

## AGENDA PAPER

**Item Number:** 10.8

**Date of Meeting:** 8 February 2010

**Subject:** Update on Proposed Standard APES 230 *Financial Advisory Services*

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### Purpose

To provide an update to the Board on the progress of the APES 230 *Financial Advisory Services* project and to seek preliminary views from the Board on the proposed principles developed by the taskforce.

### Background

The professional bodies submitted a project proposal to develop a proposed pronouncement to replace the current APS 12 *Statement of Financial Advisory Services* in August 2007. The Board established the APES 230 *Financial Advisory Services* Taskforce to develop the proposed standard and engaged June Smith of Argyle partners to prepare a Consultation Paper to inform the development of the proposed standard. APESB released the Consultation Paper *Review of Miscellaneous Professional Statement APS 12: Statement of Financial Advisory Services* in October 2008 for public comment for a period of 3 months. APESB received five submissions from professional bodies, firms and members and the respondents comments were considered at the May 2009 Board meeting.

In February 2009 the Parliamentary Joint Committee (PJC) on Corporations and Financial Services initiated an inquiry in *Financial Products and Services* in Australia to inquire into the issues associated with financial product and services provider collapses that occurred in 2007-08. In August 2009 APESB made a submission to this inquiry and also made representations to the PJC inquiry. Subsequently the PJC inquiry issued its report in November 2009.

### Project Status

The APES 230 Financial Advisory Services Taskforce has held two meetings in the last quarter and the taskforce has identified the broad principles that should be used in developing a financial advisory services standard to replace the existing APS 12. These principles are set out in the attached agenda paper *Proposed Principles to be addressed in APES 230 Financial Advisory Services* and represent the Taskforce's views on the following matters:

- the scope of the project and the need to cover all Members who provide Financial Advisory Services;
- potential key definitions;

- references to the fundamental principles of APES 110 *Code of Ethics for Professional Accountants*;
- a potential structure and coverage for the proposed APES 230;
- Requirements applicable to all Members:
  - Fiduciary relationship
  - Disclosure to Clients and Prospective Clients
  - Engagement performance
  - Client information, Client Monies and other Client property
  - Use of assumptions to develop Financial Advice
  - Incorrect or misleading information
  - Non-cash alternative remuneration
  - Quality Control/Documentation
  - Estimates and projections;
- Requirements applicable to Members in Public Practice:
  - Professional Engagement matters;
  - Professional Independence;
  - Professional Fees;
  - Disclosure and reporting of Professional Fees.
- It is important to note that the principles applicable to Members in Public Practice (including the principles on remuneration) are principles that should be applied to all members who offer Financial Advisory Services to the public. These Members include those who work as employees of financial institutions (i.e. Members in Business) who offer Financial Advisory Services directly to the public. The practical problems arising in applying these principles to Members in Business need to be considered when developing the proposed Standard.

### **Material Presented**

- Proposed Principles to be addressed in APES 230 *Financial Advisory Services*;
- Minutes of Taskforce meetings held on 21 April 2009 and 24 November 2009;
- APESB's submission to the PJC Inquiry.

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**Date:** 29 January 2010