain whether a matter is a significant assumption or an opinion, the **Member** should consult the legal representative of the **Member's Client** or **Employer**.
- 5.9 Working papers document the work performed by the **Member** and the process by which the **Member** arrived at an opinion or **Other Evidence** that may or may not be used in a **Report**. A working paper is not considered a **Report** unless it was specifically designed to communicate expert evidence to the **Court**.

## 6. False or misleading information and changes in opinion

- 6.1 A **Member** shall not knowingly or recklessly make a statement or cause another to make a statement in or in connection with a **Forensic Accounting Service** that, by its content or by an omission, is false or misleading.
- 6.2 If a **Member** who was engaged or assigned to provide an **Expert Witness Service** becomes aware that an opinion expressed or **Other Evidence** given by the **Member** in a **Report** or in oral evidence was based on information that was false, misleading or contained material omissions and that situation has not been subsequently disclosed in a **Report** or in oral testimony, the **Member** shall promptly inform, as appropriate, the legal representative of the **Client**, the **Employer** or the **Court** of the situation. The **Member** shall also consider whether it is necessary to issue a supplementary **Report**.
- 6.3 Where a **Member** encounters or becomes aware of instances of non-compliance or suspected non-compliance with laws and regulations (NOCLAR) when performing a **Forensic Accounting Service**, the **Member** shall comply with **Section 260 Responding to Non-Compliance with Laws and Regulations (for Members in Business)** or **Section 360 Responding to Non-Compliance with Laws and Regulations (for Members in Public Practice)** of the **Code**.
- 6.4 A **Member** providing a **Forensic Accounting Service** may be dealing with a suspected or actual illegal activity that is likely to be within the scope of the NOCLAR provisions of the **Code** as set out in Section 260 for **Members in Business** and Section 360 for **Members in Public Practice**. In these circumstances, it is more than likely that the **Member** and the **Client** or **Employer**, as applicable, are applying some or all of the processes and procedures described in the applicable NOCLAR response framework. However, the **Member** should still consider the **Member's** obligations under the relevant NOCLAR provisions in the **Code** and determine whether or not further action by the **Member** is required.

## 7. Quality Management

- 7.1 A **Member in Public Practice** shall comply with the requirements of APES 320 *Quality Management for Firms that provide Non-Assurance Services* or where the **Engagement** is determined to be an assurance **Engagement** in accordance with paragraph 3.7, the **Member** shall comply with the requirements of Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* issued by the AUASB.
- 7.2 A **Member in Business** who undertakes a **Forensic Accounting Service** should use a system of quality management that includes appropriate policies and procedures dealing with elements of quality management including but not limited to:
- (a) Governance and Leadership;
  - (b) **Professional Standards**;
  - (c) Resources;
  - (d) **Assignment** performance; and
  - (e) monitoring and remediation.
- 7.3 A **Member** performing a **Forensic Accounting Service** shall prepare working papers that appropriately document the work performed, including the basis on which, and the method by which, any calculations, determinations or estimates used in the provision of the **Forensic Accounting Service** have been made.
- 7.4 A **Member** should be aware that working papers generated as part of undertaking a **Forensic Accounting Service** may be required to be furnished to other parties or the **Court** as evidence. Where appropriate, a **Member** should maintain the chain of custody, including origin, possession and disposition of documents and other material, particularly originals, relevant to the **Engagement** or **Assignment**.

## 8. Professional fees

- 8.1 A **Member in Public Practice** providing a **Forensic Accounting Service** shall be remunerated for such **Professional Service** by way of professional fees computed in accordance with Section 330 *Fees and Other Types of Remuneration* of the **Code**.
- 8.2 A **Member in Public Practice** shall not enter into a **Contingent Fee** arrangement or receive a **Contingent Fee** for:
- (a) an **Expert Witness Service**; or
  - (b) a **Forensic Accounting Service**, other than an **Expert Witness Service**, that requires **Independence** or where the **Member** purports to be independent.
- 8.3 A **Member in Business** shall not enter into a contingent remuneration arrangement or receive contingent remuneration for an **Expert Witness Service**.

### ***Conformity with International Pronouncements***

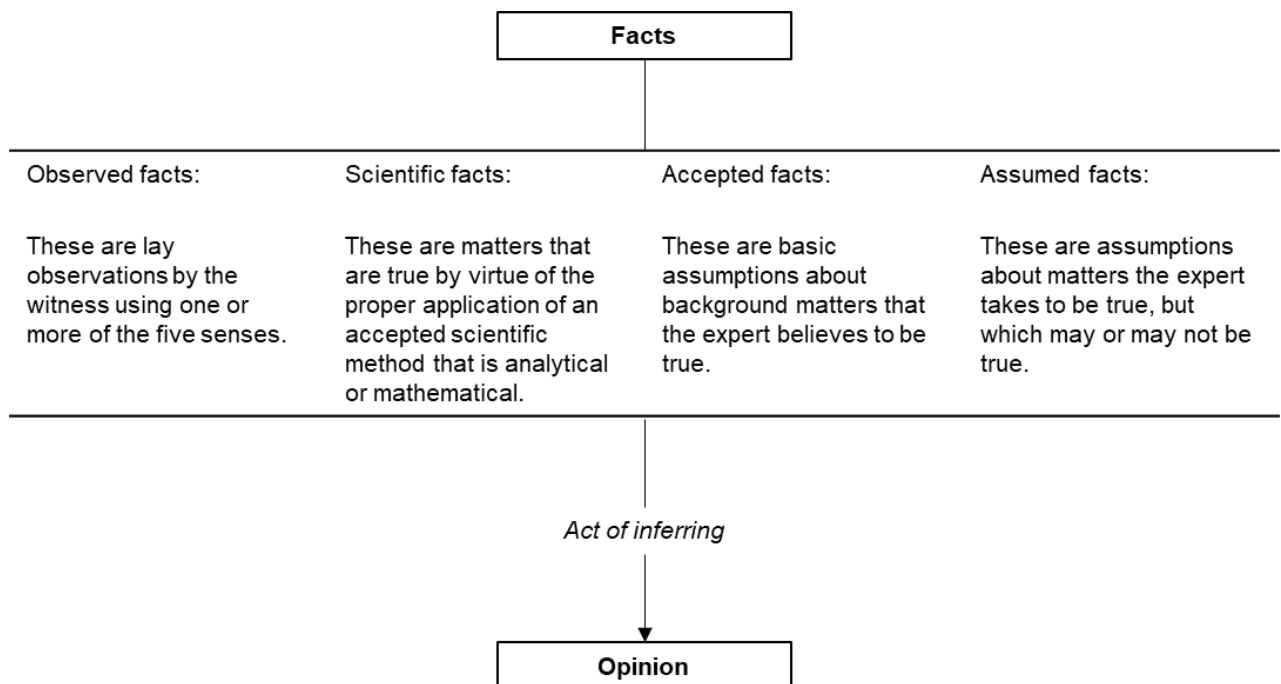
The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES 215.

## Appendix 1 – Facts, assumptions, and opinions

This Appendix contains some examples to assist a *Member* in determining whether a matter is a fact, an assumption or an opinion for the purposes of APES 215. *Members* are cautioned that the determination of whether a matter is a fact, an assumption or an opinion under this Standard is a matter of professional judgement, based on the particular facts and circumstances. The examples contained in this Appendix are provided for illustrative purposes only. In all of the examples presented below it is assumed that there are no unmentioned facts which would be relevant to the consideration as to whether a matter is a fact, an assumption or an opinion.

### Classification of facts and nature of an opinion

In the context of evidence, facts may be classified as observed, scientific, accepted, or assumed.<sup>4</sup> An opinion is an inference drawn from facts.



### Observed facts and scientific facts

Observed facts and scientific facts are both based on observations by the witness. They differ in that observed facts are lay observations but scientific facts are expert observations.

Observed facts are lay observations because they are based on perceptions by the witness using one or more of the five senses, but are not based on the application of the witness's expertise. An example would be the observation by a land valuer of the presentation of a property.

On the other hand, scientific facts are based on the expertise of the expert witness but do not involve any significant degree of expert judgement. It has been said that scientific facts are true by virtue of the proper application of an accepted scientific method that is analytical or mathematical. An example might be a complex financial calculation by a *Member* that is based on the application of specialised knowledge but that does not amount to an opinion. This would occur where the results of the calculation

<sup>4</sup> See *ASIC v Rich* [2005] NSWSC 149 and, in particular, paragraphs 186, 187, 260 to 263, and 270 to 272. See also chapter 15 *Opinion* of J. D. Heydon, *Cross on Evidence*, 11<sup>th</sup> edition, LexisNexis Butterworths Australia, 2017.



flow mathematically or analytically without requiring inferences or questions of judgement if the underlying financial records are proved and if the calculation is done correctly.

Under APES 215, both observed facts and scientific facts are facts. Evidence in an [Expert Witness Service](#) could include both observed facts and scientific facts. Whereas evidence in a [Lay Witness Service](#) will consist of observed facts but not scientific facts.

### Accepted facts and assumed facts

Accepted facts and assumed facts both involve assumptions made by an expert.

Accepted facts are basic assumptions about background matters that the expert believes are true. An example would be a basic assumption about the workings of the market economy. Another example would be a basic assumption about the dating of information or the provenance of documents.

On the other hand, assumed facts are assumptions about matters that may or may not be true but which the expert witness assumes are true for the purpose of forming his or her opinion. An example, in a contractual dispute involving a claim for lost profits, would be an assumption about the selling price of a product but for the alleged breach of contract. If the expert witness's opinion depends upon accepted facts or assumed facts then those facts must be proved or admitted in order for the expert witness's opinion to be given weight.

Under APES 215, both accepted facts and assumed facts are assumptions, although whether any particular accepted fact or assumed fact is a *significant* assumption will depend on the circumstances.

### Opinions

An opinion is an inference drawn from facts.

### Examples

1. The [Member](#) has been asked to calculate the cost of goods sold expense for a period based on balances for opening stock, purchases and closing stock that have already been agreed by the parties. In calculating the expense, the [Member](#) uses specialised knowledge derived from the [Member's](#) training, study or experience using a well-accepted method which is not controversial (i.e. that cost of goods sold expense is equal to opening stock plus purchases less closing stock). However, the calculation does not require the [Member](#) to apply any significant degree of expert judgement. In this case, the figure calculated by the [Member](#) is a fact rather than an opinion (i.e. because it is in the nature of a scientific fact). On the other hand, if the [Member](#) were instructed to assume a figure for the cost of goods sold expense then that would be an assumption.
2. The [Member](#) has been asked to quantify the lost profits that would have been earned by a business but for a breach of duty. Among other things, this may require the [Member](#) to choose a figure for the sales revenue that the business would have earned but for the breach of duty. The question of what would have happened to sales revenue but for the breach requires the [Member](#) to consider a situation that is hypothetical rather than real and which, therefore, cannot be a question of fact. If in assessing the figure for sales revenue the [Member](#) applies specialised knowledge derived from the [Member's](#) training, study or experience and a significant degree of expert judgement then the [Member](#) will be expressing an opinion. On the other hand, if the [Member](#) were instructed to assume a figure for the sales revenue then that would be an assumption.
3. The [Member](#) uses the Capital Asset Pricing Model (CAPM) to determine a discount rate for the valuation of a business using the discounted cash flow method. The [Member](#) must choose a figure for the beta, which is an input to the CAPM. In the normal course, the [Member](#) will choose a beta after having gathered relevant information and having performed relevant analyses. In assessing the figure for beta the [Member](#) will use specialised knowledge derived from the [Member's](#) training,

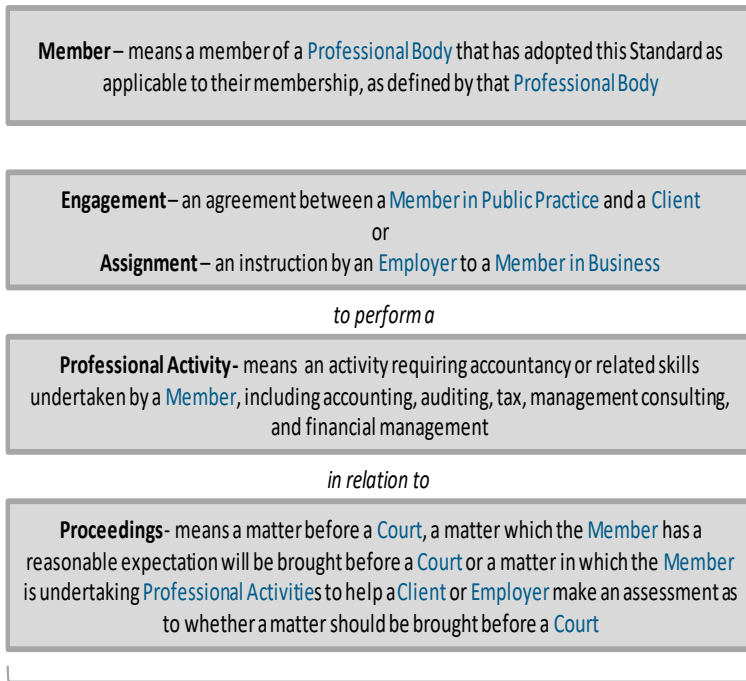
study or experience and a significant degree of expert judgement. Therefore, the Member will be expressing an opinion. On the other hand, if the Member were instructed to assume a figure for the beta then that would be an assumption.

## Appendix 2 – Decision Tree to determine the type of Forensic Accounting Service

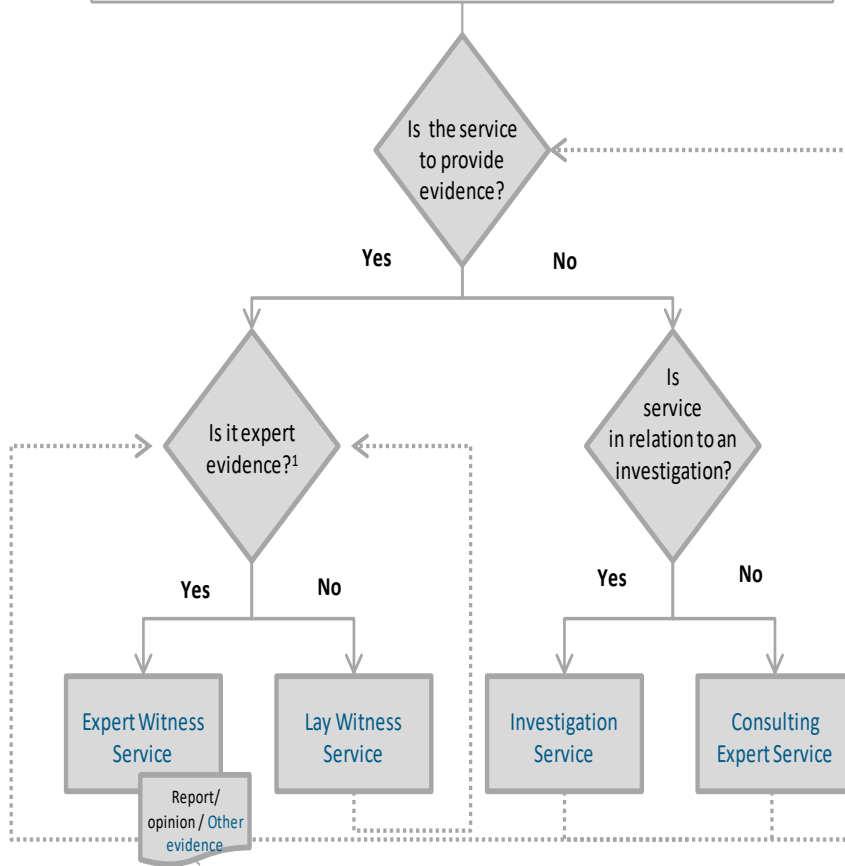
This Appendix contains a decision tree schematic to assist or determine whether a particular service is a [Forensic Accounting Service](#) for the purposes of APES 215 and, if so, whether the [Engagement](#) or [Assignment](#) is an [Expert Witness Service](#), a [Lay Witness Service](#), a [Consulting Expert Service](#) or [Investigation Service](#). Each type of [Forensic Accounting Service](#) carries professional obligations specific to its purpose and therefore it is important for [Members](#) to make this determination.

[Members](#) are cautioned that the determination of whether a particular service is a [Forensic Accounting Service](#) under this Standard is a matter of professional judgement, based on the particular facts and circumstances.

The critical determination is whether a particular [Forensic Accounting Service](#) is an [Expert Witness Service](#). Subsequently whether evidence is deemed admissible by the [Court](#) is a matter for the [Court](#). However, this is likely to happen after the [Forensic Accounting Service](#) has been wholly or substantially provided by the [Member](#). The important step is for the [Member](#) to assess, both initially and during the [Engagement](#) or [Assignment](#), whether it is a [Forensic Accounting Service](#) and, if so, which one. If the [Member](#) determines that it is an [Expert Witness Service](#), a subsequent decision to not admit the evidence from that [Expert Witness Service](#) does not change the nature of the [Forensic Accounting Service](#). It is the intention to give expert evidence that is relevant and in turn creates the obligation for a [Member](#) to comply with the requirements of this Standard including Section 5. If the service to be provided is a [Forensic Accounting Service](#) but not an [Expert Witness Service](#), the [Member](#) is required to comply with the requirements of the Standard other than Section 5.



Essential requirements for an **Engagement** or **Assignment** to be within the scope of APES 215



The **Member** may provide expert evidence to the **Court**, including expressing opinions or providing **Other Evidence**, based on the **Member's** specialised training, study or experience.

The **Member** may provide evidence other than expert evidence in the context of a **Proceeding**.

The **Member** may provide **Investigation Services** whether or not in the context of **Proceedings**.

**Consulting Expert Service** encompasses all **Professional Services** in the context of **Proceedings** excluding **Expert Witness Services**, **Lay Witness Services** and **Investigation Services**.

Including **Independence** disclosure as per paragraph 3.11

<sup>1</sup> Whether or not evidence is accepted as expert evidence is an after the fact matter. A **Member** must comply with the Standard in anticipation that evidence will be treated as expert evidence.

### Appendix 3 – Examples of Forensic Accounting Services

This Appendix analyses some examples to assist a *Member* to determine the type of *Forensic Accounting Services* provided by a *Member* for the purposes of APES 215.

*Members* are cautioned that the determination of the type of *Forensic Accounting Service* provided by a *Member* under this Standard is a matter of professional judgement, based on the particular facts and circumstances. The examples contained in this Appendix are provided for illustrative purposes only and are not intended to be, and cannot be, all inclusive. The examples are not a substitute for reading the full text of APES 215 and applying the Standard to the particular circumstances to determine the type of *Forensic Accounting Service* provided by a *Member*. In all of the examples presented below it is assumed that there are no unmentioned facts which would be relevant to the consideration by a *Member* to determine the type of *Forensic Accounting Service*.

No.	Nature	Conclusion
1	Participation in a professional tribunal	<b>Consulting Expert Service</b>
2	Dispute mediator	<b>Consulting Expert Service</b>
3	Adviser to investigation by law enforcement/regulatory agency	<b>Consulting Expert Service</b> (unless the <i>Member</i> is or is likely to provide an opinion or <i>Other Evidence</i> to the Court)
4	Prepare a <i>Report</i> for a company in a dispute	<b>Expert Witness Service</b>
5	Prepare a <i>Report</i> for a regulatory body on a listed company's compliance with accounting standards	<b>Expert Witness Service</b>
6	<i>Member</i> employed by/engaged by a law enforcement/regulatory body to provide an analysis of complex transactions for <i>Proceedings</i>	<b>Expert Witness Service</b>
7	<i>Member</i> employed by/engaged by a law enforcement/regulatory body to provide a summary of transactions for <i>Proceedings</i>	<b>Lay Witness Service</b> (where the <i>Member</i> does not use specialised knowledge derived from training, study or experience in accounting or refer to specialised knowledge and/or training, study or experience in accounting)  <b>Expert Witness Service</b> (where the <i>Member</i> is or is likely to provide an opinion or <i>Other Evidence</i> to the Court and/or the <i>Member's Report</i> refers to the <i>Member's</i> specialised knowledge and/or training, study or experience in accounting)
8	<i>Member</i> employed by a company under investigation subpoenaed to provide a factual witness statement	<b>Lay Witness Service</b>

No.	Nature	Conclusion
9	Member employed by a company under investigation subpoenaed to provide a factual witness statement and subsequently asked to apply expertise	<b>Expert Witness Service</b>
10	Member employed by a company under investigation subpoenaed to provide an opinion on the appropriate accounting for a chart of transactions	<b>Expert Witness Service</b>
11	<i>Insurance Claim</i> – Provision of loss adjusting services requiring accounting skills	<b>Consulting Expert Service</b> (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
12	<i>Insurance Claim</i> – Provision of advice requiring accounting skills	<b>Consulting Expert Service</b> (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
13	Member requested to determine amount of restitution or payment on a fraud or compensation matter	<b>Consulting Expert Service</b> (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
14	<i>Family Law</i> – Appointed by the Court to provide a Report including opinion evidence	<b>Expert Witness Service</b>
15	<i>Family Law</i> – Engaged to provide consulting advice related to another accounting expert's opinion	<b>Consulting Expert Service</b> (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
16	<i>Family Law</i> – Engaged, as a neutral party, to mediate between two accounting experts who have provided expert opinions to the Court	<b>Consulting Expert Service</b>
17	Member employed by a company investigating a potential criminal offence or civil matter	<b>Investigation Service</b> (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
18	Member requested to testify facts of purchases made on construction project account	<b>Lay Witness Service</b> (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
19	Member requested to provide an affidavit in respect of processes the Member undertook as part of a forensic investigation, specifically in relation to the collection and securing of computer forensic evidence	<b>Lay Witness Service</b> (unless the Member is or is likely to provide an opinion or Other Evidence to the Court)
20	Member requested to give evidence in relation to the Member's observations of a staff member who has been charged with theft of company equipment/property	<b>Lay Witness Service</b>
21	Member requested to give evidence in relation to observations of a motor vehicle accident in which the Member was involved	<b>Not a Forensic Accounting Service</b>

No.	Nature	Conclusion
		(the Member is acting as a lay witness and not undertaking a Professional Activity)
22	Member employed by a revenue authority undertaking an investigation into a taxpayer's affairs	Expert Witness Service
23	Member is employed by a regulatory agency tasked with the review of a trust account in which alleged irregularities have occurred	Expert Witness Service

### Example 1 Participation in a professional tribunal

*Facts:* The Member has been asked to be a member of a professional tribunal handling a disciplinary matter involving an auditor. Professional tribunals typically include disciplinary bodies of the Professional Bodies and statutory boards involved in the review of auditors and liquidators. As a member of the professional tribunal, the tribunal will be relying on the Member's specialised knowledge derived from the Member's training, study or experience in providing informed input to allow the tribunal to determine the issues to be raised and decided upon before the tribunal.

*Analysis:* **Consulting Expert Service** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance in respect of a Proceeding, but is not giving evidence (expert or lay) in the Proceedings. The Member has been chosen to be a tribunal member in part because of the Member's specialised knowledge derived from the Member's training, study or experience.

### Example 2 Dispute mediator

*Facts:* The Member has been asked to be a mediator in a dispute between two parties over lost profits that would have been earned by a business but for a breach of duty. As a mediator, the Member will be neutral and impartial and will assist the parties identify the issues, such as the accounting treatment of transactions, consider options and negotiate solutions. The parties must reach their own agreement and the mediator will not make any decisions about the dispute.

*Analysis:* **Consulting Expert Service** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to mediate the Proceedings, but is not giving evidence (expert or lay) in the Proceedings. The Member has been chosen to be the mediator in this matter in part because of the Member's specialised knowledge derived from the Member's training, study or experience in accounting.

### Example 3 Adviser to investigation by law enforcement/regulatory agency

*Facts:* The Member has been asked to be an adviser to an investigation being conducted by a law enforcement/regulatory agency. The Member's specialised knowledge derived from the Member's training, study or experience in accounting will be used in providing advice (written and/or oral) to members of the investigation team on accounting issues and transactions that are, or are intended to be, investigated. The Member can act as an adviser to the investigation even when Proceedings are contemplated or have commenced. It is not envisaged that the Member will be required to provide evidence and/or a report in the Proceedings (if any) arising from the investigation.

*Analysis:* **Consulting Expert Service** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to provide assistance to the investigation, but is not giving evidence (expert or lay) in the Proceedings. The Member has been chosen to assist in the investigation in part because of the Member's specialised knowledge derived from the Member's training, study or experience in accounting.

However, if during this process, it is decided that the **Member** either is, or is likely, to give expert evidence (an opinion or **Other Evidence**) in this matter, then it would become an **Expert Witness Service** from that time. Where, during the conduct of an **Engagement**, the scope of work changes significantly, a **Member in Public Practice** should amend and reissue the **Terms of Engagement**, particularly where it will result in an **Expert Witness Service**.

#### **Example 4 Prepare a Report for a company in a dispute**

*Facts:* The **Member** has been asked by a company involved in a dispute, or the company's legal advisers, to prepare a **Report** to quantify the lost profits that would have been earned by a business but for a breach of duty or a breach of contract. It is highly likely that the **Report** will be produced in **Court** in relation to legal action that is contemplated or has been commenced by the company. It is also highly likely that the **Member** will have to give evidence in the **Court** about matters covered in the **Report**. The **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting will be used in assessing the issues in dispute and preparing the **Report**. The **Report** will express opinions about the lost profits that would have been earned by a business but for a breach of duty.

*Analysis:* **Expert Witness Service** – the **Member** is using the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting to provide assistance to the **Court** through the provision of written and/or oral evidence. As it is not lay evidence (i.e. the **Member** is not simply describing what the **Member** observed or did), it is considered expert evidence (whether or not it involves the expression of opinions).

#### **Example 5 Prepare a Report for a regulatory body on a listed company's compliance with accounting standards**

*Facts:* The **Member** has been asked by a regulatory body to prepare a **Report** on whether certain accounting standards have been complied with by a listed company. The **Report** will be produced in **Court** in relation to legal action that has been commenced by the regulatory body against directors of the company. It is also highly likely that the **Member** will have to give evidence in **Court** about matters covered in the **Report**. The **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting will be used in assessing the accounting standards in issue and preparing the **Report**. The **Report** will express opinions about the accounting standards that were used and whether the accounting standards were or were not complied with.

*Analysis:* **Expert Witness Service** – the **Member** is using the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting to provide assistance to the **Court** through the provision of written and/or oral evidence. It is not lay evidence as the **Member** is expressing opinions on a matter in which the **Member** has specialised knowledge derived from the **Member's** specialist training, knowledge and experience.

#### **Example 6 Member employed by/engaged by a law enforcement/regulatory body to provide an analysis of complex transactions for Proceedings**

*Facts:* The **Member** is employed by a law enforcement/regulatory body and has been asked to analyse and prepare a chart or document that sets out an analysis of a number of complex transactions and related accounting journals and ledger entries. The chart or document will be produced by the **Member** in **Court** in relation to legal action that has been commenced by the law enforcement/regulatory body. The chart or document is likely to aid the comprehension of material that is to be produced for the **Court**. The **Member** offers no opinions in the chart or document that has been prepared.

*Analysis:* **Expert Witness Service** – the **Member** is using the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting to provide assistance to the **Court**, through the preparation and presentation of the chart/document setting out the **Member's** analysis of the transactions. As it is not lay evidence (i.e. the **Member** is not simply describing what the **Member**



observed or did), it is considered expert evidence (even though it may not involve the expression of opinions).

**Example 7 Member employed by/engaged by a law enforcement/regulatory body to provide a summary of transactions for Proceedings**

*Facts:* The **Member** is employed by a law enforcement/regulatory body and has been asked to prepare a chart or summary that summarises transactions from various bank accounts. The chart or summary will be produced by the **Member** in **Court** in relation to legal action that has been commenced by the law enforcement/regulatory body. The chart or summary is intended to be used to present evidence of the bank documents used to prepare the chart or summary, to the **Court** pursuant to section 50 of the *Evidence Act 1995* (Cth) (the Act). The **Member** offers no opinions in the chart or summary.

*Analysis:* **Lay Witness Service** – if the **Member** is giving evidence on matters that are directly observed or perceived by the **Member** and the **Member** is not using the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting when preparing the chart or summary, the **Member** is not providing assistance to the **Court** in an expert capacity. Further, in order to remain a **Lay Witness Service**, any submissions or evidence presented to the **Court** must not refer to the **Member's** specialised knowledge and/or training, study or experience in accounting.

**Expert Witness Service** – if the extraction of information and/or presentation of the chart or summary requires the **Member** to use, or is facilitated by, the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting, it will be an **Expert Witness Service** for the purposes of APES 215, notwithstanding that the **Member** intends to present the chart or summary as a summary admissible pursuant to section 50 of the Act.

Further, in circumstances where the **Court** receives submissions or evidence, including in the **Member's Report**, directed to the **Member's** specialised knowledge and/or training, study or experience in accounting, the **Member** should proceed on the basis that the service is an **Expert Witness Service** for the purposes of APES 215, regardless of whether it is intended that the **Court** will receive that evidence pursuant to section 50 of the Act.

**Example 8 Member employed by a company under investigation subpoenaed to provide a factual witness statement**

*Facts:* The **Member** is or was employed by a company that has been the subject of an investigation by a law enforcement/regulatory body which has subsequently asked or subpoenaed the **Member** to provide a witness statement covering the **Member's** involvement in and observations of specific transactions and activities of the company without drawing on the **Member's** specialised knowledge derived from the **Member's** training, study or experience.

*Analysis:* **Lay Witness Service** – the **Member** is not using the **Member's** specialised knowledge derived from the **Member's** training, study or experience to provide assistance to the law enforcement/regulatory body, and hence to the **Court**, through the **Member's** observations made. As the **Member** is simply describing what the **Member** observed or did, it is not considered expert evidence.

**Example 9 Member employed by a company under investigation subpoenaed to provide a factual witness statement and subsequently asked to apply expertise**

*Facts:* The **Member** is or was employed by a company that has been the subject of an investigation by a law enforcement/regulatory body which has subsequently asked or subpoenaed the **Member** to provide a witness statement covering the **Member's** involvement in and observations of specific accounting transactions and activities of the company without drawing on the **Member's** specialised knowledge derived from the **Member's** training, study or experience. Upon examination during the **Proceedings** the **Member** is asked to provide an opinion to aid the **Court** in understanding accounting records presented as evidence.

*Analysis:* **Expert Witness Service** – the **Member** is using the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting to provide assistance to the **Court**, in support of the **Member's** observations made. Since the **Member** has subsequently been asked to provide an opinion on a matter in which the **Member** has specialised knowledge derived from the **Member's** training, study or experience, it is not a **Lay Witness Service**.

When the **Member** is asked to provide an opinion or **Other Evidence** in **Court** proceedings, then it would become an **Expert Witness Service** from that time.

**Example 10 Member employed by a company under investigation subpoenaed to provide an opinion on the appropriate accounting for a chart of transactions**

*Facts:* Similar facts to Example 8, but the **Member** is required to give the **Member's** opinions on what the reasons for the transactions were and/or whether they were in accordance with generally accepted accounting practice.

*Analysis:* **Expert Witness Service** – the **Member** is using specialised knowledge derived from the **Member's** training, study or experience in accounting to provide assistance to the law enforcement/regulatory body, and hence to the **Court**, in providing opinions on the transactions. As it is not lay evidence (i.e. the **Member** is not simply describing what the **Member** observed or did), it is considered expert evidence (even though it may not involve the expression of opinions).

**Example 11 Insurance Claim – Provision of loss adjusting services requiring accounting skills**

*Facts:* The **Member** is assigned to provide loss adjusting services in respect of an insurance claim that involve use of the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting. The **Member** is to assess the claim value with respect to both material damage and business interruption in accordance with the insurance policy.

*Analysis:* **Consulting Expert Service** – the **Member** is using specialised knowledge derived from the **Member's** training, study or experience in accounting to provide assistance to one party in the matter (i.e. the insurance company or the insured), but is not (at least initially) engaged to give evidence (expert or lay) in the **Proceedings**. It is to be presumed that the **Member** has been chosen to assist because of the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting.

However, if during this process, it is decided that the **Member** either is, or is likely to be asked, to provide an opinion or **Other Evidence** to the **Court** in the matter, then it would become an **Expert Witness Service** from that time. Where, during the conduct of an **Engagement**, the scope of work changes significantly, a **Member in Public Practice** should amend and reissue the **Terms of Engagement**, particularly where it will result in an **Expert Witness Service**.

**Example 12 Insurance Claim – Provision of advice requiring accounting skills**

*Facts:* The **Member** has been asked to determine the appropriate amount of compensation a claimant is entitled to under an income protection (or similar) insurance policy or statutory scheme. The **Member's** specialised knowledge derived from the **Member's** training, study or experience will be used in providing advice (written and/or oral) to the **Employer**, statutory agency or insurance company on the claimant's entitlements. It is not envisaged that the **Member** will be required to provide evidence and/or a report to the **Court** in the **Proceedings** (if any) arising from the assessment.

*Analysis:* **Consulting Expert Service** – the **Member** is using specialised knowledge derived from the **Member's** training, study or experience in accounting to provide assistance to the investigation, but is not giving evidence (expert or lay) in the **Proceedings**. It is to be presumed that the **Member** has been chosen to undertake the assessment in part because of the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting.

However, if during this process, it is decided that the **Member** either is, or is likely, to give an opinion or **Other Evidence** in this matter then it would become an **Expert Witness Service** from that time. Where, during the conduct of an **Engagement**, the scope of work changes significantly, a **Member in Public Practice** should amend and reissue the **Terms of Engagement**, particularly where it will result in an **Expert Witness Service**.

**Example 13 Member requested to determine amount of restitution or payment on a fraud or compensation matter**

*Facts:* The **Member** has been asked to determine the amount of restitution or overpayment in a fraud or compensation matter based on the evidence obtained up until that time. The **Member's** specialised knowledge derived from the **Member's** training, study or experience will be used in providing advice (written and/or oral) to members of the investigation team on the amount of restitution or overpayment. It is not envisaged that the **Member** will be required to provide evidence and/or a report to the **Court** in the **Proceedings** (if any) arising from the review/assessment.

*Analysis:* **Consulting Expert Service** – the **Member** is using specialised knowledge derived from the **Member's** training, study or experience in accounting to provide assistance to the investigation, but is not giving evidence (expert or lay) in the **Proceedings**. It is to be presumed that the **Member** has been chosen to undertake the assessment in part because of the specialised knowledge derived from the **Member's** training, study or experience in accounting.

However, if during this process, it is decided that the **Member** either is, or is likely, to give an opinion or **Other Evidence** in this matter then it would become an **Expert Witness Service** from that time. Where, during the conduct of an **Engagement**, the scope of work changes significantly, a **Member in Public Practice** should amend and reissue the **Terms of Engagement**, particularly where it will result in an **Expert Witness Service**.

**Example 14 Family Law – Appointed by the Court to provide a Report including opinion evidence**

*Facts:* The **Member** is appointed by the **Court** following representations by the parties' solicitors to provide a **Report** for both parties to the dispute including opinion evidence on valuation and accounting matters.

*Analysis:* **Expert Witness Service** – the **Member** is using the **Member's** specialised knowledge derived from the **Member's** training, study or experience to provide a written **Report** as a joint expert to the **Court**. It is not lay evidence as the **Member** is expressing opinions and/or providing **Other Evidence** on a matter or matters in which the **Member** has specialised knowledge derived from the **Member's** training, study or experience.

**Example 15 Family Law – Engaged to provide consulting advice related to another accounting expert's opinion**

*Facts:* The **Member** is asked by one of the parties to a matrimonial dispute to provide consulting advice (as a "shadow") in relation to another accounting expert's opinion. When asked, the **Member** is not expected to file a report giving the **Member's** opinion to the **Court**, but merely to assist the instructing party and their solicitor.

*Analysis:* **Consulting Expert Service** – the **Member** is using the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting to provide assistance to one party to the dispute, but is not giving evidence (expert or lay) in the **Proceedings**. The **Member** has been chosen to assist because of the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting.

However, if during this process, it is decided that the **Member** either is, or is likely, to be asked to provide an opinion or **Other Evidence** to the **Court** in the matter, then it would become an **Expert Witness Service** from that time. Where, during the conduct of an **Engagement**, the scope of work changes significantly, a **Member in Public Practice** should amend and reissue the **Terms of Engagement**, particularly where it will result in an **Expert Witness Service**.

**Example 16 Family Law – Engaged, as a neutral party, to mediate between two accounting experts who have provided expert opinions to the Court**

*Facts:* The **Member** is asked by the solicitors for both parties to a matrimonial dispute to mediate between two accounting experts who have provided expert opinions on the valuation of business assets with the parties to the dispute present at the mediation. As a mediator the **Member** will be neutral and impartial and will assist the parties identify the issues between the two expert valuers, consider options and negotiate solutions. The parties must reach their own agreement and the mediator will not make any decisions about the dispute.

*Analysis:* **Consulting Expert Service** – the **Member** is using the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting to provide assistance to mediate the **Proceedings**, but is not giving evidence (expert or lay) in the **Proceedings**. The **Member** has been chosen to be the mediator in this matter in part because of the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting.

**Example 17 Member employed by a company investigating a potential criminal offence or civil matter**

*Facts:* The **Member** is asked by the **Member's Employer** to undertake or assist in investigating a potential criminal offence or civil matter with the intention of identifying the facts, determine the financial implications/overpayment/amount inappropriately obtained and ultimately assisting the **Employer** to understand the situation and make a fully informed decision on what action should be taken. It is not envisaged that the **Member** will be required to provide evidence and/or a **Report** to the **Court** in the **Proceedings** (if any) arising from the investigation.

*Analysis:* **Investigation Service** – the **Member** is using specialised knowledge derived from the **Member's** training, study or experience in accounting in the investigations to assist the **Employer** in understanding the matter and assist in determining what action should be taken, but is not giving evidence (expert or lay) in the **Proceedings**. The **Member** has been chosen to investigate this matter in part because of the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting.

However, if during this process, it is decided that the **Member** either is, or is likely to be asked, to provide an opinion or **Other Evidence** to the **Court** in the matter, then it would become an **Expert Witness Service** from that time.

**Example 18 Member requested to testify facts of purchases made on construction project account**

*Facts:* The **Member** is employed as a project accountant on a construction project. The **Member** has been asked by the **Member's Employer** to appear in **Court** to provide a statement on the total amount of purchases made on account for a recently completed construction project which is in legal dispute. The **Member's** participation is restricted to providing a factual representation of the purchases processed by the **Member** in the project accounting ledger and the fact that the **Member** observed the construction project in progress. It is not envisaged that the **Member** will be required to provide an opinion and/or **Other Evidence** and/or provide a **Report** to the **Court** in the **Proceedings**. The terminology used in the **Member's** statement is expressed in a manner that the **Court** can understand without technical accounting assistance.

*Analysis:* **Lay Witness Service** – the **Member** is not using specialised knowledge derived from the **Member's** training, study or experience in accounting in the statement to assist the **Court** in understanding the matter and assist in determining what action should be taken, and is not giving expert evidence in the **Proceedings**. The **Member** has been chosen to participate in this matter only due to the **Member's** employment on the project team.

However, if during this process, it is decided that the **Member** either is, or is likely, to be asked to provide an opinion or **Other Evidence** in **Court** proceedings, then it would become an **Expert Witness Service** from that time.

**Example 19 Member requested to provide an affidavit in respect of processes the Member undertook as part of a forensic investigation, specifically in relation to the collection and securing of computer forensic evidence**

*Facts:* A **Member** has been engaged to assist with the identification, collection and secure storage of electronic evidence held by an organisation. The **Member** provides an affidavit/statement detailing the actions and steps taken to perform the above **Engagement** or **Assignment**. The **Member** has been subpoenaed to **Court** to give this evidence.

*Analysis:* **Lay Witness Service** – the **Member** is not using the **Member's** specialised knowledge derived from the **Member's** training, study or experience in accounting in the statement to assist the **Court** in understanding the matter nor is the **Member** assisting the **Court** in determining what action should be taken. The **Member** has been chosen to participate in this matter only because of the **Member's** skills in electronic evidence retrieval, without any analysis or examination of the underlying evidence collected.

However, if at any stage during this process, it is decided that the **Member** either is, or is likely to have the additional responsibility of providing an opinion or **Other Evidence** in relation to the summarising or charting of that evidence collected using specialised knowledge derived from the **Member's** training, study or experience then it would become an **Expert Witness Service** from that time. Where, during the conduct of an **Engagement**, the scope of work changes significantly, a **Member in Public Practice** should amend and reissue the **Terms of Engagement**, particularly where it will result in an **Expert Witness Service**.

**Example 20 Member requested to give evidence in relation to the Member's observations of a staff member who has been charged with theft of company equipment/property**

*Facts:* The **Member** is employed as an accountant by an accounting **Firm**. The **Member** was present when another staff member allegedly took a laptop, mobile phone and other company equipment from the office to their home and was involved in some discussion surrounding the alleged theft with the staff member who has been charged. The **Member** has provided a witness statement/affidavit about the **Member's** observations and discussions with the accused and has been subpoenaed to **Court** to provide evidence about this matter. The **Member's** participation is restricted to providing a factual account of the **Member's** observations and discussions leading up to and after the alleged theft.

*Analysis:* **Lay Witness Service** – the **Member** is not using specialised knowledge derived from the **Member's** training, study or experience in accounting in the statement/affidavit to assist the **Court** in understanding the matter nor is the **Member** assisting the **Court** in determining what action should be taken. The **Member** has been chosen to participate in this matter solely because of what the **Member** had witnessed.

**Example 21 Member requested to give evidence in relation to observations of a motor vehicle accident in which the Member was involved**

*Facts:* The **Member** is employed as an accountant and was involved in a motor vehicle accident where the **Member** was driving a vehicle and was not at fault for the accident. The at-fault driver has been charged with criminal offences as a result of the motor vehicle accident. The **Member** has provided a

witness statement/affidavit setting out the Member's observations and knowledge of the circumstances surrounding the motor vehicle accident. The Member has been subpoenaed to Court to give this evidence.

*Analysis:* lay witness – the Member is not providing a Lay Witness Service for the purposes of APES 215, as the witness statement/affidavit does not form part of a Professional Activity. The Member is not using specialised knowledge derived from the Member's training, study or experience in accounting in the statement/affidavit to assist the Court in understanding the matter nor is the Member assisting the Court in determining what action should be taken. The Member has been chosen to participate in this matter only because of the Member's involvement in the motor vehicle accident and what the Member had witnessed.

**Example 22 Member employed by a revenue authority undertaking an investigation into a taxpayer's affairs**

*Facts:* The Member is employed by a government revenue authority and is undertaking a review of a taxpayer's affairs in connection with a Proceeding, and with a view to providing a Report on the findings to the Court. The work is likely to result in an assessment or amended assessment for the taxpayer as there are alleged breaches of the applicable tax legislation.

*Analysis:* **Expert Witness Service** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting and taxation knowledge to formulate the Report and the conclusions contained therein to the Court. In this situation, the Member will be expressing an opinion or providing Other Evidence about the interpretation of the relevant legislation, its application to the factual findings concerning specific items of the review and whether the alleged breaches result in an unidentified liability (or overpayment). It is not lay evidence as the Member is expressing opinions and/or providing Other Evidence on matters in which the Member has specialised knowledge derived from the Member's training, study or experience.

**Example 23 Member is employed by a regulatory agency tasked with the review of a trust account in which alleged irregularities have occurred**

*Facts:* The Member is employed in a regulatory agency and is undertaking a review of a trust account in which alleged irregularities have occurred. The Member is tasked with performing a review and providing a Report on the findings to the Court.

*Analysis:* **Expert Witness Service** – the Member is using the Member's specialised knowledge derived from the Member's training, study or experience in accounting to formulate the Report to the Court. It is not lay evidence, as the Member will be expressing opinions and/or providing Other Evidence on matters in which the Member has specialised knowledge derived from the Member's training, study or experience.

## Appendix 4 – Summary of revisions to the previous APES 215 (Issued in ~~July 2019~~ June 2023)

APES 215 *Forensic Accounting Services* was originally issued in December 2008 and revised in December 2013, December 2015, ~~and~~ July 2019 and June 2023 (extant APES 215). APES 215 has been revised by APESB in ~~June 2023~~ XXX 2024. A summary of the revisions is given in the table below.

### Table of revisions\*

Paragraph affected	How affected
1.2	Amended
2 – Definition of Confidential Information	Added
3.9 - Footnote 1	Amended
3.18	Amended
3.19	Amended
5.1 - Footnote 2	Amended
5.2 - Footnote 3	Amended

\* Refer *Technical Update 2024* X

# APES 225 Valuation Services

[Supersedes APES 225 Valuation Services issued in [September 2023](#) ~~July 2019~~]

REVISED: ~~September 2023~~ **XXX 2024**

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## 1. Scope and application

- 1.1 The objective of APES 225 *Valuation Services* is to specify a **Member's** professional and ethical obligations in respect of:
- the provision of a **Valuation Service** to a **Client** or **Employer**;
  - the types of **Engagement** or **Assignment** that are a **Valuation Service**;
  - matters a **Member in Public Practice** must address in the **Terms of Engagement**;
  - matters to be disclosed in a **Valuation Report**; and
  - quality management and documentation requirements.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 225 *Valuation Services* (**the Standard**), which is effective for **Valuation Services** commencing on or after ~~1 January 2024~~ **1 January 2025** and supersedes APES 225 issued in ~~September 2023~~ **July 2019**. Earlier adoption of this Standard is permitted.
- 1.3 APES 225 sets the standards for **Members** in the provision of quality and ethical **Valuation Services**. The mandatory requirements of this Standard are in **bold-type**, preceded or followed by discussion or explanations in normal type. APES 225 should be read in conjunction with other professional duties of **Members**, and any legal obligations that may apply.
- 1.4 **Members in Australia shall follow the mandatory requirements of APES 225 when they provide Valuation Services.**
- 1.5 **Members outside of Australia shall follow the mandatory requirements of APES 225 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.**
- 1.6 **Members shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when performing Professional Activities. All Members shall comply with the fundamental principles outlined in the Code.**
- 1.7 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.8 All references to **Professional Standards**, guidance notes and legislation are references to those provisions as amended from time to time.
- 1.9 In applying the requirements outlined in APES 225, **Members** should be guided not merely by the words but also by the spirit of the Standard and the **Code**.
- 1.10 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.

## 2. Definitions

Defined terms are shown in the body of the Standard in title case.

For the purpose of this Standard:

**Assignment** means an instruction, whether written or otherwise, by an **Employer** to a **Member in Business** relating to the provision of **Professional Activities** by a **Member in Business**. However, consultations with the **Employer** prior to such instruction are not part of an Assignment.

**Calculated Value** means an estimate of value of a business, business ownership interest, security, intangible asset, or other asset or liability that results from a [Calculation Engagement](#). A Calculated Value may either be a single amount or a range.

**Calculation Engagement** means an [Engagement](#) or [Assignment](#) to perform a [Valuation](#) and provide a [Valuation Report](#) where the [Member](#) and the [Client](#) or [Employer](#) agree on the [Valuation Approaches](#), [Valuation Methods](#) and [Valuation Procedures](#) the [Member](#) will employ. A Calculation Engagement generally does not include all of the [Valuation Procedures](#) required for a [Valuation Engagement](#) or a [Limited Scope Valuation Engagement](#).

**Client** means an individual, firm, entity or organisation to whom or to which [Professional Activities](#) are provided by a [Member in Public Practice](#) in respect of [Engagements](#) of either a recurring or demand nature.

**Code** means APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

**Conclusion of Value** means an estimate of value of a business, business ownership interest, security, intangible asset, or other asset or liability that results from a [Valuation Engagement](#) or a [Limited Scope Valuation Engagement](#). A Conclusion of Value may either be a single amount or a range.

[Confidential Information](#) means [any information, data or other material in whatever form or medium \(including written, electronic, visual or oral\) that is not publicly available.](#)

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

**Employer** means an entity or person that employs, engages or contracts a [Member in Business](#).

**Engagement** means an agreement, whether written or otherwise, between a [Member in Public Practice](#) and a [Client](#) relating to the provision of [Professional Services](#) by a [Member in Public Practice](#). However, consultations with a prospective [Client](#) prior to such agreement are not part of an Engagement.

**Engagement Document** means the document (i.e. letter, agreement or any other appropriate means) in which the [Terms of Engagement](#) are specified in [Writing](#).

**Firm** means:

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

**Independence** comprises:

- (a) Independence of mind – the state of mind that permits the expression of 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.
- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a [Firm's](#), or an [Engagement](#) team member's, integrity, objectivity or professional scepticism has been compromised.

**Limited Scope Valuation Engagement** means an **Engagement** or **Assignment** to perform a **Valuation** and provide a **Valuation Report** where the scope of work is limited or restricted. The scope of work is limited or restricted where the **Member** is not free, as the **Member** would be but for the limitation or restriction, to employ the **Valuation Approaches**, **Valuation Methods** and **Valuation Procedures** that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the **Engagement** or **Assignment** available to the **Member** at that time, and it is reasonable to expect that the effect of the limitation or restriction on the estimate of value is material.

A limitation or restriction may be imposed by the **Client** or **Employer** or it may arise from other sources or circumstances. A limitation or restriction may be present and known at the outset of the **Engagement** or **Assignment** or may arise or become known during the course of a **Valuation Engagement**. A Limited Scope Valuation Engagement may also be referred to as a “restricted scope valuation engagement” or an “indicative valuation engagement”.

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

**Member in Business** means a **Member** working in areas such as commerce, industry, service, the public sector, education, the not-for-profit sector, or in regulatory or professional bodies, who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer.

**Member in Public Practice** means a **Member**, irrespective of functional classification (for example, audit, tax or consulting) in a **Firm** that provides **Professional Services**. 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 **Professional Body**.

**Premise of Value** means an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation, for example, going concern or liquidation.

**Professional Activity** means an activity requiring accountancy or related skills undertaken by a **Member**, including accounting, auditing, tax, 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 **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**.

**Terms of Engagement** means the terms and conditions that are agreed between the **Client** and the **Member in Public Practice** for the **Engagement**.

**Valuation** means the act or process of determining an estimate of value of a business, business ownership interest, security, intangible asset, or other asset or liability by applying **Valuation Approaches**, **Valuation Methods** and **Valuation Procedures**. A Valuation does not involve the verification of information in respect of the business, business ownership interest, security, intangible asset, or other asset or liability being valued.

**Valuation Approach(es)** means a general way(s) of determining an estimate of value of a business, business ownership interest, security, intangible asset, or other asset or liability using one or more **Valuation Methods**.

**Valuation Engagement** means an **Engagement** or **Assignment** to perform a **Valuation** and provide a **Valuation Report** where the **Member** is free to employ the **Valuation Approaches**, **Valuation Methods**, and **Valuation Procedures** that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the **Engagement** or **Assignment** available to the **Member** at that time. Where a **Member** has entered into a Valuation Engagement but during the course of performing the Valuation Engagement the **Member** becomes aware of a limitation or restriction that, if it had been known at the time the **Engagement** or **Assignment** was entered into, would have made the **Engagement** or **Assignment** a **Limited Scope Valuation Engagement** then the Valuation Engagement will become a **Limited Scope Valuation Engagement**.

**Valuation Method(s)** means, within **Valuation Approaches**, a specific way(s) to determine an estimate of value of a business, business ownership interest, security, intangible asset, or other asset or liability.

**Valuation Procedures** means the act, manner and technique of performing the steps of a **Valuation Method**.

**Valuation Report** means any written or oral communication by the **Member** containing a **Conclusion of Value** or a **Calculated Value**.

**Valuation Service** means a service provided by a **Member** to a **Client** or **Employer** in performance of a **Valuation Engagement**, **Limited Scope Valuation Engagement** or a **Calculation Engagement**.

**Writing** means a mode of representing or reproducing words in a visible form and includes words in an electronic format capable of being converted to printed text.

### **3. Fundamental responsibilities of Members**

- 3.1 A **Member** providing a **Valuation Service** shall comply with Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* of the **Code** and relevant laws and regulations.
- 3.2 A **Member** providing a **Valuation Service** shall comply with Section 210 *Conflicts of Interest (for Members in Business)* or Section 310 *Conflicts of Interest (for Members in Public Practice)* of the **Code**.

#### **Public interest**

- 3.3 In accordance with Section 100 *Complying with the Code* of the **Code**, a **Member** shall observe and comply with the **Member's** public interest obligations when providing a **Valuation Service**.

#### **Professional Independence**

- 3.4 When a **Member in Public Practice** is engaged to perform a **Valuation Service** which requires **Independence** or purports to be independent, the **Member** shall comply with **Independence** as defined in this Standard.
- 3.5 A **Member in Public Practice** shall not act as an advocate in respect of a **Valuation Service** which requires **Independence** or purports to be independent.

## Professional competence and due care

- 3.6 A **Member** providing a **Valuation Service** shall maintain professional competence and take due care in the performance of the **Member's** work in accordance with Subsection 113 *Professional Competence and Due Care* of the **Code**.
- 3.7 Where a **Valuation Service** or part thereof requires the consideration of matters that are outside a **Member's** professional expertise, the **Member** shall seek expert assistance or advice from a suitably qualified third party on those matters outside of the **Member's** professional expertise or decline the **Valuation Service**. The **Member** shall disclose in any **Valuation Report** or other relevant communications the extent of the reliance upon the advice of such a third party.
- 3.8 When planning to use the work of a suitably qualified third party, a **Member** shall assess the professional competence and objectivity of the third party, the engagement terms of the third party, and on completion the appropriateness and reasonableness of the work performed.
- 3.9 In undertaking a **Valuation Service**, a **Member** should consider the contents of any guidance in respect of **Valuation** matters issued by the **Professional Bodies** and appropriate regulatory authorities.

## Confidentiality

- 3.10 A **Member** who acquires **eConfidential Information** in the course of performing a **Valuation Service** for a **Client** or **Employer** shall comply with Subsection 114 *Confidentiality* of the **Code**.
- 3.11 Unless the **Member** has a legal, regulatory or professional duty or right to disclose, a **Member** shall not convey any information relating to a **Client's** or **Employer's** affairs to a third party without the **Client's** or **Employer's** permission.
- 3.12 Where a **Client** has given a **Member in Public Practice** permission to disclose **eConfidential Information** to a third party, it is preferable that this permission is in **Writing**. Where oral permission is obtained, a contemporaneous note should be made and kept on file by the **Member** recording the relevant details of the **Client's** approval.
- 3.13 Where a **Member** provides **eConfidential Information** in accordance with a legal, regulatory or professional duty or right to disclose, the **Member** shall consider whether it is appropriate to inform the **Client**, **Employer** or relevant third party, either before disclosing the **eConfidential Information**, or as soon as practicable thereafter, provided that there is no legal prohibition against such notification.

## 4. Professional Engagement and other matters

- 4.1 A **Member in Public Practice** shall document and communicate the **Terms of Engagement** to provide a **Valuation Service** to a **Client** in an **Engagement Document** in accordance with APES 305 *Terms of Engagement*.
- 4.2 A **Member in Public Practice** shall include the following in the **Engagement Document**:
- (a) a statement as to which type of **Engagement** the **Member** has been engaged to perform (if that has been determined at the date of the **Engagement Document**);
  - (b) the definitions of a **Valuation Engagement**, a **Limited Scope Valuation Engagement** and a **Calculation Engagement**;

- (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**;
- (d) for a **Calculation Engagement**, a statement as to which **Valuation Approaches**, **Valuation Methods** and **Valuation Procedures** the **Member** has been engaged to perform;
- (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
- (f) a statement that the **Valuation Service** will be conducted in accordance with this Standard.

4.3 A **Member in Public Practice** who is approached by a potential **Client** to undertake a **Valuation Service** shall comply with the requirements of Section 300 *Applying the Conceptual Framework – Members in Public Practice* and Section 320 *Professional Appointments* of the **Code**.

4.4 A **Member in Business** who is approached by the **Member's Employer** to undertake a **Valuation Service** shall comply with the requirements of Section 200 *Applying the Conceptual Framework – Members in Business* and Section 220 *Preparation and Presentation of Information* of the **Code**.

4.5 A **Member in Public Practice** who has engaged 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.

4.6 A **Member** shall gather sufficient and appropriate evidence by such means as inspection, inquiry, computation and analysis to provide reasonable grounds that the **Valuation Report** and the conclusions therein are properly supported.

When determining the extent and quality of evidence necessary the **Member** shall exercise professional judgement, considering the nature of the **Valuation**, the type of **Valuation Service** and the use to which the **Valuation Report** will be put.

4.7 **Members** are referred to APES GN 20 *Scope and Extent of Work for Valuation Services* for guidance in determining the scope and extent of work that may be appropriate for the type of **Valuation Service** being provided.

4.8 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 representation in **Writing** from the relevant party that:

- (a) the relevant party has reviewed the draft **Valuation Report** or extract thereof;
- (b) the facts upon which the draft **Valuation Report** or extract thereof is based are correct and no material relevant facts have been omitted;
- (c) the historical financial information upon which the draft **Valuation Report** or extract thereof is based is complete, accurate, and reliable;
- (d) the assumptions upon which the draft **Valuation Report** or extract thereof is based are reasonable; and
- (e) 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.

- 4.9 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.
- 4.10 Where a **Member** becomes aware of instances of non-compliance with laws and regulations when performing a **Valuation Service**, the **Member** shall comply with Section 260 *Responding to Non-Compliance with Laws and Regulations (for Members in Business)* or Section 360 *Responding to Non-Compliance with Laws and Regulations (for Members in Public Practice)* of the **Code**.

## 5. Reporting

- 5.1 Generally when a **Member in Public Practice** provides a **Valuation Service**, the **Member** should prepare a written **Valuation Report**. However, this Standard recognises that a **Member** may issue a **Valuation Report** orally where instructed to do so by the **Member's Client** or where there are circumstances that would justify issuing a **Valuation Report** orally rather than in **Writing**.
- 5.2 Where a **Member in Public Practice** prepares a **Valuation Report in Writing** in respect of a **Valuation Service**, the **Valuation Report** shall clearly communicate:
- (a) The name of the party engaging the **Member**;
  - (b) A description of the business, business ownership interest, security, intangible asset, or other asset or liability being valued;
  - (c) The date at which the value has been determined;
  - (d) The date on which the **Valuation Report** has been issued;
  - (e) The purpose for which the **Valuation Report** has been prepared;
  - (f) The name and qualifications of the **Member(s)** responsible for the **Valuation**;
  - (g) The scope of the **Valuation**, including any limitations or restrictions;
  - (h) The standard of value used in the **Valuation** and its definition;
  - (i) The **Premise of Value** adopted in the **Valuation** (for example, going concern premise or liquidation premise);
  - (j) Whether the **Valuation** was undertaken by the **Member** acting independently or not;
  - (k) The **Valuation Approach(es)**, **Valuation Method(s)** and **Valuation Procedures** adopted in determining the estimate of value and a description of how they were applied;
  - (l) The specific information on which the **Member** has relied and the extent to which it has been reviewed (for example, the documents reviewed, the individuals interviewed, the facilities visited, the reports of other experts relied upon, and management representations);
  - (m) A description of the material assumptions applied in the **Valuation** and the basis for those assumptions;
  - (n) A **Conclusion of Value** for a **Valuation Engagement** or a **Limited Scope Valuation Engagement**, or a **Calculated Value** for a **Calculation Engagement**;
  - (o) All qualifications that materially affect the **Conclusion of Value** or **Calculated Value**;
  - (p) For a **Limited Scope Valuation Engagement**, that if a **Valuation Engagement** had been performed the results may have been different;
  - (q) For a **Calculation Engagement**, that if a **Valuation Engagement** had been performed the results may have been different;



- (r) Where a **Member** has prepared a **Valuation Report** requiring **Independence** or purporting to be independent, that the compensation to be paid to the **Member** is not contingent on the conclusion, content or future use of the **Valuation Report**; and
- (s) That the **Valuation Service** was conducted in accordance with this Standard.

5.3 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 *Documentation of the system of quality management of APES 320 Quality Management for Firms that provide Non-Assurance Services*.

5.4 In addition to the minimum requirements of a **Valuation Report** set out in paragraph 5.2, the **Member in Public Practice** shall consider including the following information in a **Valuation Report**, as appropriate:

- (a) A description of other **Valuation Approaches** or **Valuation Methods** considered and the reasons why they were not considered relevant for the **Valuation**;
- (b) Sufficient details of the **Valuation** calculations to allow a reader to understand how the **Member** determined the **Conclusion of Value** or **Calculated Value**;
- (c) A summary of relevant financial information; and
- (d) A summary of the relevant industry.

5.5 A **Member in Business** who undertakes a **Valuation Service** should prepare a **Valuation Report** taking into consideration the requirements and guidance of paragraphs 5.1 to 5.4 of this Standard, as appropriate and to the extent practicable.

5.6 **Members** are referred to APES GN 21 *Valuation Services for Financial Reporting* for guidance on matters to be disclosed in a **Valuation Report** when providing a **Valuation Service** for Financial Reporting.

## 6. Documentation

6.1 A **Member** performing a **Valuation Service** shall prepare working papers that appropriately document the work performed, including the basis on which, and the method by which, any calculations, determinations or estimates used in the provision of the **Valuation Service** have been made.

## 7. Use of a glossary of business valuation terms

7.1 When issuing a **Valuation Report**, a **Member** shall clearly define the **Valuation** terms used.

7.2 **Members** are encouraged to use, as far as practicable, terms that are in general use for **Valuation Services**.<sup>1</sup>

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<sup>1</sup> For example, the *International Valuation Glossary – Business Valuation* published by the American Society of Appraisers, Chartered Business Valuers Institute, Royal Institution of Chartered Surveyors and Saudi Authority for Accredited Valuers and the glossary used by the International Valuation Standards Council in the *International Valuation Standards*.

## **8. Professional fees**

- 8.1 **A Member in Public Practice** providing **Valuation Services** shall be remunerated for such **Professional Services** by way of professional fees computed in accordance with Section 330 *Fees and Other Types of Remuneration* of the **Code**.
- 8.2 **A Member in Public Practice** shall not enter into a **Contingent Fee** arrangement or receive a **Contingent Fee** for a **Valuation Service** which requires **Independence** or purports to be independent.

### ***Conformity with International Pronouncements***

The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES 225.

## Appendix 1 – Schematic and Examples

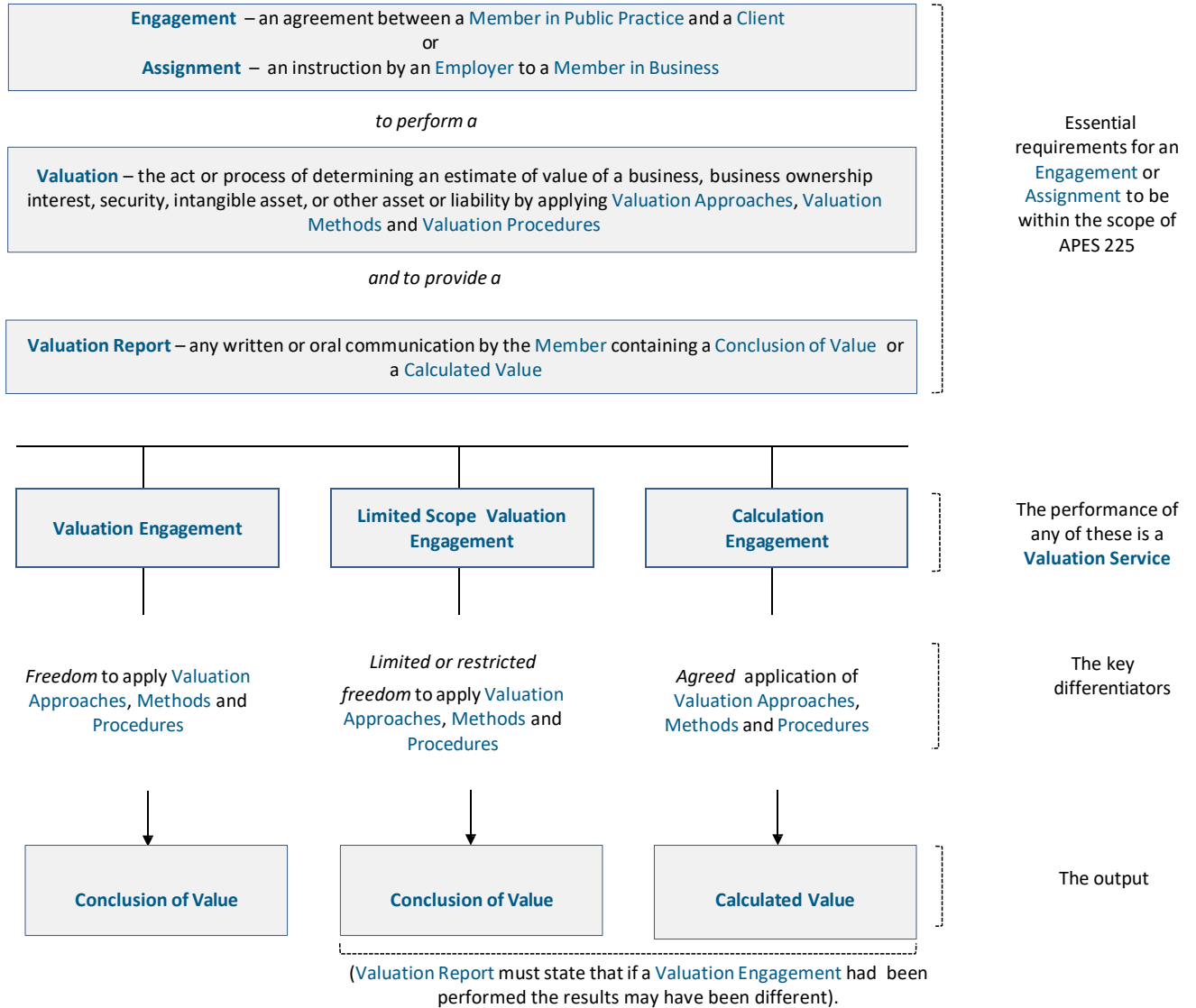
*This Appendix contains a schematic and some examples to assist or determine whether a particular service is a **Valuation Service** for the purposes of APES 225 and, if so, whether the **Engagement** or **Assignment** is a **Valuation Engagement**, **Limited Scope Valuation Engagement**, or **Calculation Engagement**.*

***Members** are cautioned that the determination of whether a particular service is a **Valuation Service** under this Standard is a matter to be judged based on the particular facts and circumstances. The examples contained in this Appendix are provided for illustrative purposes only and are not intended to be, and cannot be, all inclusive. The examples are not a substitute for reading the full text of APES 225 and applying the Standard to the particular circumstances to determine whether the **Member** is providing a **Valuation Service**. In all of the examples presented below it is assumed that there are no unmentioned facts which would be relevant to the consideration as to whether the service provided is a **Valuation Service**.*

***Members** should also consider whether they need to hold an Australian Financial Services License (AFSL) to be able to perform the relevant **Valuation Service**. This is a matter for the **Member** to determine in accordance with applicable laws and regulations. The examples in this Appendix do not address this matter as the focus is on determining the type of **Valuation Services** in accordance with this Standard.*

## Schematic

The following schematic provides an overview of what constitutes a **Valuation Service** and what differentiates the three types of **Engagement** or **Assignment**.



## Examples

No.	Title	Conclusion
1	Valuation of equity for capital gains tax	Valuation Engagement
2	Valuation of equity where industry not analysed	Limited Scope Valuation Engagement
3	Valuation Engagement becomes Limited Scope Valuation Engagement	Limited Scope Valuation Engagement
4	Valuation of equity for capital gains tax where Valuation date is eight years ago and information lost	Limited Scope Valuation Engagement
5	Valuation of equity for capital gains tax where records are sparse	Valuation Engagement
6	Valuation of equity for capital gains tax with limited time	Limited Scope Valuation Engagement
7	Valuation of shareholding for capital gains tax with assumption on the value of all equity	Limited Scope Valuation Engagement
8	Valuation of shareholding for capital gains tax with assumptions on the value of all equity and percentage discounts for the lack of control and marketability	Calculation Engagement
9	Valuation of Employer's intangible assets for tax consolidation	Valuation Engagement
10	Valuation of intellectual property for a Client	Valuation Engagement
11	Limited scope Valuation for mergers and acquisitions advice	Limited Scope Valuation Engagement
12	Estimate of price for advice on sale of a company	Not a Valuation Service
13	Limited scope Valuation of Employer's business for potential sale	Limited Scope Valuation Engagement
14	Limited scope Valuation for estate planning advice	Limited Scope Valuation Engagement
15	Valuation assumptions for estate planning advice	Not a Valuation Service
16	Independent expert report for takeover offer	Valuation Engagement
17	Independent expert report for scheme of arrangement	Valuation Engagement
18	Independent expert report for the compulsory acquisition of securities	Valuation Engagement
19	Audit procedures on Valuation assertions	Not a Valuation Service
20	Audit procedures on Client's Valuations	Not a Valuation Service
21	Limited scope Valuation of Employer's business	Limited Scope Valuation Engagement
22	Opinion as receiver and manager on realisable value of business	Not a Valuation Service
23	Opinion as expert witness on lost profits	Not a Valuation Service
24	Opinion as expert witness on value of business	Valuation Engagement

### **Example 1 Valuation of equity for capital gains tax**

*Facts:* A **Member in Public Practice** is engaged to perform a **Valuation** as at today's date of the issued share capital of a company for the purpose of capital gains tax and to provide a written report to the **Client**. There is no restriction or limitation placed on the **Member** in choosing the appropriate procedures or approach to use.

*Analysis:* This is a **Valuation Service**. The **Member** has been engaged to perform a **Valuation** and to provide a **Valuation Report**, which constitutes a **Valuation Engagement**.

### **Example 2 Valuation of equity where industry not analysed**

*Facts:* The facts are the same as for Example 1 except that the scope of work is limited in that the **Member** is instructed not to perform any analysis of the industry within which the business of the company operates. In the absence of this instruction the **Member** would have considered it appropriate to perform an analysis of the industry. The lack of analysis on the industry would reasonably be considered to have a material impact on the estimate of value.

*Analysis:* This is a **Valuation Service**. The **Member** has been engaged to perform a **Valuation** where the scope of work is limited or restricted, and to provide a **Valuation Report**, which constitutes a **Limited Scope Valuation Engagement**.

### **Example 3 Valuation Engagement becomes Limited Scope Valuation Engagement**

*Facts:* The facts are the same as for Example 1 except that after agreeing the **Terms of Engagement**, which provides for a **Valuation Engagement**, during the course of performing the **Valuation** the **Member** becomes aware of a limitation. The **Member** intended to value the equity in the company using the income approach and for that purpose intended to estimate the company's expected future cash flows. The **Member** made relevant enquiries of the **Client** for the purpose of estimating the expected future cash flows. However, the **Client** decided not to respond to the **Member's** enquiries but instead instructed the **Member** to adopt the **Client's** existing forecast of cash flows so as to contain professional costs.

*Analysis:* This is a **Valuation Service**. The **Member** was initially engaged to perform a **Valuation** and to provide a **Valuation Report**, which constitutes a **Valuation Engagement**. The **Client's** subsequent instruction to adopt the **Client's** existing forecast of cash flows amounts to a limitation on the scope of work because it restricts the **Member's** freedom to employ the **Valuation Procedures** that are reasonable and appropriate taking into consideration all relevant facts and circumstances of the **Engagement** and the instruction could have a material impact on the estimate of value. Accordingly, from that moment the **Engagement** ceased to be a **Valuation Engagement** and became a **Limited Scope Valuation Engagement**.

### **Example 4 Valuation of equity for capital gains tax where Valuation date is eight years ago and information lost**

*Facts:* The facts are the same as for Example 1 except that the valuation date is eight years ago and there is less information available now due to the subsequent destruction of many documents in accordance with the company's document retention policy and the departure of key staff. Despite this, there are some relevant documents, including financial statements for the three years up to the valuation date. The relative lack of information means that the **Member** is not able to choose the **Valuation Approaches** and **Valuation Methods** that the **Member** would otherwise consider appropriate, and is not able to apply **Valuation Procedures** to the extent to which the **Member** would otherwise consider appropriate.

*Analysis:* This is a **Valuation Service**. The **Member** has been engaged to perform a **Valuation** and provide a **Valuation Report**. A hypothetical seller and a hypothetical buyer standing at the valuation date eight years ago would have had more information available to them than the **Member** has now for the purpose of performing a **Valuation** at a date eight years ago. The scope of work is limited or restricted

because the relative lack of information restricts the Member's freedom to choose and apply Valuation Approaches, Valuation Methods and Valuation Procedures. Accordingly, the Engagement is a Limited Scope Valuation Engagement.

**Example 5 Valuation of equity for capital gains tax where records are sparse**

*Facts:* The facts are the same as for Example 1 except that the company maintains records that are very sparse (albeit compliant with legal requirements).

*Analysis:* This is a Valuation Service. The Member has been engaged to perform a Valuation and provide a Valuation Report. The sparse nature of the company's records does not amount to a limitation or restriction on scope because a hypothetical seller and a hypothetical buyer do not have any better information available to them. The fact of the sparse records is a characteristic of the company being valued and, therefore, is something that will be reflected in the estimate of value. The Engagement is a Valuation Engagement.

**Example 6 Valuation of equity for capital gains tax with limited time**

*Facts:* The facts are the same as for Example 1 except that the Member is required to deliver a Valuation Report within a period of time that is too short to allow the Member to perform all of the Valuation Procedures that the Member otherwise considers appropriate.

*Analysis:* This is a Valuation Service. The Member has been engaged to perform a Valuation and provide a Valuation Report. The scope of work is limited or restricted because the short timeframe restricts the Member's freedom to choose and apply Valuation Procedures. Hence the Engagement is a Limited Scope Valuation Engagement.

**Example 7 Valuation of shareholding for capital gains tax with assumption on the value of all equity**

*Facts:* A Member in Public Practice is engaged to perform a Valuation of a shareholding in a company for the purpose of capital gains tax and to provide a written report to the Client. The Member is instructed to assume a particular figure for the value of all of the issued share capital of the company.

*Analysis:* This is a Valuation Service. The Member has been engaged to perform a Valuation and provide a Valuation Report where the scope of work is limited or restricted in that the Member is instructed to assume the value of all of the issued share capital. Otherwise the Member is free to apply the Valuation Approaches, Valuation Methods and Valuation Procedures the Member considers appropriate in determining an estimate of value of the shareholding. This freedom means the Engagement is not a Calculation Engagement. The Engagement is a Limited Scope Valuation Engagement because the scope of work is limited or restricted.

**Example 8 Valuation of shareholding for capital gains tax with assumptions on the value of all equity and percentage discounts for the lack of control and marketability**

*Facts:* The facts are the same as for Example 7 except that in addition to being instructed to assume a particular figure for the value of all of the issued share capital of the company, the Member is instructed to assume particular percentage discounts for the lack of control and marketability associated with the shareholding.

*Analysis:* This is a Valuation Service. The Member has been engaged to perform a Valuation and provide a Valuation Report where the scope of work is limited or restricted in that the Member is instructed to assume the value of all of the issued share capital and to assume certain percentage discounts for the lack of control and marketability associated with the shareholding. The Engagement is a Calculation Engagement because the Member and the Client have agreed the Valuation Approaches, Valuation Methods and Valuation Procedures the Member will apply, thereby eliminating the Member's freedom to choose. The performance of the Calculation Engagement is a Valuation Service.

### **Example 9 Valuation of Employer's intangible assets for tax consolidation**

*Facts:* A **Member in Business** is assigned by the **Member's Employer** to perform a **Valuation** of the intangible assets of a company acquired by the **Employer** for the purpose of tax consolidation and to provide a written report to the **Employer**.

*Analysis:* This is a **Valuation Service**. The **Member** has been engaged to perform a **Valuation** and to provide a **Valuation Report**, which constitutes a **Valuation Engagement**.

### **Example 10 Valuation of intellectual property for a Client**

*Facts:* A **Member in Public Practice** is engaged to perform a **Valuation** of the intellectual property of a **Client**, which the **Client** uses internationally. There is no restriction or limitation placed on the **Member** in terms of choosing the appropriate **Valuation Approaches**, **Valuation Methods**, and **Valuation Procedures** to perform the **Valuation**. The **Member** considers that the extent to which the intellectual property is protected by law in the countries in which it is used is material to the **Valuation**. The **Client** has informed the **Member** that it has not obtained legal advice to determine the strength of its legal rights over the intellectual property in each jurisdiction. The **Client** has instructed the **Member** to assume that the **Client** has legally enforceable rights in each jurisdiction.

*Analysis:* This is a **Valuation Service**. The **Member in Public Practice** has been engaged to perform a **Valuation** and to provide a **Valuation Report**. The **Member** is free to employ the **Valuation Approaches**, **Valuation Methods**, and **Valuation Procedures** the **Member** deems appropriate. Accordingly, this is a **Valuation Engagement**. However, the **Valuation Report** must disclose the material assumption the **Member** is instructed to make regarding the status of the legal rights over the intellectual property.

### **Example 11 Limited scope Valuation for mergers and acquisitions advice**

*Facts:* A **Member in Public Practice** is engaged to provide mergers and acquisitions advice to a **Client** contemplating a potential acquisition of a business. Part of the instructions includes performing an indicative **Valuation** of the target business and providing an oral **Valuation Report**.

*Analysis:* This is a **Valuation Service** to the extent of the indicative **Valuation**. The **Member** has been engaged to perform an indicative **Valuation** and to provide a **Valuation Report**, which constitutes a **Limited Scope Valuation Engagement**.

### **Example 12 Estimate of price for advice on sale of a company**

*Facts:* A **Member in Public Practice** is engaged to provide advice and assistance with respect to the sale of a company. As part of the sale process the **Member** is asked to provide generic valuation statistics and parameters relevant to the industry in which the company operates.

*Analysis:* This is not a **Valuation Service**. Even if some **Valuation Procedures** are conducted the **Member** has not been engaged to perform a **Valuation** or to provide a **Valuation Report**. The **Member** has been engaged to provide ancillary services related to the sale of a company.

### **Example 13 Limited scope Valuation of Employer's business for potential sale**

*Facts:* A **Member in Business** is assigned by the **Member's Employer** to perform an indicative **Valuation** of a business owned by the **Employer** for the purpose of its potential sale and to provide an oral report to the **Employer**.

*Analysis:* This is a **Valuation Service**. The **Member** has been assigned to perform a limited scope valuation and to provide a **Valuation Report** to the **Member's Employer**, which constitutes a **Limited Scope Valuation Engagement**.



#### **Example 14 Limited scope Valuation for estate planning advice**

*Facts:* A **Member in Public Practice** is engaged to provide estate planning advice. As a required input to providing that advice, the **Member** performs an indicative **Valuation** of a business and provides an oral **Valuation Report** to the **Client**.

*Analysis:* This is a **Valuation Service** to the extent of performing the indicative **Valuation** of the business and providing the **Valuation Report**, which constitutes a **Limited Scope Valuation Engagement**.

#### **Example 15 Valuation assumptions for estate planning advice**

*Facts:* A **Member in Public Practice** is engaged to provide tax advice in respect of an estate planning **Engagement**. As part of the estate planning process, the **Member** provides assumptions of values of the assets to assess the potential tax consequences. The **Member** is not involved in determining the value of the estate.

*Analysis:* This is not a **Valuation Service**. Even if some **Valuation Procedures** are conducted the **Member** has not been engaged to perform a **Valuation** or to provide a **Valuation Report**. The **Member** has been engaged to provide tax advice in respect of estate planning.

#### **Example 16 Independent expert report for takeover offer**

*Facts:* A **Member in Public Practice** is engaged by a **Client** who is the target of a takeover offer to prepare an independent expert report on whether the takeover offer is “fair and reasonable”. As noted in paragraph RG 111.11 of ASIC’s Regulatory Guide 111 *Content of Expert Reports*, an offer is “fair” if “the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer”. The **Member** will perform a **Valuation** of the securities for the purpose of assessing if the offer is “fair”. In accordance with section 640 of the *Corporations Act 2001*, the independent expert’s report will accompany the target’s statement that will be sent to the shareholders of the **Client**.

*Analysis:* This is a **Valuation Service** to the extent of performing the **Valuation** of the securities and providing the **Valuation Report**. Although the **Member** has been engaged to express an opinion on whether the takeover offer is “fair and reasonable”, the accepted meaning of “fair” (as stated in ASIC’s Regulatory Guide 111) clearly implies that a **Valuation** is to be performed. Thus the **Member** has been engaged, in part, to perform a **Valuation** and to provide a **Valuation Report**, which constitutes a **Valuation Engagement**.

#### **Example 17 Independent expert report for scheme of arrangement**

*Facts:* A **Member in Public Practice** is engaged by a **Client** who is the target of a friendly takeover to be achieved by way of a scheme of arrangement, to prepare an expert’s report on whether a scheme of arrangement is “in the best interest of the members of the company” in accordance with clause 8303 of Schedule 8 of the *Corporations Regulations 2001*. As noted in paragraph RG 111.19 of ASIC’s Regulatory Guide 111 *Content of Expert Reports*, in such a case the expert is expected to provide an opinion as to whether the proposal is “fair and reasonable” as that phrase is understood for the purpose of section 640 of the *Corporations Act 2001*. The **Member** will perform a **Valuation** of the securities for the purpose of assessing if the offer is “fair”. The expert’s report will, if the court directs, accompany the explanatory statement and notice of meeting sent to shareholders of the company.

*Analysis:* This is a **Valuation Service** to the extent of performing the **Valuation** of the securities and providing the **Valuation Report**. Although the **Member** has been engaged to express an opinion on whether the proposal is “in the best interests of the members of the company”, accepted practice (as stated in ASIC’s Regulatory Guide 111) implies that a **Valuation** is to be performed. Thus the **Member** has been engaged, in part, to perform a **Valuation** and to provide a **Valuation Report**, which constitutes a **Valuation Engagement**.

### **Example 18 Independent expert report for the compulsory acquisition of securities**

*Facts:* A **Member in Public Practice** is engaged by a **Client** who has acquired 90% of the securities of a particular class of a company and wishes to issue a notice to acquire compulsorily the balance of the securities. The **Member** is engaged to provide an expert's report under section 667A of the *Corporations Act 2001* on whether "the terms proposed in the notice give a fair value for the securities concerned". In accordance with section 664C, a copy of the expert's report will be sent to each holder of securities.

*Analysis:* This is a **Valuation Service**. The **Member** has been engaged to perform a **Valuation** and to provide a **Valuation Report**, which constitutes a **Valuation Engagement**.

### **Example 19 Audit procedures on Valuation assertions**

*Facts:* A **Member in Public Practice** is engaged to perform an audit. The **Member** will perform procedures to test the valuation assertions (as described in Australian Auditing Standard ASA 500 *Audit Evidence*) of the financial statement balances as part of the audit **Engagement**. The results of these procedures will be documented in the **Member's** working papers and will not be communicated to the **Client**.

*Analysis:* This is not a **Valuation Service**. The **Member** has not been engaged to perform a **Valuation** or to provide a **Valuation Report**. The **Member** has been engaged to perform an audit and the procedures to test the valuation assertions (as described in the Auditing Standards) are only performed as part of the audit **Engagement**.

### **Example 20 Audit procedures on Client's Valuations**

*Facts:* A **Member in Public Practice** is engaged to perform an audit. The **Member** will audit/review the valuation models or calculations prepared by the **Client** to test assets (including goodwill) for impairment as part of the **Member's** audit procedures in accordance with Auditing Standards. The procedures performed will be documented in the **Member's** working papers and will not be communicated to the **Client**.

*Analysis:* This is not a **Valuation Service**. The **Member** has not been engaged to perform a **Valuation** or to provide a **Valuation Report**. The **Member** has been engaged to perform an audit and the procedures to test impairment are only performed as part of the audit **Engagement**.

### **Example 21 Limited scope Valuation of Employer's business**

*Facts:* A **Member in Business** is assigned to perform an indicative **Valuation** of the business of the **Employer** as part of the **Employer's** procedures in respect of testing assets (including goodwill) for impairment for financial reporting purposes.

*Analysis:* This is a **Valuation Service**. The **Member** has been assigned to perform an indicative **Valuation** and to provide a **Valuation Report** which constitutes a **Limited Scope Valuation Engagement**.

### **Example 22 Opinion as receiver and manager on realisable value of business**

*Facts:* A **Member in Public Practice** is engaged by a secured creditor as a receiver and manager of the assets and undertaking of a company. In reporting to the **Client** the **Member** expresses an opinion on the amount that might be realised from the sale of the company's business.

*Analysis:* This is not a **Valuation Service**. Even if some **Valuation Procedures** are conducted the **Member** does not perform a **Valuation** and is not engaged to provide a **Valuation Report**. The **Member** has been engaged to perform an insolvency service and the opinion was expressed as part of performing that service.

### **Example 23 Opinion as expert witness on lost profits**

*Facts:* A [Member in Public Practice](#) is engaged to act as an expert witness in litigation and to express an opinion on the quantum of damages suffered by the plaintiff as a result of an alleged wrong-doing by the defendant. The [Member](#) is instructed that the damages are to be determined by reference to lost profits and that the court must award damages as a once-off lump sum. In performing this task, the [Member](#):

- (a) will calculate the lost profits caused by the alleged wrong-doing by comparing the profits that the plaintiff would have earned but for the alleged wrong-doing with the profits that the plaintiff will earn given the alleged wrong-doing; and
- (b) will calculate the present value of those lost profits.

The [Member](#) will provide a written report and may later give oral evidence at the court hearing.

*Analysis:* This is not a [Valuation Service](#) because the [Member](#) has not been engaged to perform a [Valuation](#) (i.e. the [Member](#) has not been engaged to determine an estimate of value of a business, business ownership interest, security, intangible asset, or other asset or liability).

### **Example 24 Opinion as expert witness on value of business**

*Facts:* A [Member in Public Practice](#) is engaged to act as an expert witness in litigation and to express an opinion on the quantum of damages suffered by the plaintiff as a result of an alleged breach of contract by the defendant. The [Member](#) is instructed that the damages are to be determined by reference to the value of the plaintiff's business before the alleged breach of contract and the [Member](#) is instructed to express an opinion on that value. The [Member](#) will provide a written report and may later give oral evidence at the court hearing.

*Analysis:* This is a [Valuation Service](#) because the [Member](#) has been engaged to perform a [Valuation](#) and to provide a [Valuation Report](#) which constitutes a [Valuation Engagement](#). It is a [Valuation](#) because the [Member](#) has been engaged to determine an estimate of value of a business by applying [Valuation Approaches](#), [Valuation Methods](#) and [Valuation Procedures](#).

## Appendix 2 – Summary of revisions to the previous APES 225 (Issued ~~September 2023~~ July 2019)

APES 225 *Valuation Services* was originally issued in July 2008 and revised in May 2012, December 2015, March 2018, ~~and~~ July 2019 and September 2023 (extant APES 225). APES 225 has been revised by APESB in ~~September 2023~~ XXX 2024. A summary of the revisions is given in the table below.

**Table of revisions\***

Paragraph affected	How affected
1.2	Amended
2 – Definition of Confidential Information	Added
3.10	Amended
3.12	Amended
3.13	Amended

\* Refer Technical Update ~~2023/7~~ 2024/X

# APES GN 20 Scope and Extent of Work for Valuation Services

[Supersedes APES GN 20 Scope and Extent of Work for Valuation Services issued in ~~December 2013~~ January 2020]

REVISED: ~~January 2020~~ XXX 2024

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## 1. Scope and application

- 1.1 The objective of APES GN 20 *Scope and Extent of Work for Valuation Services* is to provide guidance to assist **Members** on the application of APES 225 *Valuation Services* (APES 225) in determining the scope and extent of work that, depending on the particular circumstances, may be appropriate for the three types of **Valuation Service** defined in Section 2 of APES 225.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional guidance note APES GN 20 *Scope and Extent of Work for Valuation Services* (the Guidance Note), which is effective from the date of issue and supersedes APES GN 20 issued in ~~December 2013~~ **January 2020**.
- 1.3 APES GN 20 provides guidance to **Members** in understanding their professional and ethical obligations associated with determining the scope and extent of work that may be appropriate for **Valuation Services** defined in APES 225. This Guidance Note does not prescribe or create any mandatory requirements.
- 1.4 **Members** using this Guidance Note should refer to:
- (a) APESB's *Due process and working procedures for the development and review of APESB pronouncements* (APESB's Due Process document);
  - (b) APES 225 for the mandatory requirements when **Members** provide **Valuation Services**; and
  - (c) APES GN 21 *Valuation Services for Financial Reporting* (APES GN 21) for guidance on the application of APES 225 in respect of the provision of a **Valuation Service** for financial reporting to a **Client** or **Employer**, the scope of work to be performed and matters to be disclosed in a **Valuation Report**.
- The APESB's Due Process document provides the meaning of the term 'should' used in this Guidance Note.<sup>1</sup>
- 1.5 **Members** working in Australia should follow the guidance in APES GN 20 when they provide **Professional Activities**.
- 1.6 **Members** outside of Australia should follow the guidance in APES GN 20 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.
- 1.7 The Guidance Note is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.8 All references to **Professional Standards**, guidance notes and legislation are references to those provisions as amended from time to time.
- 1.9 **Members** are required to comply with other applicable **Professional Standards** and be familiar with relevant guidance notes when performing **Professional Activities**. All **Members** are required to comply with the fundamental principles outlined in the **Code**.
- 1.10 In applying the guidance outlined in APES GN 20, **Members** should be guided not merely by the words but also by the spirit of this Guidance Note and the **Members'** professional obligation to comply with the requirements of the **Code**.
- 1.11 In this Guidance Note, 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.

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<sup>1</sup> Refer to APESB's Due Process document, Section 5, Paragraph 5.2(e).

## 2. Definitions

Defined terms, including terms defined in APES 225, are shown in the body of the Guidance Note in title case.

## 3. Scope and extent of work for Valuation Services

3.1 When performing a **Valuation Service**, a **Member** is required by paragraph 4.6.5 of APES 225 to gather sufficient and appropriate evidence by such means as inspection, inquiry, computation and analysis to provide reasonable grounds that a **Valuation Report** and the conclusions therein are properly supported. In determining the extent and quality of evidence, the **Member** is required to exercise professional judgement considering the nature of the **Valuation**, the type of **Valuation Service**, and the use to which the **Valuation Report** will be put. The following general guidance is to assist the **Member** in exercising professional judgement in determining the extent and quality of evidence to be obtained in respect of the type of **Valuation Service** to be performed.

Type of Valuation Service	Extent of work	Extent of evidence obtained
<b>Valuation Engagement</b>	Limited to extensive use of <b>Valuation Approaches</b> , <b>Valuation Methods</b> and <b>Valuation Procedures</b> .	Evidence obtained for significant matters.
<b>Limited Scope Valuation Engagement</b>	Minimal to limited use of <b>Valuation Approaches</b> , <b>Valuation Methods</b> and <b>Valuation Procedures</b> .	Limited evidence obtained for significant matters.
<b>Calculation Engagement</b>	No to minimal use of <b>Valuation Approaches</b> , <b>Valuation Methods</b> and <b>Valuation Procedures</b> .	Little or no evidence obtained for significant matters.

### Extent of work

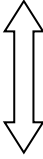
3.2 A **Valuation** under APES 225 may be of a business, business ownership interest, security, intangible asset, or other asset or liability. For convenience, the guidance in this section is based on the assumption that the **Valuation** is of a business, business ownership interest, or equity security.

3.3 To assist a **Member** to exercise professional judgement in respect of the extent of work for the applicable **Valuation Service**, a **Member** may find it helpful to consider the following four areas when performing the **Valuation Service**, subject to the terms of the **Engagement** or **Assignment** agreed with the **Client** or **Employer**:

- (a) The external environment in which the entity operates;
- (b) Entity-specific, non-financial information (for example, entity's operating structure and lifecycle stage);
- (c) Entity-specific, financial information (for example, historical and future orientated financial statements); and
- (d) **Valuation** context and assessments (for example, selection and application of **Valuation Approaches**, **Valuation Methods** and **Valuation Procedures**).



3.4 In determining the extent of work to be undertaken in each of these four areas, **Members** should use their expertise and professional judgement. The following table provides guidance to **Members** on the extent of work that might be undertaken in each of the four areas, depending on the type of **Valuation Service**, the availability of evidence, and subject to the terms of the **Engagement** or **Assignment** agreed with the **Client** or **Employer**. The table is only provided to illustrate a typical continuum of the scope of work for different types of **Valuation Service** and is not intended to be prescriptive of the work that needs to be undertaken in any particular **Valuation Service**. Moreover, there are situations where the work performed for a **Limited Scope Valuation Engagement** is greater than for a **Valuation Engagement** or the work performed for a **Valuation Engagement** is less in one situation than in another due to the unavailability of evidence. Refer to examples in Appendix 1 on determining the extent of work to be undertaken.

Type of Valuation Service	External environment of the entity	Entity specific non-financial information	Entity specific financial information	Valuation context & assessments
<b>Valuation Engagement</b>	Limited to extensive	Limited to extensive	Limited to extensive	Limited to extensive
<b>Limited Scope Valuation Engagement</b>	Minimal to limited	Minimal to limited	Minimal to limited	
<b>Calculation Engagement</b>	None to minimal	None to minimal	None to minimal	

**Extent of evidence obtained**

3.5 Where a **Member** is performing a **Valuation Engagement**, generally the **Member** will obtain evidence that is sufficient and appropriate to provide reasonable grounds that the **Valuation Report** and the conclusions therein are properly supported. This will include evidence on those matters that might reasonably be expected to have a significant impact on the **Conclusion of Value** for that engagement.

3.6 Where a **Member** is performing a **Limited Scope Valuation Engagement**, generally the **Member** will obtain less evidence in respect of some significant matters relevant to the **Conclusion of Value** for that engagement than for a **Valuation Engagement**, because the scope of work is limited or restricted either by the **Client** or the **Employer** or due to the circumstances of the engagement or availability of information.

3.7 Where a **Member** is performing a **Calculation Engagement**, generally the **Member** will obtain less or no evidence in some of the areas referred to in paragraph 3.3 to determine a **Calculated Value** than for a **Valuation Engagement** or a **Limited Scope Valuation Engagement**, because the **Client** or **Employer** does not require all the **Valuation Procedures** that might be required for those engagements.

**4. Selecting the type of Valuation Service**

4.1 The **Client** or **Employer** is responsible for determining which type of **Valuation Service** to commission. In making that determination, the **Client** or **Employer** may wish to consider the relative expected benefits, costs and risks of each type of **Valuation Service**.

- 4.2 The benefits, costs and risks of each type of **Valuation Service** might differ because, for any given set of circumstances, the scope of work of each of the three types of **Valuation Service** could vary. This might arise because in a **Valuation Engagement** the **Member** is free to apply the **Valuation Approaches**, **Valuation Methods** and **Valuation Procedures** the **Member** considers to be appropriate, while in a **Limited Scope Valuation Engagement** the **Member** is limited or restricted in that freedom, and in a **Calculation Engagement** the **Member** has no freedom and must apply the **Valuation Approaches**, **Valuation Methods** and **Valuation Procedures** that have been agreed with the **Client** or **Employer**. As a result, it is generally the case that the scope of work of a **Limited Scope Valuation Engagement** is more limited than that of a **Valuation Engagement**, and that the scope of work of a **Calculation Engagement** is more limited than that of a **Limited Scope Valuation Engagement**. Furthermore, for any particular **Limited Scope Valuation Engagement**, the scope of work might change without the engagement ceasing to be a **Limited Scope Valuation Engagement**, if the nature and extent of the limitations were changed.
- 4.3 Depending on the circumstances, the principal benefits to a **Client** or **Employer** of a limited scope of work might include:
- (a) a reduced burden to provide the **Member** with information or access to management;
  - (b) a shorter period for the completion of the **Valuation Service**; and
  - (c) lower professional fees.
- 4.4 Depending on the circumstances, the principal costs and risks to a **Client** or **Employer** of a limited scope of work might include:
- (a) the risk that a limited scope of work might be less suitable, or unsuitable, for the purpose for which the **Valuation Service** was commissioned;
  - (b) the risk that if a scope of work that was less limited or not limited had been performed the **Conclusion of Value** or **Calculated Value** might have been different; and
  - (c) the costs that might arise if either of the above mentioned risks were to materialise.
- 4.5 Where a **Client** or **Employer** is determining the type of **Valuation Service** to be commissioned and instructs or assigns the **Member** to assist the **Client** or **Employer** in better understanding the risk that a limited scope of work might be less suitable, or unsuitable, for the purpose for which the **Valuation Service** is to be commissioned, the **Member** should consider discussing the following matters with the **Client** or **Employer**:
- (a) *Extent of reliance* – Generally, the greater the extent of reliance on the **Conclusion of Value** or **Calculated Value** the more likely it is that a scope of work that is relatively less limited or not limited will be suitable. For example, in a market transaction, a **Client** may seek only a general indication of value because the market of buyers has been satisfactorily canvassed and the price of a transaction will ultimately be the result of negotiation or auction. In these circumstances a limited scope of work will generally be suitable. In contrast, if an agreement on the price for a transaction is being entered into based only on the **Conclusion of Value** or **Calculated Value**, then it will generally be suitable if the scope of work is relatively less limited or not limited.
  - (b) *Significance of the matter to the Client or Employer* – Generally, the more significant the **Conclusion of Value** or **Calculated Value** is to the **Client** or **Employer** and the higher the degree of risk that it might be challenged, the more likely it is that a scope of work that is relatively less limited or not limited will be suitable.
  - (c) *Preliminary nature of the matter* – In the course of an extended matter, a limited scope of work may be suitable for the purpose of the **Client** or **Employer** making a preliminary or interim assessment.

- (d) *Number of users of the Valuation Report* – Generally, if the [Valuation Report](#) will be provided to a high number of users and it would be reasonable to assume that some of those users may not understand the effect of any major limitations on scope, then a scope of work that is relatively less limited or not limited will be suitable.
- (e) *Public availability* – Generally, if the [Valuation Report](#) will be disclosed, or referred to, in a public document and it would be reasonable to assume that some of the intended users may not understand the effect of any major limitations on scope, then a scope of work that is relatively less limited or not limited will be suitable.

4.6 The above mentioned matters are illustrative but not exhaustive. They are not prescriptive of the type of [Valuation Service](#) that may be appropriate in any particular circumstances.

### ***Conformity with International Pronouncements***

The International Ethics Standard Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES GN 20.

### ***Acknowledgement of the Canadian Institute of Chartered Business Valuators***

APESB gratefully acknowledges the publication of the Canadian Institute of Chartered Business Valuators (CICBV) listed below which provided the basis for the development of this Guidance Note. Components of the CICBV publication have been reproduced with the kind permission of the CICBV with variations made to suit the Australian context and APES 225 *Valuation Services*.

*Practice Bulletin Number 3: Guidance on Types of Valuation Reports*  
*Canadian Institute of Chartered Business Valuators, September 2012*

## Appendix 1

### Illustrative Examples

*This Appendix contains some examples to assist **Members** determine the scope and extent of work for a **Valuation Service**.*

***Members** are cautioned that the determination of the scope of work for a **Valuation Service** in accordance with APES 225 is a matter to be judged based on the particular facts and circumstances. The examples contained in this Appendix are provided for illustrative purposes only and are not intended to be, and cannot be, all inclusive. The examples are not a substitute for reading the full text of APES 225 and APES GN 20 and applying the pronouncements to the particular circumstances. In all of the examples presented below it is assumed that there are no unmentioned facts which would be relevant to the determination of the scope and extent of work for a **Valuation Service**.*

#### **Example 1: Valuation of a minority interest in equity for capital gains tax without access to the company**

*Facts:* A **Member in Public Practice** is engaged by a **Client** who holds a minority interest in the issued share capital of a company to perform a **Valuation** as at today's date of that minority interest, for the purpose of capital gains tax and to provide a written report to the **Client**. There is no restriction or limitation placed on the **Member** in choosing the appropriate **Valuation Procedures** or **Valuation Approach** to use. Neither the **Client** nor the **Member** has access to the management and the books and records of the company. The **Member** has access to the annual reports, minutes of general meetings, and other documents provided by the company to the **Client** as a shareholder.

*Analysis:* If the **Member** did have access to the company (i.e. to its management and to its books and records) then, depending on the circumstances, the **Member** might consider:

- holding discussions with management about the nature and history of, and outlook for, the company's business;
- obtaining and reviewing any management accounts and reports and asking for details of any assumptions underlying them and the basis of their preparation;
- obtaining and reviewing any strategic or business plans;
- obtaining and reviewing any forecasts or budgets and asking for details of any assumptions underlying them;
- obtaining details of any revenues, expenses, assets, or liabilities that the **Member** considers relevant;
- obtaining details of any borrowings;
- obtaining and reviewing any crucial contracts;
- obtaining information on any revenues and expenses reported in the financial statements that management considers to be non-recurring, abnormal, or on non-commercial terms; and
- asking for any other information that the **Member** considers, in the circumstances, to be relevant to the valuation.

However, in this example this information is not available to the **Member** because the **Member** does not have access to the company. The fact that the extent and quality of the information available to the **Member** is less than would be the case if the **Member** did have access does not mean that the **Engagement** is a **Limited Scope Valuation Engagement**. That is because the **Member** remains free to employ the **Valuation Approaches**, **Valuation Methods** and **Valuation Procedures** that a reasonable and informed third party<sup>2</sup> would perform taking into consideration all the specific facts and circumstances of the **Engagement** available to the **Member** at the time – and those specific facts and circumstances include the fact that as a minority shareholder, the **Client's** ownership interest (being the subject matter of the **Valuation**) does not entitle the **Client** to the access and privileges described above.

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<sup>2</sup> The term 'reasonable and informed third party' is explained in paragraph 120.5 A94 of the **Code**.

*Conclusion:* This is a **Valuation Service**. The **Member** has been engaged to perform a **Valuation**, without any restriction or limitation placed on the **Member** by the **Client**, and to provide a **Valuation Report**, which constitutes a **Valuation Engagement**.

### **Example 2: Relationship between Conclusions of Value in a Limited Scope Valuation Engagement and in a Valuation Engagement**

*Facts:* A **Member in Public Practice** is approached by a **Client** who wishes to obtain a **Valuation** of a portfolio of patents for financial reporting and tax purposes. The **Member's** report will be provided to the **Client's** auditors and to the Australian Taxation Office. The **Member** is not a tax agent or an auditor. The **Client** wishes to minimise the cost of the **Valuation** and to that end is willing for the **Member** to limit the amount of work that the **Member** would otherwise do and for the **Engagement** to be a **Limited Scope Valuation Engagement** instead of a **Valuation Engagement**. The **Member** explains to the **Client** that if the **Member** were instead to perform a **Valuation Engagement** then the **Conclusion of Value**, which will be in the form of a range of values, might be different. The **Client** says that it is willing to proceed with a **Limited Scope Valuation Engagement** because it understands that the range of values that the **Member** would determine in a **Limited Scope Valuation Engagement** is simply wider than that which the **Member** would determine in a **Valuation Engagement**.

*Analysis:* The **Client** understands that the **Conclusion of Value** might be different under a **Limited Scope Valuation Engagement** than under a **Valuation Engagement**. However, the **Client** appears to assume that the range of values that would result from a **Valuation Engagement** would fall within the range of values that would result from a **Limited Scope Valuation Engagement**. Whether this would be the case will depend on the facts and often it will not be possible to predict without performing the additional work involved in a **Valuation Engagement**. Hence, while it is possible that the range of values under a **Limited Scope Valuation Engagement** would fall within the range under a **Valuation Engagement**, it is also possible that it would not or that there would only be a partial overlap.

*Conclusion:* In light of the **Client's** apparent misunderstanding and assuming that the nature of the limitations on scope are such that it is not possible to predict whether the range of values that would result from a **Limited Scope Valuation Engagement** would fall within the range that would result from a **Valuation Engagement**, either fully, partially, or at all, the **Member** should inform the **Client** of that fact before an **Engagement** is entered into so that the **Client** is able to make an informed choice.

### **Example 3: Choosing between different types of Valuation Engagements**

*Facts:* The facts are the same as for Example 2 except that (a) the **Client** understands that in the circumstances it is not possible to predict whether the range of values that would result from a **Limited Scope Valuation Engagement** would fall within the range that would result from a **Valuation Engagement**, either fully, partially, or at all; and (b) the **Client** asks the **Member** whether it should commission a **Limited Scope Valuation Engagement** or a **Valuation Engagement**.

*Analysis:* It is the **Client's** responsibility, not the **Member's**, to determine which type of **Engagement** should be commissioned. Many matters may be relevant to that determination and the **Member** may be able to assist the **Client** in understanding some of them. For example, the **Member** could assist the **Client** to understand how the two types of **Engagement** might involve different costs as well as different burdens on the **Client** from requests for information or access to management. The **Member** could also assist the **Client** to understand that because the **Conclusion of Value** in a **Limited Scope Valuation Engagement** might be different from the **Conclusion of Value** in a **Valuation Engagement**, commissioning a **Limited Scope Valuation Engagement** carries an additional degree of risk. Whether that risk is acceptable to the **Client** will depend on the circumstances, including the **Client's** tolerance for risk and how much weight the **Client** places on the perceived benefits such as lower cost and burdens. In the circumstances of this example, the determination may also depend on the attitude of the **Client's** auditors and of the Australian Taxation Office to a **Limited Scope Valuation Engagement** as well as on any relevant law or regulations.

*Conclusion:* The **Member** should inform the **Client** that it is the **Client's** responsibility, not the **Member's**, to determine which type of **Engagement** (i.e. **Valuation Engagement** or **Limited Scope Valuation Engagement**) should be commissioned in the circumstances. The **Member** could also inform the **Client** that the **Member** may assist the **Client** to understand some of the matters that may be relevant to that determination.

#### **Example 4: Extent of evidence**

*Facts:* A **Member in Public Practice** is engaged by a **Client** to perform a **Valuation** of a business, and provide a **Valuation Report**, for the purpose of the **Client's** negotiations with a third party for the sale of the business. The **Valuation Report** will not be provided to that third party. The **Client** instructs the **Member** to use the discounted cash flow method of valuation. But for that instruction, the **Member** would have used the capitalised earnings method of **Valuation**. The **Member** will need more information to perform the **Valuation** using the discounted cash flow method than the **Member** would have needed to perform the **Valuation** using the capitalised earnings method. The additional information will include, amongst other things, long-term cash flow forecasts for the business.

*Analysis:* The **Member** is not free to use the **Valuation Method** that the **Member** believes a reasonable and informed third party<sup>3</sup> would use taking into consideration all the specific facts and circumstances of the **Engagement**.

*Conclusion:* The **Engagement** is a **Limited Scope Valuation Engagement**, notwithstanding that the **Member** will do more work than would be required for a **Valuation Engagement**. It is a **Limited Scope Valuation Engagement**, due to the restriction placed on the **Member** on the **Valuation Method** to be used.

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<sup>3</sup> The term 'reasonable and informed third party' is explained in paragraph 120.5 A94 of the **Code**.

## Appendix 2

### Summary of revisions to the previous APES GN 20 (Issued in ~~December 2013~~ January 2020)

APES GN 20 *Scope and Extent of Work for Valuation Services* was originally issued in December 2013 and revised in January 2020 (extant APES GN 20). APES GN 20 has been revised by APESB in ~~January 2020~~ XXX 2024. A summary of the revisions is given in the table below.

Table of revisions\*

Paragraph affected	How affected
1.2	Amended
3.1	Amended
Appendix 1 – Example 1 - Footnote 2	Amended
Appendix 1 – Example 4 - Footnote 3	Amended

\* Refer Technical Update ~~2020/12024~~ X