

APESB Professional and Ethical Standards

CPA External Reporting Centre of Excellence (CoE)

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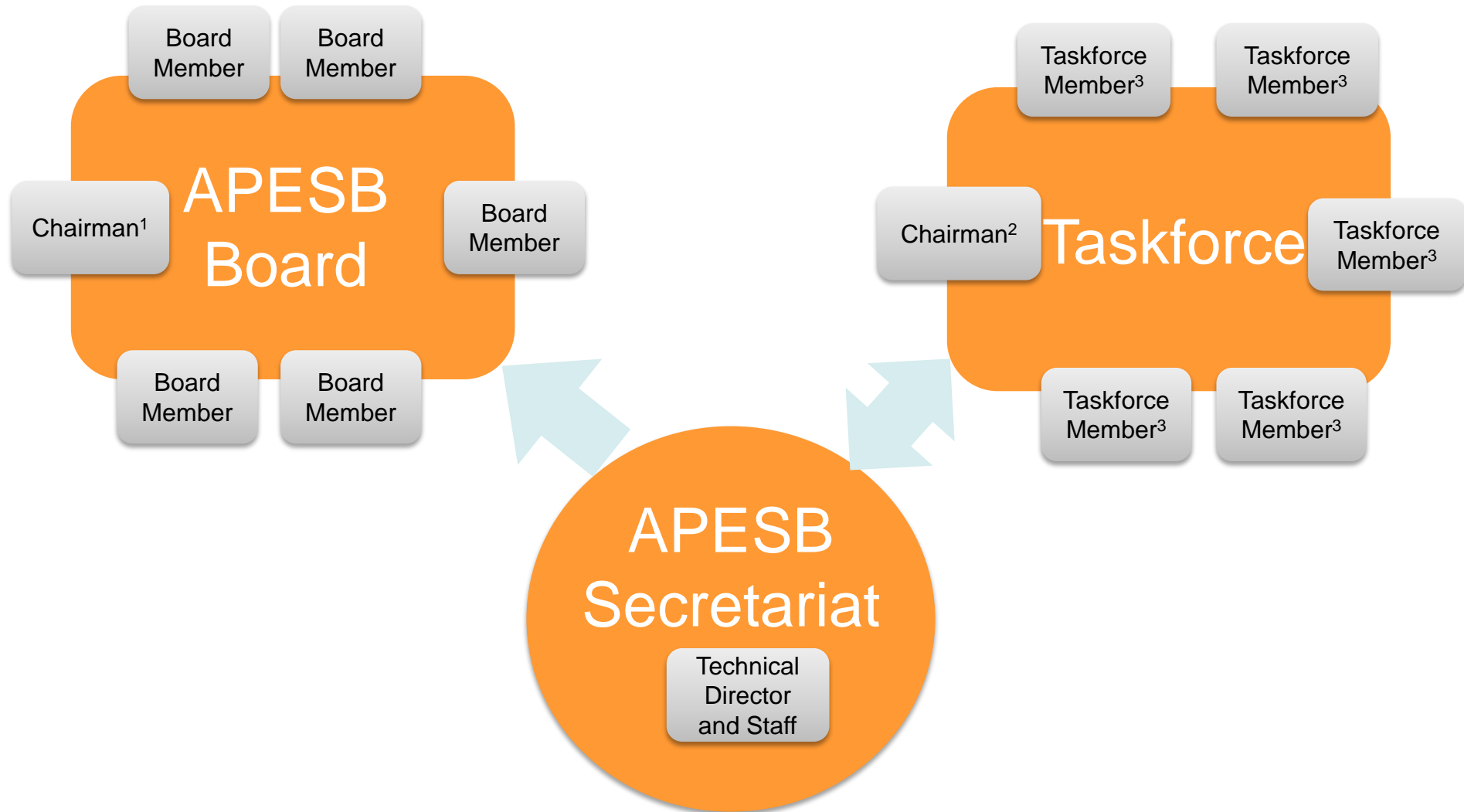
Overview

- APESB's History
- APESB's International links
- Structure of APESB Pronouncements
- APESB pronouncements to date
- APES 225 *Valuation Services*
- APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document*
- APES GN 30 *Outsourced Services*

Board Composition

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

APESB Functional Structure



APESB's International Links

APESB's International links

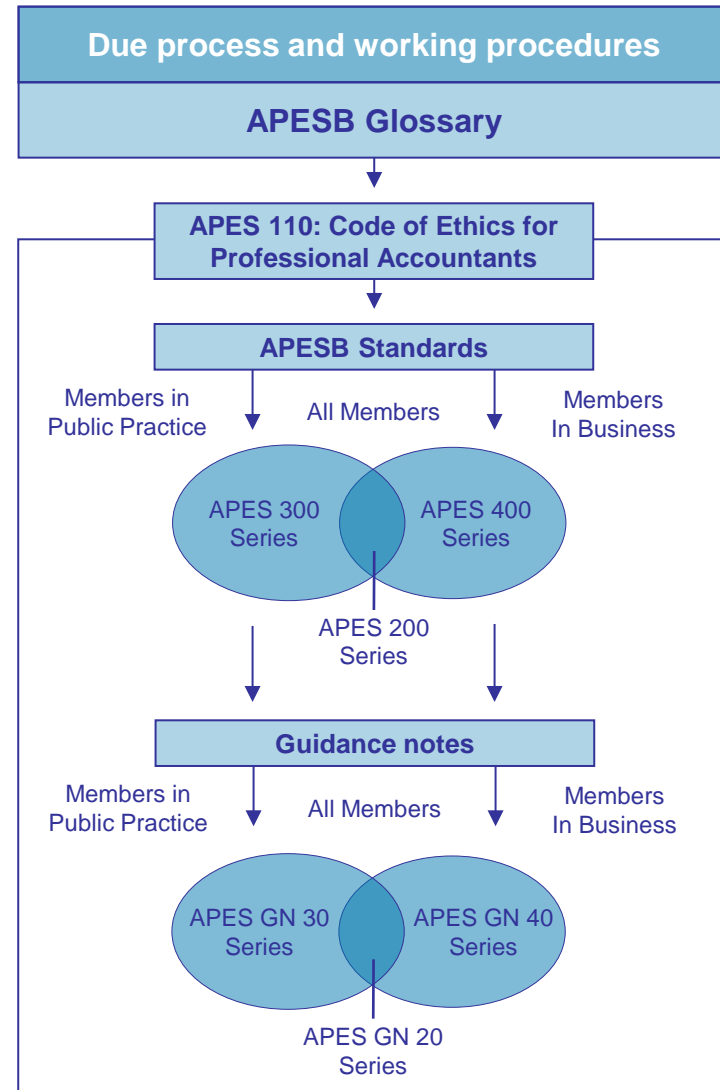
- Member of the IESBA National Standard Setters Group
- Former APESB Chairman – Member of IESBA
- Current APESB Acting Chairman – Member of IFAC SMP Committee
- 2 pronouncements based on IFAC Pronouncements
- 16 pronouncements developed by APESB

Structure of APESB pronouncements

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

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

* Project currently at Exposure Draft stage

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 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document*
Due Diligence Committees
- APES GN 30 *Outsourced Services*

APESB Pronouncements to date

Members in Business

- APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business*

APES 225
Valuation Services
(issued July 2008, 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 2011)
 - APES GN 20 *Scope and Extent of Work for Valuation Services* – Exposure Draft

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
- The revised APES 225 is effective from 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

Three types of Valuation Services

- Valuation Engagements
- Calculation Engagements
- Limited Scope Valuation Engagements

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:
 - 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

What constitutes a Valuation Service – Refer Appendix

- Diagram to determine type of Valuation Services
- 23 examples to determine whether a Member is providing a Valuation Service and the type of Valuation Service

APES 350

***Participation by Members in Public Practice in Due Diligence Committees
in connection with a Public Document
(issued December 2009, revised March 2011)***

APES 350 Due Diligence Committees

- A unique Australian Standard due to the due diligence defence
- Applicable to Members in Public Practice/Firms
- Applicable when providing Professional Services which comprise reporting to a Due Diligence Committee (DDC) as a DDC Member, DDC Observer or Reporting Person
- A DDC Member or DDC Observer role can be performed in isolation or in conjunction with the Reporting Person role
- Revised APES 350 effective from 1 May 2011

APES 350 Due Diligence Committees

Member's Roles and Responsibilities

- Specify the financial and/or other specific information that the Member has performed procedures on
- Not report on matters outside the Member's expertise
- Circumstances in which a Member can sign a report to Those Charged with Governance

APES 350 Due Diligence Committees

Roles & Responsibilities – cont.

- Agree the specific procedures to be undertaken with the Client in relation to verification processes
- DDC Observers to assess scope of procedures and assess whether they will be in a position to provide a DDC Sign-Off

Reporting

Considerations for a Due Diligence Sign-Off :

- conclusions of Member to be provided in negative assurance form
- Member's responsibilities in respect of draft documents
- DDC Sign-off pro forma in Appendix 1

APES 350 Due Diligence Committees

Some of the key elements of a DDC Sign-Off are:

- identification of the proposed transaction and the purpose of the sign-off;
- the financial information and other specific information in relation to which the member has undertaken procedures;
- any limitations on the scope of work;
- the basis upon which the statements in the DDC Sign-off are made;
- the extent of the member's assurance whether the financial and other specific information as presented in the identified sections are misleading or deceptive;
- the significant assumptions;
- any restrictions on the use and distribution of the DDC Sign-Off; and
- a statement that that the Professional Services were performed and the DDC Sign-Off was prepared in accordance with APES 350 and other applicable standards.

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 the Professional Service
 - 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
 - Excludes Engagements subject to ASA 600 Group Audits

APES GN 30 Outsourced Services

- **Communication with the Client**
 - Disclose Outsourced Service arrangements
 - Recommendation is to obtain the Client's written consent
- **Management of risks associated with Outsourced Services**
 - Development and documentation of Outsourcing Policy Framework
 - Matters to be addressed by the Outsourcing Policy Framework
 - Due diligence assessments on 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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