

APESB Professional and Ethical Standards

**Inner Mongolia Certified Tax Agents Association
(IPA IMCTAA)**

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Overview

- History and structure of APESB
- APESB pronouncements to date
- APES 225 *Valuation Services*
- APES 215 *Forensic Accounting Services*
- APES 220 *Taxation Services*
- APES GN 30 *Outsourced Services*

APESB History

- Established in February 2006 as an initiative of the Institute of Chartered Accountants in Australia (ICAA) and CPA Australia
- The Institute of Public Accountants (previously National Institute of Accountants) became a member in December 2006
- Previously professional and ethical pronouncements were developed by the three professional bodies
- Members of the three bodies are required to comply with APESB pronouncements and are subject to disciplinary procedures of the relevant professional body
- To date APESB has released 15 Standards, 2 Guidance Notes, with 1 more pronouncement at Exposure Draft stage

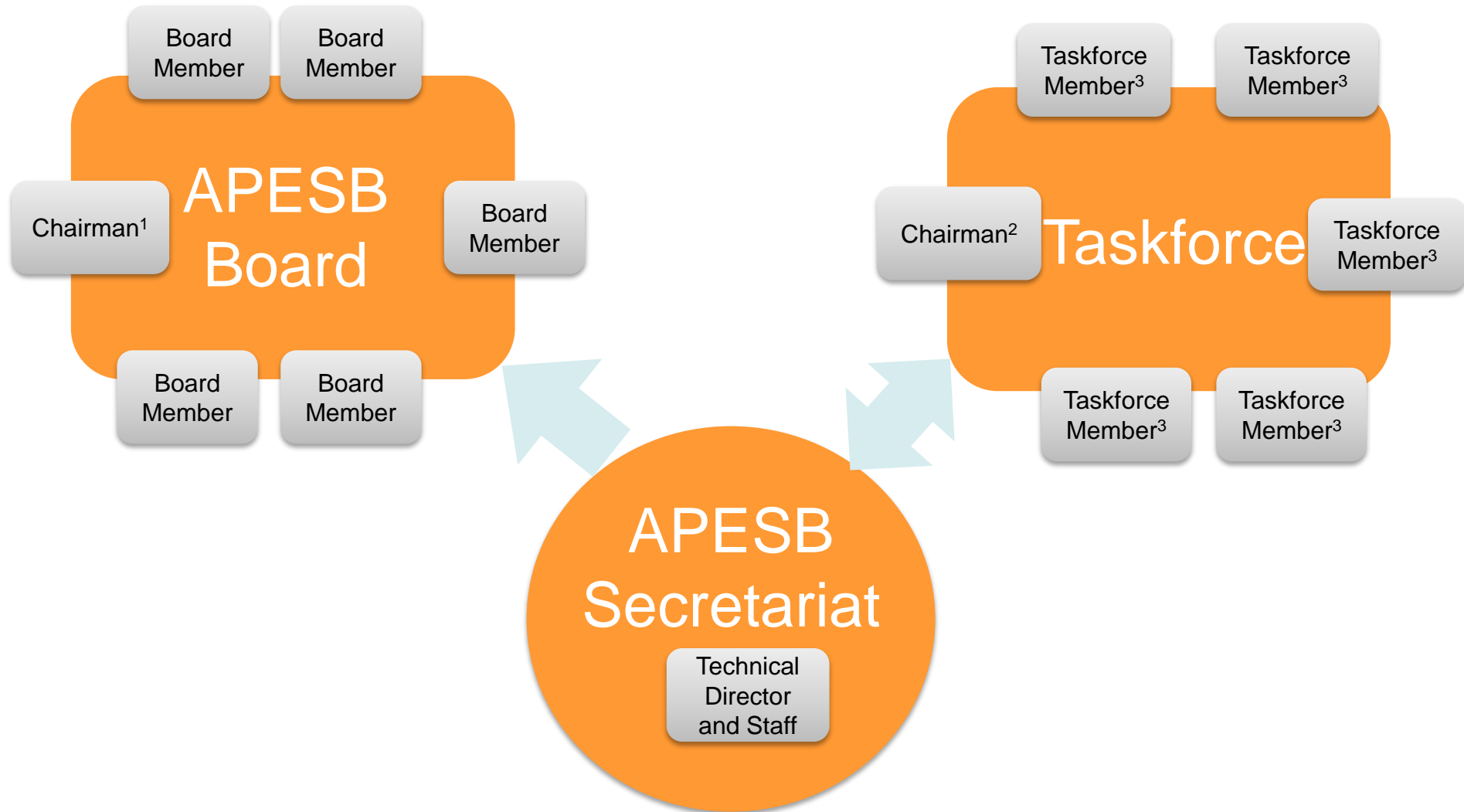
APESB Vision

“Exemplary levels of professionalism and ethical behaviour in the accounting profession”

Board Composition

- Independent Chair
- Two Directors CPA Australia
- Two Directors ICAA
- One Director IPA

APESB Functional Structure

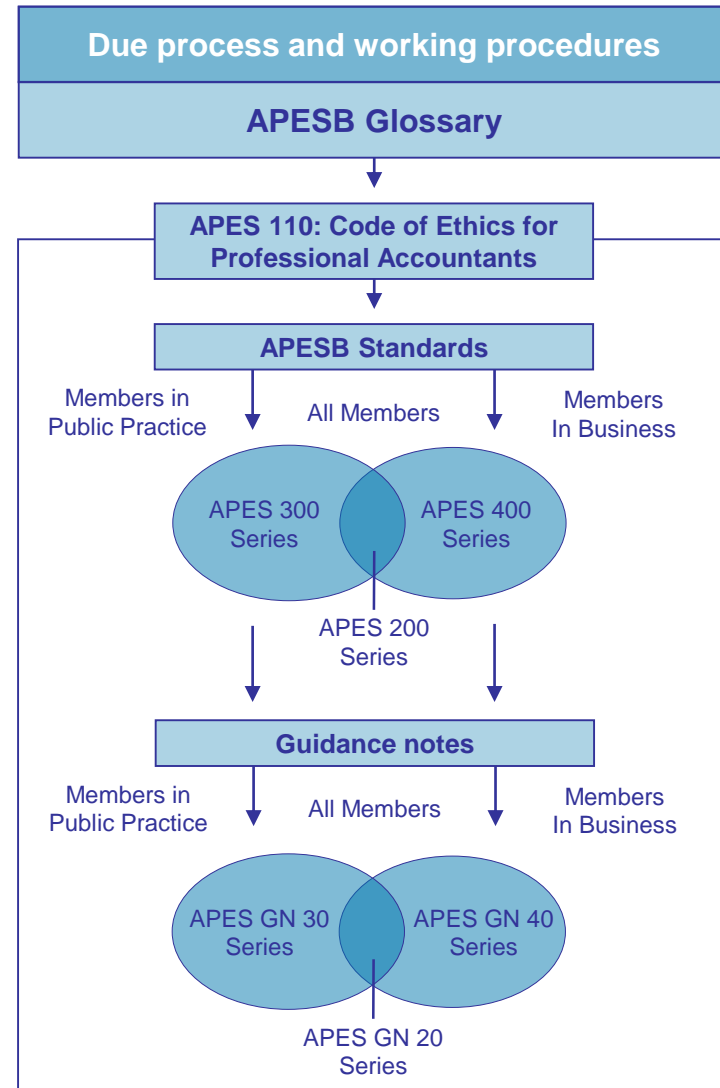


Structure of APESB pronouncements

- **Conceptual Framework**
 - Principles based
 - Mandatory for professional accountants

- **Standard**
 - Introduces principles
 - Mandatory requirements in black letter
 - Guidance and/or explanation in grey letter

- **Guidance notes**
 - Do not introduce new principles
 - Guidance on a specific matter on which the Principles are already stated in a Standard
 - Guidance is only in grey letter



APESB Pronouncements to date

All members

- APES 110 Code of Ethics for Professional Accountants
- APES 205 Conformity with Accounting Standards
- APES 210 Conformity with Auditing and Assurance Standards
- APES 215 Forensic Accounting Services
- APES 220 Taxation Services
- APES 225 Valuation Services
- APES 230 Financial Planning Services
- *APES GN 20 Scope and Extent of Work for Valuation Services**

* *Projects are currently in progress*

APESB Pronouncements to date

Members in Public Practice

- APES 305 Terms of Engagement
- APES 310 Dealing with Client Monies
- APES 315 Compilation of Financial Information
- APES 320 Quality Control for Firms
- APES 325 Risk Management for Firms
- APES 330 Insolvency Services
- APES 345 Reporting on Prospective Financial Information
- APES 350 Due Diligence Committees
- APES GN 30 Outsourced Services

APESB Pronouncements to date

Members in Business

- APES GN 40 Ethical Conflicts in the Workplace

APES 225
Valuation Services
(Revised May 2012)

APES 225 Valuation Services

Australian perspective

- ATO
 - Market Value Guidelines (2002)
- ASIC
 - RG 111: Contents of experts reports (Oct 2007)
 - RG 112: Independence of experts (Oct 2007)
- APESB
 - APES 225 *Valuation Services* (May 2012)
 - APES 110 *Code of Ethics for Professional Accountants* (Dec 2010)

APES 225 Valuation Services

International perspective

- CICBV
 - Standards 110, 120 and 130
- IVSC
 - International Valuation Standards
- ICANZ
 - Independent Business Valuation Engagements (2001)
- AICPA
 - Standards for Valuation Services (June 2007)

APES 225 Valuation Services

Scope and application

- Engagement → Members in Public Practice
- Assignment → Members in Business
- Mandatory for the Members of the three Professional Bodies
- Effective for Valuation Engagements or Assignments commencing on or after 1 September 2012
 - All Members who provide an estimate of value for a business, business ownership interest, security or intangible asset are required to comply with APES 225

APES 225 Valuation Services

Key Definitions

- Valuation linked to:
 - Valuation Approaches
 - Valuation Methods
 - Valuation Procedures
- Three types of Valuation Services:
 - Valuation Engagements
 - Calculation Engagements
 - Limited Scope Valuation Engagements

APES 225 Valuation Services

Key Definitions cont.

- Results:
 - Valuation Engagement → Conclusion of Value
 - Limited Scope Valuation Engagement → Conclusion of Value
 - Calculation Engagement → Calculated Value
- Valuation Report:
 - Written or oral communication containing a Conclusion of Value or a Calculated Value

APES 225 Valuation Services

Reporting

- Mandatory requirements for Members in Public Practice (para 5.2)
- Guidance for Members in Business (para 5.5)
- Reports can be written (para 5.1) or oral (para 5.3)

APES 225 Valuation Services

Reporting cont.

- Key report disclosures from para 5.2 are:
 - Usual disclosures – scope, basis, purpose, limitations etc.
 - Whether acting independently or not
 - Material assumptions and basis of those assumptions
 - Valuation Approaches, Valuation Methods and Valuation Procedures adopted
 - All qualifications that materially affect the Conclusion of Value or Calculated Value
 - Valuation Services conducted in accordance with the Standard
 - Para 5.4 provides additional disclosures to consider

APES 225 Valuation Services

Use of a glossary of business valuation terms

- When issuing a Valuation Report define the terms used
- Members are referred to the *International Glossary of Business Valuation*

What constitutes a valuation service

- Refer to appendix including schematic and examples

APES 215
Forensic Accounting Services

APES 215 Forensic Accounting Services

- Formerly APS 11 & GN 2
- Applies to accountants working in public practice as well as business (i.e. ASIC, Police forces etc.)
- Includes mandatory requirements and guidance for Forensic Accounting Services (FAS)
- Extension of scope for Members in Business
 - Operative on or after 1 July 2009
 - Engagement → Members in Public Practice
 - Assignment → Members in Business

APES 215 Forensic Accounting Services

- Where a Professional Service later becomes a FAS then APES 215 applies (Para 1.5)
- Where a FAS other than an Expert Witness Service (EWS), later becomes a EWS then section 5 of APES 215 applies (Para 1.6)
- Key sections:
 - Expert Witness Services
 - False or misleading information and changes in opinion
 - Professional fees
 - Appendix – use of the terms “facts”, “assumptions” and “opinions”

APES 215 Forensic Accounting Services

Key definitions:

- **Forensic Accounting Services:**
 - Expert Witness Services;
 - Lay Witness Services;
 - Consulting Expert Services; and
 - Investigations Services
- **Court**
- **Expert Witness**
- **Lay Witness**
- **Consulting Expert**
- **Professional Services**
- **Proceedings**
- **Contingent Fees**
- **Report**

APES 215 Forensic Accounting Services

Expert Witness Services

- Evaluation of prior and/or existing relationships
 - Member in Public Practice (para 3.8 and 5.1)
 - Member in Business (para. 5.2)
 - Member in Business who is employed by a government agency (para 5.3)
- A Member's obligation as an Expert Witness (para 5.4)
- The Report of an Expert Witness (para 5.6)
 - The instruction received, limitation on the scope, Member's expertise
 - Relationships with any parties to the Proceedings
 - Significant assumptions
 - Explanation why a significant assumption is likely to be misleading (if any)
 - A list of documents and sources of information relied upon

APES 215 Forensic Accounting Services

False or misleading information and changes in opinion

- Shall not knowingly or recklessly make false or misleading statements
- A Member subsequently becoming aware that information is false or misleading
 - Promptly inform the legal representative of the Client, Employer or the Court as appropriate
 - Consider issuing a supplementary report

APES 215 Forensic Accounting Services

Professional fees

- Member in Public Practice
 - Fees will be computed in accordance with s.240 *Fees and other Types of Remuneration* of the Code
 - Not enter into a Contingent Fee arrangement for an Expert Witness Service or Engagements that require Independence
- Member in Business
 - Not receive contingent remuneration for an Expert Witness Service

APES 215 Forensic Accounting Services

Quality control

- Member in Public Practice – comply with APES 320 *Quality Control for Firms*
- Member in Business – utilise a system of quality control
- Proper documentation of working papers
- Maintain chain of custody

APES 215 Forensic Accounting Services

Use of the terms “facts”, “assumptions” and “opinions”

- Examples are provided to assist Members determine whether a matter is a fact, an assumption or an opinion
- Judged based on the particular facts and circumstances
- **Fact** - Expert Witness has applied specialised knowledge but has not applied any significant degree of judgement
- **Assumption** – ordinary meaning
- **Opinion** – Expert Witness applies a significant degree of expert judgment and draws an inference

APES 215 Forensic Accounting Services

Revision of APES 215

- Revised APES 215 proposed to be issued in 2013
- Materials added:
 - Decision tree schematic on the determination whether a professional service constitutes a Forensic Accounting Service
 - Examples for the classification of the type of Forensic Accounting Services provided by Members

APES 220
Taxation Services
(Revised March 2011)

APES 220 Taxation Services

- Formerly APS 6
- Applies to Members in Public Practice as well as Members in Business
- Includes mandatory requirements and guidance for Taxation Services
- Operative on or after 1 May 2011

APES 220 Taxation Services

- Taxation Services to a Client or Employer defined as:
 - preparation of return, notice, statement or similar document
 - preparation of tax calculations for financial statements
 - tax planning and other tax advisory
 - assistance in resolving tax disputes

APES 220 Taxation Services

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

APES 220 Taxation Services

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

APES GN 30
Outsourced Services

APES GN 30 Outsourced Services

- Issued in March 2013
- APES GN 30 *Outsourced Services* provides guidance to Members in Public Practice to manage risks associated with Outsourced Services
- Includes guidance in respect of:
 - Maintaining confidentiality of Client information
 - Ensuring quality control of the Outsourced Service provided
 - Appropriate level of disclosure of the nature and extent of use of Outsourced Services in the delivery of a Professional Service to the Client
 - Matters to be disclosed in the Service Level Agreement (SLA)

APES GN 30 Outsourced Services

- **Scope of APES GN 30**
 - Applies to the utilisation and provision of Outsourced Services
 - Applies to the utilisation of cross border teams and Network Firms in the delivery of Professional Services
 - Excludes Engagements subject to *ASA 600 Special Considerations – Audits of a Group Financial Report (Including the Work of Component Auditors)*
- **Key Definitions**
 - Outsourcing
 - Outsourcing Agreement
 - Outsourced Service
 - Outsourced Service Provider
 - Material Business Activity

APES GN 30 Outsourced Services

- **Communication with the Client**
 - Disclose Outsourced Service arrangements to the Client
 - Should obtain the Client's written consent to use Outsourced Services in the delivery of Professional Services
- **Management of risks associated with Outsourced Services**
 - Development and documentation of Outsourcing Policy Framework for managing risks associated with Outsourcing
 - Matters to be addressed by the Outsourcing Policy Framework
 - Perform appropriate Due Diligence assessments prior to the engagement of the Outsourced Service Provider

APES GN 30 Outsourced Services

- **Terms of the Outsourcing Agreement**
- **Performance of the Outsourcing Agreement**
 - Transfer process and knowledge
 - Monitor and manage performance
 - Renew, renegotiate and terminate
 - Client monies
- **Documentation**

APES GN 30 Outsourced Services

- **Appendix 1**

- Provides nine examples to assist Members in Public Practice with the determination of whether a particular Professional Service is an Outsourced Service
- Takes into consideration whether the Outsourced activity is a Material Business Activity

- **Appendix 2**

- Provides guidance in respect of the subject matters to be included in an Outsourcing Service Level Agreement (SLA):
 - Terms of the Outsourcing Agreement
 - The required service levels and performance requirements
 - Transition process
 - Pricing model
 - Management of Client information
 - Audit and monitoring procedures
 - Details of liability and indemnity insurance
 - Dispute resolution mechanisms
 - Conditions for SLA termination

Questions?

For more information visit:

www.apesb.org.au

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