

AGENDA PAPER

Item Number: 11
Date of Meeting: 20 November 2019
Subject: Proposed revised APES 230 *Financial Planning Services*
(ED 04/19)

Action required **For discussion** **For noting** **For information**

Purpose

To obtain the Board's approval, subject to the Board's review comments and editorials, to issue the revised APES 230 *Financial Planning Services* (APES 230).

Background

The Board approved a [project plan](#) in March 2018 to revise all APESB pronouncements to incorporate changes required due to the release of the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code).

The restructured Code was issued by APESB in November 2018 and becomes effective 1 January 2020.

In March 2019, APESB released the first exposure draft relating to this project (ED 01/19 *Revision of APESB Pronouncements*) with revisions proposed to ten pronouncements. The second exposure draft relating to this project was released in June 2019 (ED 02/19 *Revision of APESB Pronouncements*) with revisions proposed to 5 pronouncements. The third exposure draft relating to this project was released in August 2019 with revisions proposed to 3 pronouncements.

In October 2019, APESB released the fourth exposure draft to this project (ED 04/19 *Revision of APES 230 Financial Planning Services*). The comment period for ED 04/19 closed on 11 November 2019.

APESB are undertaking a broader consultation process on APES 230 which is discussed in Agenda Paper 12.

Consideration of Issues

APESB received two submissions from stakeholders on ED 04/19, which are tabulated in a General Comments and Specific Comments tables in Agenda Items 11(a) and 11(b).

The key issues raised by stakeholders in the submissions and how these responses have been addressed are noted below.

Digital Technology & Artificial Intelligence

APESB sought respondents' specific comments and feedback on whether the existing provisions in these standards require amendments due to the use of digital technology and artificial intelligence. Respondents were of the view that no changes were required.

One respondent's view is that the most appropriate way to address ethical issues relating to digital technology and artificial intelligence is via the Code. As Technical Staff are commencing a project on the impact of technology and artificial intelligence on ethics and are monitoring the progress of the IESBA Technology Working Group, this comment will be considered during this process.

For completeness, this matter has been added to the APESB's Issues Register under APES 110.

Changing Consent in Writing from Biennial to Annual for Fees on a Percentage Basis

One respondent was supportive of changing paragraph 8.2(b)(iii) to require consent in writing to annually (from biennial) when continuing to charge and collect professional fees on a percentage basis. This respondent also noted that recommendation 2.1 of the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* (Financial Services Royal Commission) includes that ongoing fee arrangements must be renewed annually.

The other respondent was of the view that if this change was implemented the timeframe from when this would become effective on 1 January 2020 was unreasonable to enable changes to business practices, process and systems. This respondent recommends that the APESB include this matter as part of the broader consultation process for APES 230 (refer Agenda Paper 12).

This matter was discussed with the APES 230 Taskforce in May 2019. Taskforce members discussed current industry practice where Members are currently reporting or engaging with clients on an annual basis (including obtaining informed consent). This is considered best practice, and Taskforce members reported that within the industry there is a push to engage with clients on an annual basis. Based on the discussion, the Taskforce members agreed that paragraph 8.2(b)(iii) should be amended to obtain consent on an annual basis rather than a biennial basis.

Further, the Government intends to consult on and introduce legislation to enact recommendation 2.1 of the Financial Services Royal Commission by 30 June 2020 as per their [Financial Services Royal Commission Implementation Roadmap](#).

Technical staff are of the view that APES 230 should require best practice and therefore require annual consent in writing to charge and collect fees on a percentage basis. As such, Technical Staff do not recommend any changes to APES 230 ED in this regard.

No Change from ED 04/19 version

Technical Staff believe APES 230 can be issued based on the version presented to the Board in [ED 04/19](#). As such, Technical Staff have not reproduced revised APES 230 in this agenda paper.

Recommendation

Subject to the Board's review comments, the Board approves the issue of the revised APES 230.

Materials Presented

Agenda Item 11(a)	General Comments Table – ED 04/19 APES 230
Agenda Item 11(b)	Specific Comments Table - ED 04/19 APES 230

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