

# APES 215 Forensic Accounting Services

National Forensic Accounting Teaching and Research Symposium

The Australian National University

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# The importance of Professional Ethics



Paper shredder: **\$100**

Debt hidden in off-balance-sheet subsidiaries:  
**\$500 MILLION**

Stock cashed in by executives while encouraging  
employees to keep buying: **\$1.3 BILLION**

Sitting it front of a congressional committee and  
claiming ignorance of any wrongdoing with a  
completely straight face: **PRICELESS**

*There are some things money can't buy.  
Integrity is one of them.*

# Overview

- **APESB and background to APES 215**
- **Key requirements of APES 215**
- **Integration of professional ethics in to the education programs of the professional bodies and universities**
- **Impact of the standard on the Australian Accounting profession**

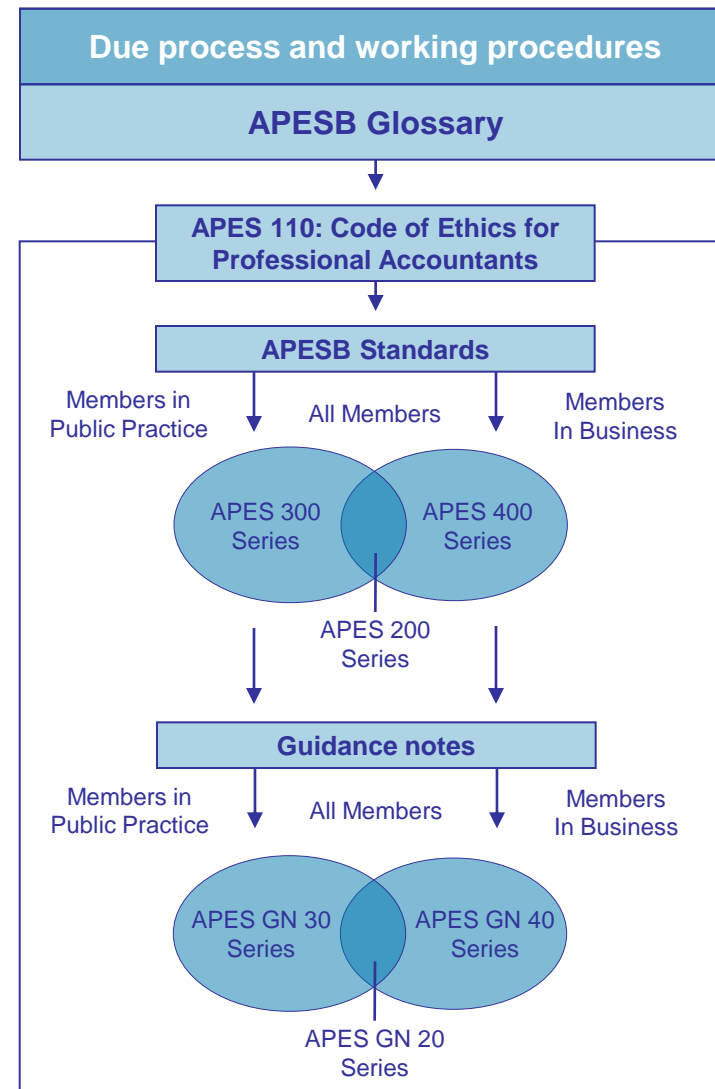
# APESB and background APES 215

# APESB

- **Established in February 2006 as an initiative of ICAA & CPA Australia**
- **NIA became a Member in December 2006**
- **Previously professional and ethical pronouncements were developed by the professional bodies**
- **Members of the three bodies are required to comply and subject to disciplinary procedures of the relevant professional body**

# Structure of APESB pronouncements

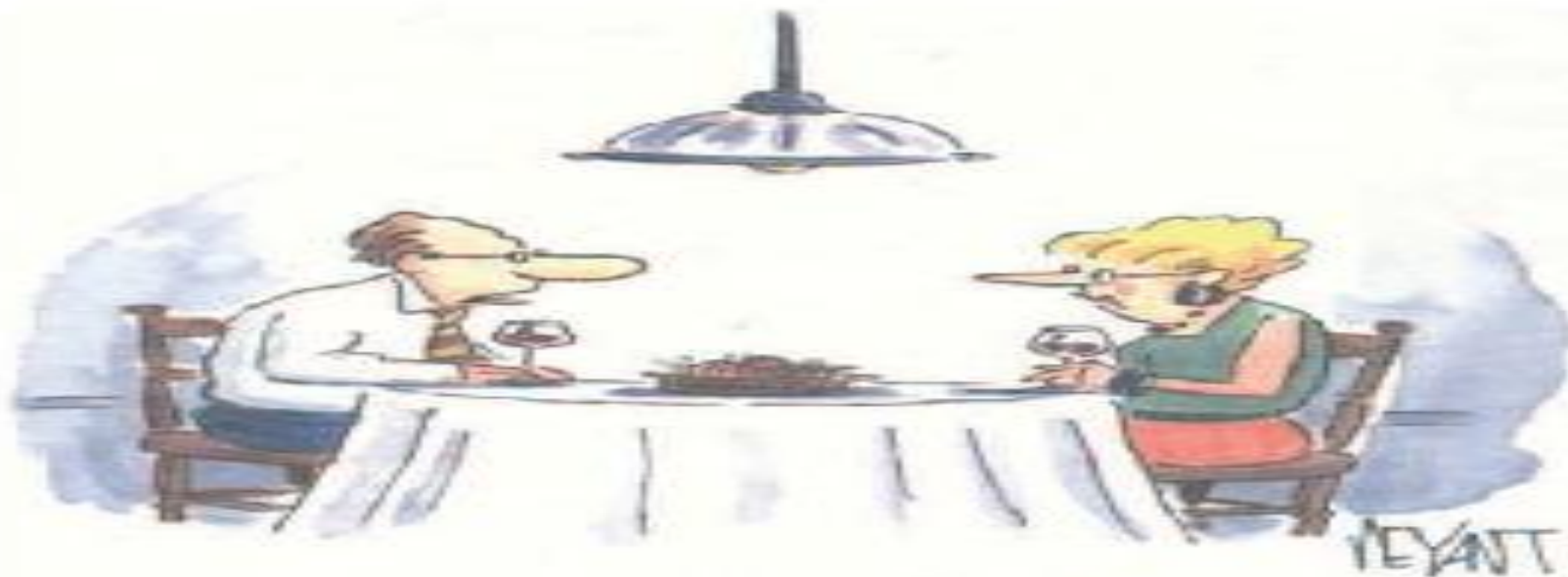
- **Conceptual Framework**
  - Principles based
  - Mandatory for professional accountants
  
- **Standard**
  - Introduces principles
  - Mandatory requirements in black letter
  - Guidance and/or explanation in grey letter
  
- **Guidance notes**
  - Do not introduce new principles
  - Guidance on a specific matter on which the Principles are already stated in a Standard
  - Guidance is only in grey letter



# Background to APES 215

- Formerly APS 11 & GN 2
- Includes mandatory requirements and guidance for Forensic Accounting Services
- Extension of scope for Members in Business
- APESB Taskforce – Aug 07 to Dec 08
- Taskforce composition
- Review of US and Canadian Standards

# The Forensic Report



*"I'm not sure why my marriage ended.  
I'm still waiting for the forensic report."*



# Key requirements of APES 215

# APES 215

## Forensic Accounting Services

### Structure

- Scope and application
- Key definitions
- Fundamental responsibilities of Members
- Professional Engagement and other matters
- Expert Witness Services (EWS)
- False or misleading information and changes in opinion
- Quality control
- Professional fees
- Use of the terms “facts”, “assumptions” and “opinions”

# Scope and Application

- Operative on or after 1 July 2009
- Engagement → Members in Public Practice
- Assignment → Members in Business
- Where a Professional Service later becomes a FAS then APES 215 applies (Para 1.5)
- Where a FAS other than EWS, later becomes a EWS then section 5 of APES 215 applies (Para 1.6)

# Key Definitions

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

# Fundamental Responsibilities of Members

- **Public Interest**
  - Comply with S. 100 *Introduction and Fundamental Principles*, S. 110 *Integrity* and S. 120 *Objectivity* of the Code
  - Members in Public Practice shall comply with S. 220 *Conflicts of Interest* and S.280 *Objectivity* of the Code
- **If it is an Assurance Engagement comply with S. 290 *Independence* of the Code**
- **Disclose matters to the Court to assess the degree of independence**
- **Comply with S.130 *Professional Competence and Due Care* and S. 330 *Acting with Sufficient Expertise* of the Code**
- **Comply with S. 140 *Confidentiality* of the Code**
- **Laws of natural justice**

# 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 obligations as an Expert Witness (para 5.4)**
- **The Report of an Expert Witness**
  - Relationships with any parties to the Proceedings
  - Significant assumptions
  - Explanation why a significant assumption is likely to be misleading (if any)

# Quality Control

- Member in Public Practice - shall 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

# Professional Fees

- **A 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



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

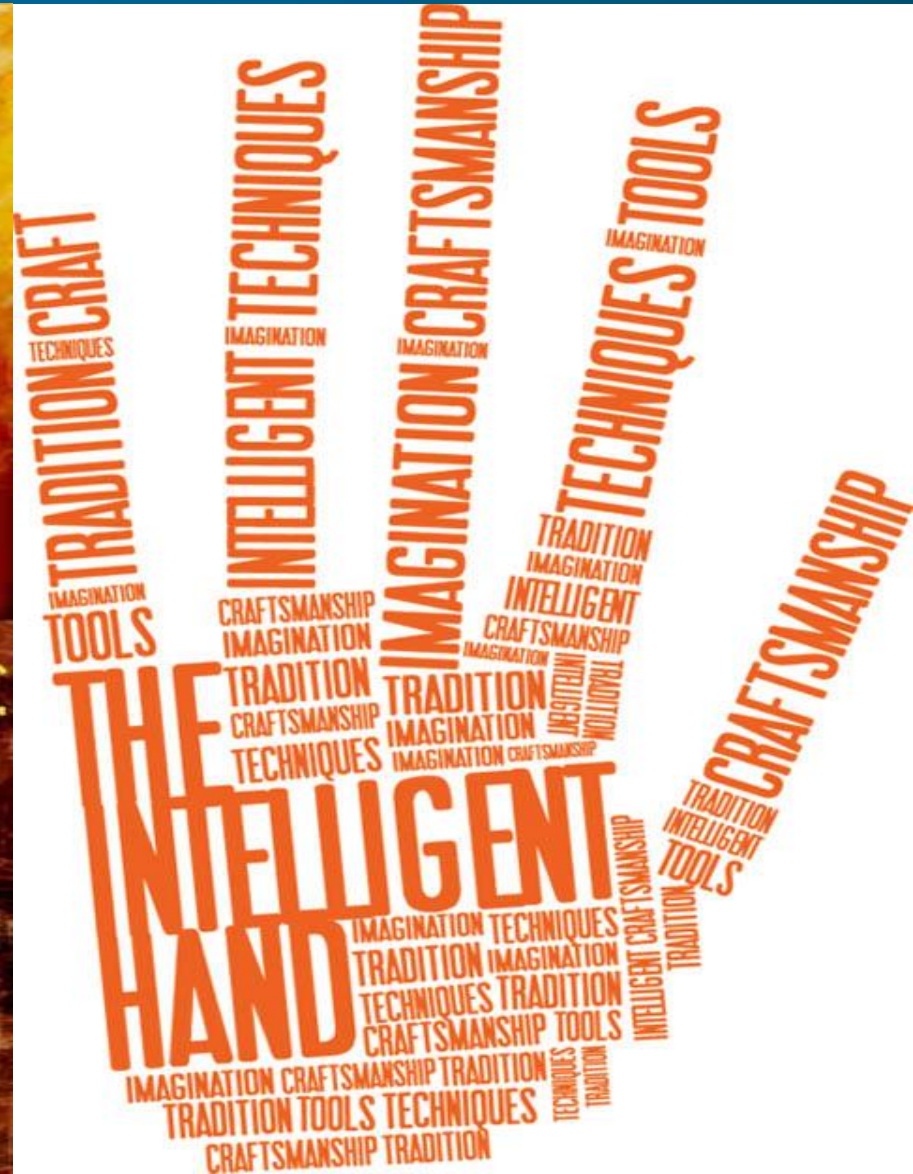
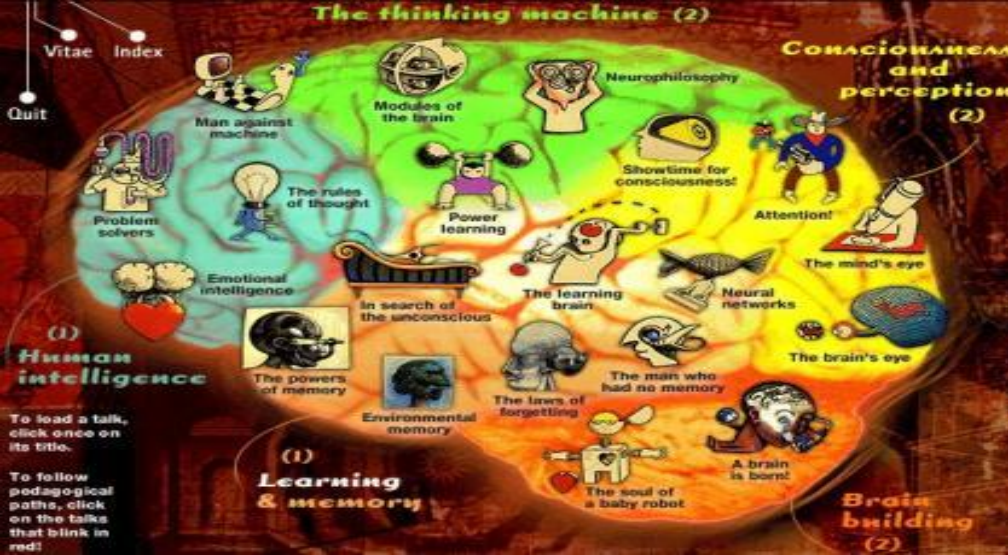
- Examples are provided to assist Members determine whether a matter is a fact, an assumption or an opinion.
- Judged based on the particular facts and circumstances
- **Fact** – Expert Witness has applied specialised knowledge but has not applied any significant degree of judgment
- **Assumption** –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

# Integration of professional ethics in to education programs

# Integration in to Education programs

- APESB developments in the last 3 years
- Undergraduate and post graduate programs
- ICAA/CPA/NIA professional body programs
  - CA program (Ethics and Business Application)
  - CPA program (Ethics and Governance)
  - NIA program (Business and professional ethics)
- Ongoing CPD requirements??

# Shulman's Three Dimensions





# Impact of professional standards on the accounting profession

# Impact on the Australian accounting profession

- Members of all three bodies need to comply with APES 215
- Now covers Members in Business
- Non compliance may result in disciplinary proceedings
- The Australian standard is principles based similar to the Canadian Standard

# Importance of Forensic Accounting

*“what the use of finger prints was to the 19<sup>th</sup> century and DNA analysis was to the 20<sup>th</sup>, forensic accounting will be to the 21<sup>st</sup> century”*

Gordon Brown (2006)

# Questions?



For more information visit:

[www.apesb.org.au](http://www.apesb.org.au)

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