



Module 3<sub>v3.0</sub>

# **Professional Practice Program**

## **APES 200 All Members**





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## Program completion

The IPA Professional Practice Program has been designed for IPA members in professional practice and for non-practitioners as a refresher Program.

With recognition comes responsibility. The IPA is recognised in legislation as one of the three professional accounting bodies within Australia. This means compliance with the ASIC Act and with regulations and standards set by ATO, TPB, ASIC, APESB, FRC, AASB, AUASB and IFAC.

The regulators, standard setters, government and the public all rely on the professional expertise, competence and ethics of IPA members. Therefore, the IPA has mandated that members moving into professional practice must demonstrate competence in these key areas.

It is compulsory to complete the IPA Professional Practice Program within 6 months of receiving an IPA PPC unless you have completed a Professional Practice Program with Chartered Accountants Australia + New Zealand or CPA Australia within the last 5 years.

The Program consists of self-paced study and six Online webinars. You should complete the self-paced study before attending the webinars. This will take up to 80 hours, depending on your experience. To successfully complete the Program, you must:

- Attend all sessions of the Program,
- Successfully complete the assessment held at the end of webinar 3 and at the end of webinar 6.

The assessment comprises of two tests of 15 multiple-choice questions and you are permitted 30 minutes to complete each of the assessment tasks. You may refer to your course materials, but you are not to consult any other person in or outside of the room. There is 1 mark per question and you need to obtain at least 50% to successfully complete the assessment.

If you do not successfully complete the assessment, you will be offered an opportunity to re-sit the assessment. If you are still unsuccessful, you will be required to repeat the six Online webinars and successfully pass the assessment. The IPA reserves the right to cancel a member's PPC in the event a member does not pass the assessment.

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### 3.1: Introduction – APES 200 series of Standards

#### Professional Standards applicable to all IPA Members

As at May 2021, the APESB have issued the following professional and ethical standards:

- 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

### 3.2: APES 205 – Conformity with Accounting Standards

#### Scope and application

The objectives of APES 205 *Conformity with Accounting Standards* are to specify a Member's professional and ethical obligations in respect of:

- fundamental responsibilities when the Member prepares, presents, audits, reviews or compiles Financial Statements;
- the requirement to take reasonable steps to ensure a Reporting Entity prepares General Purpose Financial Statements; and
- the disclosures in an entity's Special Purpose Financial Statements.

APES 205 sets the standards for IPA Members involved with the preparation, presentation, audit, review or compilation of Financial Statements, which are either General Purpose Financial Statements or Special Purpose Financial Statements, of entities in the private and public sectors. APES 205 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.

IPA Members in Australia shall follow the mandatory requirements of APES 205 when they prepare, present, audit, review or compile Financial Statements.

IPA Members shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when performing Professional Activities. All IPA Members shall comply with the fundamental principles outlined in the Code (APES 110) (refer Chapter 2).

## Definitions

APES 205 provides definitions of the following expressions:

• AASB	• Applicable Financial Reporting Framework
• Assurance Engagement	• AUASB
• Audit Engagement	• Audit and Assurance Standards
• Australian Accounting Standards	• Australian Financial Reporting Framework
• Client	• Code
• Compliance Framework	• Engagement
• Financial Statements	• Firm
• General Purpose Financial Statements	• General Purpose Framework
• Member	• Member in Business
• Member in Public Practice	• Professional Activity
• Professional Bodies	• Professional Services
• Professional Standards	• Reporting Entity
• Review Engagement	• Special Purpose Financial Statements
• Special Purpose Framework	• Statements of Accounting Concepts 1
• Those Charged with Governance	•

## **Fundamental responsibilities of IPA Members**

IPA Members shall comply with Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* of the Code and with relevant laws and regulations when they prepare, present, audit, review or compile Financial Statements.

### Public Interest

In accordance with Section 100 *Complying with the Code* of the Code, IPA Members shall observe and comply with their public interest obligations when they prepare, present, audit, review or compile Financial Statements.

### Professional competence and due care

In accordance with Section 113 *Professional Competence and Due Care* of the Code, an IPA Member in Public Practice who is performing a Professional Service based on an Applicable Financial Reporting Framework shall ensure that the Member or the Firm has the requisite professional knowledge and skill or shall engage a suitably qualified external person. If an IPA Member in Public Practice is unable to engage a suitably qualified person when required, the Member shall decline the Engagement.

### Reporting Entity concept

IPA Members who are involved in, or are responsible for, the preparation and/or presentation of Financial Statements of a Reporting Entity shall take all reasonable steps to ensure that the Reporting Entity prepares General Purpose Financial Statements.

### General Purpose Financial Statements

IPA Members shall take all reasonable steps to apply Australian Accounting Standards when they prepare and/or present General Purpose Financial Statements that purport to comply with the Australian Financial Reporting Framework.

Where IPA Members are unable to apply Australian Accounting Standards pursuant to paragraph 5.1, they shall take all reasonable steps to ensure that any departure from Australian Accounting Standards, the reasons for such departure, and its financial effects are properly disclosed and explained in the General Purpose Financial Statements.

IPA Members in Public Practice shall take all reasonable steps to ensure that Clients have complied with Australian Accounting Standards when they perform an Audit or Review Engagement or a compilation Engagement of General Purpose Financial Statements which purport to comply with the Australian Financial Reporting Framework.

Where an IPA Member in Public Practice is unable to ensure that a Client complies with Australian Accounting Standards pursuant to paragraph 5.5, the Member shall consider Australian Auditing and Assurance Standards applicable to Audit or Review Engagements or Professional Standards applicable to compilation Engagements.

#### Special Purpose Financial Statements

IPA Members who are involved in, or are responsible for, the preparation, presentation, audit, review or compilation of an entity's Special Purpose Financial Statements (except where the Special Purpose Financial Statements will be used solely for internal purposes) shall take all reasonable steps to ensure that the Special Purpose Financial Statements, and any associated audit report, review report or compilation report clearly identifies:

- a. that the Financial Statements are Special Purpose Financial Statements;
- b. the purpose for which the Special Purpose Financial Statements have been prepared; and
- c. the material accounting policies adopted in the preparation and presentation of the Special Purpose Financial Statements.

IPA Members who are involved in, or are for, the preparation, presentation, audit, review or compilation of Special Purpose Financial Statements for an entity that has a legislative or non-legislative requirement to prepare Financial Statements that comply with one or more Australian Accounting Standards shall take all reasonable steps to ensure that the Special Purpose Financial Statements comply with the applicable Australian Accounting Standards, including any disclosures additional to those required by paragraph 6.1.

Where an IPA Member in Public Practice is unable to ensure that a Client complies with an Applicable Financial Reporting Framework pursuant to paragraph 6.1, the Member shall consider Australian Auditing and Assurance Standards applicable to Audit or Review Engagements or Professional Standards applicable to compilation Engagements.

### **3.3: APES 210 – Conformity with Auditing and Assurance Standards**

#### Scope and application

The objectives of APES 210 *Conformity with Auditing and Assurance Standards* are to specify a Member's professional and ethical obligations in respect of:

- fundamental responsibilities when the Member performs an Assurance Assignment or an Assurance Engagement;
- compliance with applicable independence requirements;
- compliance with Auditing and Assurance Standards; and
- considerations of relevant Auditing and Assurance Guidance.

APES 210 sets the standards for Members to comply with Auditing and Assurance Standards when they conduct Assurance Assignments or Assurance Engagements. APES 210 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.

Members in Australia shall follow the mandatory requirements of APES 210.

Members outside of Australia shall follow the provisions of APES 210 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

Members shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when performing Professional Activities. All Members shall comply with the fundamental principles outlined in the Code (APES 110), refer to Chapter 2.



## Definitions

APES 210 provides definitions of the following expressions:

• Assignment	• Assurance Assignment
• Assurance Engagement	• AUASB
• Auditing and Assurance Guidance	• Auditing and Assurance Standards
• Client	• Code
• Engagement	• Firm
• Member	• Member in Business
• Member in Public Practice	• Professional Activity
• Professional Bodies	• Professional Services
• Professional Standards	

## **Fundamental responsibilities of IPA Members**

### Public Interest

In accordance with Section 100 of the Code, *Complying with the Code*, IPA Members shall observe and comply with their public interest obligations when they perform an Assurance Assignment or an Assurance Engagement.

### Independence

When engaged to perform an Assurance Engagement, an IPA Member in Public Practice shall comply with Part 4A *Independence for Audit and Review Engagements* or Part 4B *Independence for Assurance Engagements Other than Audit and Review Engagements* of the Code, as applicable.

### Professional competence and due care

In accordance with Subsection 113 *Professional Competence and Due Care* of the Code, an IPA Member in Public Practice who is performing an Assurance Engagement shall ensure that the Member or the Firm has the requisite professional knowledge and skill or shall engage a suitably qualified external person. If the Member is unable to engage a suitably qualified person when required, the Member shall decline the Engagement.

### Auditing and Assurance Standards

IPA Members shall comply with Auditing and Assurance Standards except where legislation or other government authority requires a departure from Auditing and Assurance Standards.

Where legislation or other government authority requires a departure from Auditing and Assurance Standards, a Member shall disclose that fact in the Member's report. In these circumstances, a Member shall not assert compliance with any of those standards in the Member's report.

### Auditing and Assurance Guidance

IPA Members should follow relevant Auditing and Assurance Guidance.

### 3.4: APES 215 – Forensic Accounting Services

#### Scope and application

The objective of APES 215 *Forensic Accounting Services* is to specify a Member's professional and ethical obligations in respect of:

- the provision of a Forensic Accounting Service to a Client or Employer;
- the types of Engagements or Assignments that are a Forensic Accounting Service;
- applicable Independence requirements;
- relationships and the provision of other Professional Activities that create threats to compliance with the fundamental principles;
- the obligations of a Member who provides an Expert Witness Service and the required disclosures in the Member's Report; and
- applicable quality control and documentation obligations.

APES 215 provides mandatory guidance in relation to:

- Public interest;
- Professional independence;
- Professional competence and due care;
- Confidentiality;
- Professional Engagement matters;
- Expert Witness Services;
- The Report of an Expert Witness;
- False or misleading information and changes in opinion;
- Quality control; and
- Professional fees.

Further information on APES 215 can be found at [www.apesb.org.au](http://www.apesb.org.au).

### 3.5: APES 220 – Taxation Services

#### Scope and application

The objectives of APES 220 *Taxation Services* are to specify a Member's professional and ethical obligations in respect of:

- fundamental responsibilities when the Member performs a Taxation Service for a Client or Employer;
- preparation and lodgement of returns to Revenue Authorities;
- association with tax schemes and arrangements;
- the use of estimates;
- false and misleading information;
- professional Engagement matters;
- Client Monies;
- professional fees; and
- documentation.

APES 220 sets the standards for Members in the provision of quality and ethical Taxation Services. APES 220 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.

Members in Australia shall follow the mandatory requirements of APES 220 when they provide Taxation Services.

Members outside of Australia shall follow the provisions of APES 220 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

Members shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when performing Professional Activities. All Members shall comply with the fundamental principles outlined in the Code (APES 110) (refer Chapter 2).

### Definitions

APES 220 provides definitions of the following expressions:

• Assurance Engagement	• AUASB
• Client	• Client Monies
• Code	• Employer
• Engagement	• Firm
• Member	• Member in Business
• Member in Public Practice	• Professional Activity
• Professional Bodies	• Professional Services
• Professional Standards	• Revenue Authorities
• Taxation Law	• Taxation Services
• Those Charged with Governance	• Writing

### **Fundamental responsibilities of IPA Members**

#### Public Interest

In accordance with Section 100 *Complying with the Code*, IPA Members shall observe and comply with their public interest obligations when they provide Taxation Services.

#### Integrity and professional behaviour

In accordance with the fundamental principles of integrity and professional behaviour contained in the Code, IPA Members providing Taxation Services shall ensure that their own personal tax obligations and those of any associated entities for which the Member is responsible are properly discharged.

#### Objectivity

When providing Taxation Services IPA Members shall be objective in accordance with Section 112 *Objectivity* of the Code. They shall maintain an impartial attitude and recommend options that meet the Client's or Employer's interests consistent with the requirements of the law.

If a conflict of interest arises due to the Member being asked to act as an advocate for a Client or Employer before a court or tribunal in respect of Professional Activities the Member provided, the Member shall comply with Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* and Section 210 *Conflicts of Interest* (for Members in Business) or Section 310 *Conflicts of Interest* (for IPA Members in Public Practice) of the Code.

#### Independence obligations

When an IPA Member in Public Practice is providing Taxation Services to a Client and the Member's Firm is also engaged to conduct an Assurance Engagement for the same client, the Member shall comply with Part 4A *Independence for Audit and Review Engagements* or Part 4B *Independence for Assurance Engagements Other than Audit and Review Engagements* of the Code, as applicable.

#### Confidentiality

An IPA Member who acquires confidential information in the course of performing a Taxation Service for a Client or Employer shall comply with Subsection 114 *Confidentiality* of the Code.

Unless the Member has a legal, regulatory or professional obligation of disclosure, a Member shall not convey any information relating to a Client's or Employer's affairs to a third party without the Client's or Employer's permission.

Unless the Member has a legal obligation of disclosure, a Member shall not furnish to the Revenue Authorities any opinions or written advice of a third party who is acting in a specialist capacity on specific aspects of the Professional Activity, without the prior knowledge and express consent of that third party.

Where an IPA Member provides confidential information in accordance with a legal, regulatory or professional obligation of disclosure, the Member shall notify the Client, Employer or relevant third party as soon as practical, provided that there is no legal prohibition against such notification.

#### Professional competence and due care

IPA Members engaged in providing Taxation Services shall maintain professional competence and take due care in the performance of the Member's work in accordance with Section 113 *Professional Competence and Due Care* of the Code.

An IPA Member shall maintain open, frank and effective communications with a Client or Employer. In this regard:

- a. where appropriate having regard to the Member's agreed scope of work, a Member shall advise a Client or Employer of both the Member's and the Client's or Employer's rights, obligations and options available under the Taxation Law. An IPA Member shall also advise the Client or Employer of their rights or options available under Taxation Law with respect to the seeking of a private ruling and the lodging of objections and appeals against adverse positions adopted by the Revenue Authorities; and
- b. in the context of Taxation Services requested, an IPA Member shall advise a Client or Employer on the application of the Taxation Law, including any possible penalties and other legal tax consequence, so as to allow the Client or Employer to make an informed decision of the course of action to be taken.

An IPA Member in Public Practice shall provide a Client with a statement in Writing that:

- a. the responsibility for the accuracy and completeness of the particulars and information provided by the Client rests with the Client;
- b. any advice given to the Client is only an opinion based on the Member's knowledge of the Client's particular circumstances; and
- c. a taxpayer has obligations under self-assessment to keep full and proper records in order to facilitate the preparation of accurate returns.

Where the application of the Taxation Law is not certain, an IPA Member shall not represent to a Client or Employer that the results of a Taxation Service (such as the tax or other revenue returns which the Member prepares or assists in preparing, or the tax advice the Member offers), are beyond challenge.

#### Preparation and lodgement of returns to Revenue Authorities

An IPA Member shall prepare and/or lodge returns and other relevant documents required to be lodged with a Revenue Authority in accordance with the information provided by a Client or Employer, their instructions and the relevant Taxation Law.

Where an IPA Member in Public Practice provides a tax lodgement service to another party and a significant portion of the work associated with the revenue returns and other relevant documents is not performed under the supervision of the Member, the Member shall perform sufficient reviews of the revenue returns and other relevant documents in accordance with this Standard and the Code prior to lodgement of these revenue returns.

### Tax schemes and arrangements

Where appropriate, having regard to the Member's agreed scope of work, an IPA Member shall give the Client or Employer sufficient information to enable the Client or Employer to be fully informed of the details of the scheme or arrangement and its current and future ramifications including the risks and uncertainties, particularly in relation to possible changes in Taxation Law.

An IPA Member shall not knowingly or recklessly be associated with any arrangement which involves documents or accounting entries that are intended to misrepresent a transaction or which depend upon lack of disclosure for its effectiveness.

An IPA Member shall not promote, or assist in the promotion of, or otherwise encourage any tax schemes or arrangements where the dominant purpose is to derive a tax benefit and it is not reasonably arguable that the tax benefit is available under Taxation Law. Accordingly, a Member shall not provide advice on such a scheme or arrangement to a Client or Employer other than to advise that in the Member's opinion it is not effective at law.

In respect of an entity that predominantly promotes tax schemes or arrangements, an IPA Member shall not:

- have any financial interest in such an entity; or
- render any Professional Service to such an entity where the Member knows that the Member's immediate or close family has a financial interest.

### Estimates

An IPA Member shall not prepare or be associated with the preparation of returns or submissions to Revenue Authorities involving the use of estimates unless their use is generally accepted or, under the circumstances, it is impracticable to obtain exact data.

When estimates are used, an IPA Member shall present them in such a manner as to avoid the implication of greater accuracy than in fact exists.

An IPA Member shall consider whether the use of an estimate is reasonable in the particular circumstance. Where an IPA Member has reason to believe an estimate is not reasonable, the Member shall advise the Client or Employer of the risks and consequences of using the relevant estimate in the return or submission to be lodged with the Revenue Authorities.

### False or misleading information

An IPA Member shall not provide a Taxation Service to a Client or Employer if the Member finds that information on which the Taxation Service is to be based contains false or misleading information or omits material information and the Client or Employer is not prepared to appropriately amend it.

An IPA Member shall not knowingly or recklessly make a statement or cause another to make a statement in or in connection with a Taxation Service that, by its content or by an omission, is false or misleading in a material manner.

Where an IPA Member forms the view that a Taxation Service is based on false or misleading information or the omission of material information, the Member shall discuss the matter with the Client or Employer and advise them of the consequences if no action is taken.

An IPA Member in Public Practice who

- knows that a Client or the Member on behalf of the Client has filed a return or submission materially understating a tax liability to a Revenue Authority, and
- finds the Client unwilling to correct such understatement,

shall consider the Firm's policies and procedures established in accordance with *Acceptance and Continuance of Client Relationships and Specific Engagements* of APES 320 *Quality Control for Firms* in determining whether to continue acting for the Client in a professional capacity.

An IPA Member who encounters or becomes aware of instances of non-compliance or suspected non-compliance with laws and regulations when providing Taxation Services shall comply with Section 260 *Responding to Non-Compliance with Laws and Regulations* (for Members in Business) or Section 360 *Responding to Non-Compliance with Laws and Regulations* (for Members in Public Practice) of the Code.

#### Professional Engagement matters

An IPA Member in Public Practice shall provide the Client with an appropriate statement in Writing outlining the relevant terms of the Engagement to provide the Taxation Service in accordance with APES 305 *Terms of Engagement*.

An IPA Member in Public Practice who is approached by a potential Client to undertake a Taxation Service shall comply with the requirements of Section 320 *Professional Appointments* of the Code.

An IPA Member in Public Practice who has utilised the services of a third party in connection with the performance of a Taxation Service, such as a legal opinion to support the provision of taxation advice, shall not disclose the relevant opinion or the name of that third party without the prior consent of that party.

An IPA Member consulting with others in relation to a Client's or Employer's affairs shall observe the requirements of Section 114 *Confidentiality* of the Code.

#### Client Monies

An IPA Member in Public Practice shall ensure prompt transmission of Client Monies received on behalf of a Client from Revenue Authorities to the Client in accordance with the requirements of APES 310 *Client Monies*.

An IPA Member in Public Practice shall not use, withhold or otherwise appropriate tax refunds to settle the fees of the Member or for any other use in lieu of their transfer directly to the Client, unless agreed to by the Client in Writing.

Where funds are to be banked by an IPA Member in Public Practice on behalf of a Client, a Member shall use a separate bank account designated as a trust account and maintained in accordance with the requirements of APES 310 *Client Monies*.

#### Professional Fees

An IPA Member in Public Practice providing Taxation Services shall be remunerated for such Professional Services by way of professional fees computed in accordance with Section 330 *Fees and Other Types of Remuneration* of the Code.

#### Documentation

An IPA Member shall prepare working papers in accordance with this Standard that appropriately document the work performed, including aspects of the Taxation Service that have been provided in Writing in accordance with this Standard, and the basis on which, and the method by which, any calculations, determinations or estimates used in the provision of the Taxation Service have been made.

### 3.6: APES 225 – Valuation Services

#### Scope and application

The objective of APES 225 *Valuation Services* is to specify a Member's professional and ethical obligations in respect of:

- the provision of a Valuation Service to a Client or Employer;
- the types of Engagement or Assignment that are a Valuation Service;
- matters a Member in Public Practice must address in the Terms of Engagement;
- matters to be disclosed in a Valuation Report; and
- quality control and documentation requirements.

APES 225 sets the standards for Members in the provision of quality and ethical Valuation Services. APES 225 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.

Members in Australia shall follow the mandatory requirements of APES 225 when they provide Valuation Services.

Members outside of Australia shall follow the mandatory requirements of APES 225 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

Members shall comply with other relevant Professional Standards and be familiar with relevant guidance notes when performing Professional Activities. All Members shall comply with the fundamental principles outlined in the Code.

#### Definitions

APES 225 provides definitions of the following expressions:

• Assignment	• Calculated Value
• Calculation Engagement	• Client
• Code	• Conclusion of Value
• Contingent Fee	• Employer
• Engagement	• Engagement Document
• Firm	• Independence
• Limited Scope Valuation Engagement	• Member
• Member in Business	• Member in Public Practice
• Premise of Value	• Professional Activity
• Professional Bodies	• Professional Services
• Professional Standards	• Terms of Engagement
• Valuation	• Valuation Approach(es)
• Valuation Engagement	• Valuation Method(s)
• Valuation Procedures	• Valuation Report
• Valuation Service	• Writing

#### **Fundamental responsibilities of IPA Members**

A Member providing a Valuation Service shall comply with Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* of the Code and relevant laws and regulations.

Members in Public Practice shall comply with Section 310 *Conflicts of Interest* of the Code.

#### Public Interest

In accordance with Section 100 *Complying with the Code* of the Code, IPA Members shall observe and comply with their public interest obligations when providing a Valuation Service.



### Professional Independence

When engaged to perform a Valuation Service which requires Independence or purports to be independent, an IPA Member in Public Practice shall comply with Independence as defined in this Standard.

An IPA Member in Public Practice shall not act as an advocate in respect of a Valuation Service which requires Independence or purports to be independent.

### Professional competence and due care

An IPA Member providing a Valuation Service shall maintain professional competence and take due care in the performance of the Member's work in accordance with Section 113 *Professional Competence and Due Care* of the Code.

Where a Valuation Service requires the consideration of matters that are outside an IPA Member's professional expertise, the Member shall seek expert assistance or advice from a suitably qualified third party on those matters outside of the Member's professional expertise or decline the Valuation Service. An IPA Member shall disclose in any Valuation Report or other relevant communications the extent of the reliance upon the advice of such a third party.

When planning to use the work of a suitably qualified third party, an IPA Member shall assess the professional competence and objectivity of the third party, the engagement terms of the third party and on completion the appropriateness and reasonableness of the work performed.

### Confidentiality

An IPA Member who acquires confidential information in the course of performing a Valuation Service for a Client or Employer shall comply with Subsection 114 *Confidentiality* of the Code.

Unless the Member has a legal, regulatory or professional obligation of disclosure, an IPA Member shall not convey any information relating to a Client's or Employer's affairs to a third party without the Client's or Employer's permission.

Where an IPA Member provides confidential information in accordance with a legal, regulatory or professional obligation of disclosure, the Member shall notify the Client, Employer or relevant third party as soon as practicable, provided that there is no legal prohibition against such notification.

### **Professional Engagement and other matters**

An IPA Member in Public Practice shall document and communicate to the Client in an Engagement Document the Terms of Engagement to provide the Valuation Service in accordance with APES 305 *Terms of Engagement*.

An IPA Member in Public Practice shall include the following in the Engagement Document:

- a. a statement as to which type of Engagement the Member has been engaged to perform (if that has been determined at the date of the Engagement Document);
- b. the definitions of a Valuation Engagement, a Limited Scope Valuation Engagement and a Calculation Engagement;
- c. for a Valuation Engagement, a statement that if the Member becomes aware during the course of performing the Valuation of a limitation or restriction that could have a material impact on the estimate of value, then the Engagement will become a Limited Scope Valuation Engagement;
- d. for a Calculation Engagement, a statement as to which Valuation Approaches, Valuation Methods and Valuation Procedures the Member has been engaged to perform;
- e. for a Valuation Service which requires Independence or purports to be independent, a statement confirming the Member's Independence and the Member's compliance with the Independence requirements of this Standard; and
- f. a statement that the Valuation Service will be conducted in accordance with this Standard.



An IPA Member in Public Practice who is approached by a potential Client to undertake a Valuation Service shall comply with the requirements of Section 320 *Professional Appointment* of the Code.

An IPA Member in Public Practice who has engaged the services of a third party in connection with the performance of a Valuation Service, such as a valuer of property, plant and equipment, shall not disclose the opinion or the name of that third party without the prior consent of that party unless the Member has a legal obligation of disclosure.

An IPA Member shall gather sufficient and appropriate evidence by such means as inspection, inquiry, computation and analysis to provide reasonable grounds that the Valuation Report and the conclusions therein are properly supported. When determining the extent and quality of evidence necessary the Member shall exercise professional judgement, considering the nature of the Valuation, the type of Valuation Service and the use to which the Valuation Report will be put.

Where an IPA Member becomes aware of instances of non-compliance with laws and regulations when performing a Valuation Service, the Member shall comply with Section 260 *Responding to Non-Compliance with Laws and Regulations* (for Members in Business) or Section 360 *Responding to Non-Compliance with Laws and Regulations* (for Members in Public Practice) of the Code.

### Reporting

Where an IPA Member in Public Practice prepares a Valuation Report in Writing in respect of a Valuation Service, the Valuation Report shall clearly communicate:

- a. The name of the party engaging the Member;
- b. A description of the business, business ownership interest, security, intangible asset or other asset or liability being valued;
- c. The date at which the value has been determined;
- d. The date on which the Valuation Report has been issued;
- e. The purpose for which the Valuation Report has been prepared;
- f. The name and qualifications of the Member(s) responsible for the Valuation;
- g. The scope of the Valuation, including any limitations or restrictions;
- h. The standard of value used in the Valuation and its definition;
- i. The Premise of Value adopted in the Valuation (e.g. going concern premise or liquidation premise);
- j. Whether the Valuation was undertaken by the Member acting independently or not;
- k. The Valuation Approach(es), Valuation Method(s) and Valuation Procedures adopted in determining the estimate of value and a description of how they were applied;
- l. The specific information on which the Member has relied and the extent to which it has been reviewed (for example, the documents reviewed, the individuals interviewed, the facilities visited, the reports of other experts relied upon, and management representations);
- m. A description of the material assumptions applied in the Valuation and the basis for those assumptions;
- n. A Conclusion of Value for a Valuation Engagement or a Limited Scope Valuation Engagement, or a Calculated Value for a Calculation Engagement;
- o. All qualifications that materially affect the Conclusion of Value or Calculated Value;
- p. For a Limited Scope Valuation Engagement, that if a Valuation Engagement had been performed the results may have been different;
- q. For a Calculation Engagement, that if a Valuation Engagement had been performed the results may have been different;
- r. Where a Member has prepared a Valuation Report requiring Independence or purporting to be independent, that the compensation to be paid to the Member is not contingent on the conclusion, content or future use of the Valuation Report; and
- s. That the Valuation Service was conducted in accordance with this Standard.

Where an IPA Member in Public Practice communicates the Valuation Report orally, the Member shall communicate the elements noted in the preceding paragraph, as appropriate in the circumstances, and document the oral communication, the reasons for issuing an oral report and the work performed in accordance with this Standard and the Firm's policies and procedures established under *Documentation of the system of quality control* of APES 320 *Quality Control for Firms*.

In addition to the minimum requirements of a Valuation Report set out above, an IPA Member in Public Practice shall consider including the following information in a Valuation Report, as appropriate:

- a. A description of other Valuation Approaches or Valuation Methods considered and the reasons why they were not considered relevant for the Valuation;
- b. Sufficient details of the Valuation calculations to allow a reader to understand how the Member determined the Conclusion of Value or Calculated Value;
- c. A summary of relevant financial information; and
- d. A summary of the relevant industry.

#### Documentation

An IPA Member performing a Valuation Service shall prepare working papers that appropriately document the work performed, including the basis on which, and the method by which, any calculations, determinations or estimates used in the provision of the Valuation Service have been made.

#### Use of a glossary of business valuation terms

When issuing a Valuation Report, an IPA Member shall clearly define the Valuation terms used.

#### Professional fees

An IPA Member in Public Practice providing Valuation Services shall be remunerated for such Professional Services by way of professional fees computed in accordance with Section 330 *Fees and Other Types of Remuneration* of the Code.

An IPA Member in Public Practice shall not enter into a Contingent Fee arrangement or receive a Contingent Fee for a Valuation Service which requires Independence or purports to be independent.

#### Appendix 1

This Appendix contains a schematic and some examples to assist or determine whether a particular service is a Valuation Service for the purposes of APES 225 and, if so, whether the Engagement or Assignment is a Valuation Engagement, Limited Scope Valuation Engagement, or Calculation Engagement.

Further information on APES 225 can be found at [www.apesb.org.au](http://www.apesb.org.au).

### **3.7: APES 230 – Financial Planning Services**

#### Scope and application

The objectives of APES 230 *Financial Planning Services* are to specify a Member's professional and ethical obligations in respect of:

- fundamental responsibilities when the Member performs a Financial Planning Service for a Client or employer;
- compliance with applicable Professional Independence requirements;
- terms of engagement;
- the basis of reporting Financial Planning Advice;
- remuneration of the Member including professional fees, Third Party Payments and Soft Dollar Benefits; and
- documentation and quality control.

APES 230 sets that standards for Members in the provision of quality and ethical Financial Planning Services.

Members in Australia shall follow the mandatory requirements of APES 230 when they provide Financial Planning Services.

Members outside of Australia shall follow the mandatory requirements of APES 230 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

Members shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when performing Professional Activities. All Members shall comply with the fundamental principles outlined in the Code.

### Definitions

APES 230 provides definitions of the following expressions:

• Acceptable Level	• Australian Credit Licence (ACL)
• Australian Financial Services Licence (AFSL)	• Australian Financial Services Licensee
• Best Interests of the Client	• Client
• Code	• Commissions
• Fee for Service	• Financial Planning Advice
• Financial Planning Service	• Financial Services and Credit Guide
• Financial Services Guide	• Firm
• Informed Consent	• Member
• Member in Business	• Member in Public Practice
• Professional Activity	• Professional Bodies
• Professional Independence	• Professional Services
• Professional Standards	• Soft Dollar Benefits
• Statement of Advice	• Third Party Payments
• Writing	

### **Fundamental responsibilities of IPA Members**

An IPA Member providing a Financial Planning Service shall comply with Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* of the Code and relevant laws and regulations.

#### Public Interest

In accordance with Section 100 *Complying with the Code* of the Code, IPA Members shall observe and comply with their public interest obligations when providing a Valuation Service.

#### Integrity

An IPA Member providing a Financial Planning Service shall comply with Subsection 111 *Integrity* of the Code.

#### Objectivity and conflicts of interest

An IPA Member providing a Financial Planning Service shall be objective in accordance with Subsection 112 *Objectivity* of the Code.

An IPA Member in Public Practice shall comply with Section 310 *Conflicts of Interest* of the Code.

#### Best Interests of the Client

An IPA Member providing a Financial Planning Service shall act in the Best Interests of the Client.

## Professional Competence and Due Care

An IPA Member providing a Financial Planning Service shall maintain professional competence, take due care and act in a timely manner in the performance of the Member's work in accordance with Subsection 113 *Professional Competence and Due Care* of the Code.

Where a Financial Planning Service requires the consideration of matters that are outside the professional expertise of an IPA Member, the Member shall seek expert assistance or advice from a suitably qualified third party or decline to provide the service. Where the Member relies on the advice of a third party, the Member shall disclose in any reports, or other relevant communications, the name and qualifications of the third party and the areas in which third party advice has been obtained.

When planning to use the work of a suitably qualified third party, an IPA Member shall assess the professional competence and objectivity of that third party, document the terms of engagement of the third party, and assess the appropriateness and reasonableness of the work performed and the fees charged.

In undertaking a Financial Planning Service, an IPA Member shall consider any guidance issued by the Professional Bodies and applicable regulatory authorities.

### Confidentiality

An IPA Member who acquires confidential information in the course of a Financial Planning Service shall comply with Subsection 114 *Confidentiality* of the Code.

Unless an IPA Member has a legal, regulatory or professional obligation of disclosure, the Member shall not convey any information relating to a Client's affairs to a third party without the Client's permission.

Where an IPA Member provides confidential information in accordance with a legal, regulatory or professional obligation of disclosure, the Member shall notify the Client or relevant third party as soon as practicable, provided that there is no legal prohibition against such notification.

### Professional appointments

An IPA Member in Public Practice who is approached by a potential Client to undertake a Financial Planning Service shall comply with Section 320 *Professional Appointments* of the Code.

### Marketing

An IPA Member in Public Practice who provides Financial Planning Services shall comply with Subsection 115 *Professional Behaviour* of the Code.

### Professional Independence

When engaged to provide a Financial Planning Service, an IPA Member shall comply with Professional Independence as defined in this Standard and, where applicable, shall comply with the independence requirements contained in laws or regulations, such as the *Corporations Act 2001*.

Where an IPA Member provides a Financial Planning Service that is restricted in scope, including where the Financial Planning Service is restricted to particular areas, financial products or providers, the Member shall disclose the extent of those restrictions and any resulting effect on the Member's objectivity and Professional Independence:

- (a) prior to undertaking the Financial Planning Service; and
- (b) at the time the Financial Planning Service is provided to the Client.

### Terms of the Financial Planning Service

An IPA Member in Public Practice shall document and communicate to the Client the terms of engagement to provide the Financial Planning Service in accordance with APES 305 *Terms of Engagement* and this Standard.

Before commencing a Financial Planning Service, an IPA Member shall disclose to a Client or a prospective Client the following terms of engagement in Writing, and obtain the Client's agreement in Writing to such terms:

- (a) the identity of the person or the entity responsible for providing the Financial Planning Service;
- (b) the nature and scope of Financial Planning Services to be provided or offered including any limitations of scope;
- (c) significant factors that affect or may affect the Member's ability to provide the Financial Planning Service to the Client on an objective and independent basis;
- (d) the details of the professional fees, including the basis on which the fees are determined and the services covered by the fees;
- (e) information about any actual, potential or perceived conflicts of interest that have the potential to affect the Member's ability to act in the Best Interests of the Client;
- (f) where the Member has adopted safeguards to eliminate or reduce to an Acceptable Level any identified conflicts of interest or other threats to the Member's ability to comply with the fundamental principles of the Code, information about the nature of those safeguards and an explanation of the reasons why the Member considers those safeguards to be effective;
- (g) the need for the Member to obtain the Client's Informed Consent in Writing, where the Member is to be remunerated for a Financial Planning Service in accordance with paragraphs 8.2(b) or 9.2(b); and
- (h) information about the nature and extent of any interests, associations or relationships, including family, contractual or agency relationships, whether of a financial nature or otherwise, that have the potential to affect the Member's ability to act in the Best Interests of the Client.

### **The basis of preparing and reporting Financial Planning Advice**

#### Basis for the Financial Planning Advice

An IPA Member providing Financial Planning Advice shall establish the basis for the Financial Planning Advice to be provided with reference to:

- (a) information provided by the Client or agreed by the Client where otherwise sourced; and
- (b) the Member's evaluation of various strategies and courses of action that could reasonably be expected to meet the Client's objectives, financial situation and needs, including the relative effectiveness of the various strategies and courses of action.

An IPA Member providing Financial Planning Advice shall analyse and evaluate the Client's relevant circumstances existing at the time of providing the advice and take reasonable steps to ensure that the Financial Planning Advice takes into consideration:

- (a) the agreed scope of the Financial Planning Advice including any limitations of scope;
- (b) the Client's objectives, financial situation and needs, and other relevant circumstances; and
- (c) significant assumptions used to develop the Financial Planning Advice.

An IPA Member shall gather sufficient appropriate evidence by such means as inspection, inquiry, computation and analysis to establish a reasonable basis for Financial Planning Advice. When determining the extent and quality of evidence necessary, the Member shall exercise professional judgment, considering the nature of the Financial Planning Advice and the Member's understanding of the Client's objectives, financial situation and needs, and other relevant circumstances.

An IPA Member who is providing Financial Planning Advice shall inform the Client of all significant assumptions and their sensitivities that are reasonably expected to impact upon the Financial Planning Advice. The Member shall agree with the Client, to the extent practicable, all significant assumptions and their sensitivities that impact upon the advice taking into consideration the Client's relevant circumstances. The Member shall document the significant assumptions used to prepare the advice.

Where an IPA Member who is providing Financial Planning Advice uses estimates, forecasts or projections in the Financial Planning Advice, the Member shall ensure that those estimates, forecasts or projections are presented and communicated in a manner that avoids the implication of greater certainty than in fact exists.

An IPA Member shall not provide Financial Planning Advice if the Member finds that information on which the Financial Planning Advice is to be based contains false or misleading information or omits material information.

#### Reporting the Financial Planning Advice

Subject to the terms of engagement and the scope of work, an IPA Member in Public Practice who provides Financial Planning Advice shall report to the Client in Writing:

- (a) the name of the party engaging the Member;
- (b) the date of the report;
- (c) the purpose of the Financial Planning Advice;
- (d) the name and qualifications of the Member(s) responsible for the Financial Planning Advice;
- (e) the scope of the Financial Planning Advice, including any limitations or restrictions;
- (f) the basis of the Financial Planning Advice, including all significant assumptions on which the Financial Planning Advice is based;
- (g) the specific information on which the Member has relied and the extent to which it has been reviewed by the Member;
- (h) the reasons why the Financial Planning Advice is considered to be in the Best Interests of the Client;
- (i) the amount of the fee received or receivable by the Member, either from the Client or a third party, for the Financial Planning Advice; and
- (j) that the Financial Planning Advice was provided in accordance with this Standard.

#### Client's information, monies and other property

An IPA Member in Public Practice who holds, receives or disburses Client monies, or operates a Client's bank account(s) shall comply with APES 310 *Client Monies*.

An IPA Member shall take reasonable steps to protect the security of a Client's information and property that is within the Member's control in accordance with applicable law, regulations and this Standard.

An IPA Member shall return a Client's property, including records, to the Client upon request, or in accordance with the terms of the Financial Planning Service.

An IPA Member who encounters or becomes aware of instances of non-compliance or suspected non-compliance with laws and regulations when providing Financial Planning Services shall comply with Section 260 *Responding to Non-Compliance with Laws and Regulations* (for Members in Business) or Section 360 *Responding to Non-Compliance with Laws and Regulations* (for Members in Public Practice) of the Code.



### Professional Fees

Where an IPA Member in Public Practice provides a Financial Planning Service to a Client, the Member shall eliminate or reduce to an Acceptable Level the threats to the fundamental principles of the Code described in paragraph 8.1 by either:

- (a) the Member charging a professional fee on a Fee for Service basis; or
- (b) where the Member charges a professional fee solely determined or based on a percentage of the value of the Client's assets or funds under management<sup>1</sup>, the Member;
  - (i) obtaining, prior to the commencement of the Financial Planning Service, Informed Consent in Writing from the Client to charge and collect the professional fee on a percentage basis;
  - (ii) disclosing on an annual basis to the Client the amount collected for the Financial Planning Service and providing an explanation for any significant variation from previously advised fees; and
  - (iii) obtaining thereafter on an annual basis consent in Writing from the Client to continue to charge and collect the professional fee on a percentage basis.

If an IPA Member in Public Practice proposes to make a material change to the basis upon which the Member charges professional fees, the Member shall notify the Client and obtain the Client's consent in Writing to the amended terms in accordance with APES 305 *Terms of Engagement*.

### Third Party Payments

Where an IPA Member in Public Practice provides a Financial Planning Service to a Client, the Member shall eliminate or reduce to an Acceptable Level the threats to the fundamental principles of the Code described in paragraph 9.1 by either:

- (a) the Member charging a professional fee on a Fee for Service basis; or
- (b) where the Member is to be remunerated by Third Party Payments, the Member;
  - (i) obtaining, prior to the commencement of the Financial Planning Service, Informed Consent in Writing from the Client for the receipt of these Third Party Payments;
  - (ii) disclosing to the Client three comparative quotes, where available, in respect of Financial Planning Advice on new contracts for life insurance and other risk products and the procurement of new loans;
  - (iii) disclosing on an annual basis to the Client the amount or estimated amount of Third Party Payments to be received for the Financial Planning Service;
  - (iv) disclosing on an annual basis to the Client the amount of the Third Party Payments received for the Financial Planning Service; and
  - (v) where applicable, disclosing to the Client the impact of any proposed changes to existing life insurance, other risk contracts and loans including the impact on Third Party Payments received or receivable by the Member as a result of recommending changes to these contracts and loans.

Where an IPA Member in Public Practice provides a Financial Planning Service in respect of life insurance, other risk contracts and the procurement of loans and is to be remunerated on a Fee for Service basis in accordance with paragraph 9.2(a), the Member shall fully rebate to the Client any Third Party Payments received as soon as practicable. Where a Third Party Payment is not related specifically to an individual Client, the Member shall apportion the amount amongst all relevant Clients in a fair and reasonable manner.

### Soft Dollar Benefits

Except as provided for in paragraph 10.3, an IPA Member in Public Practice shall not accept Soft Dollar Benefits in relation to a Financial Planning Service provided by a Member.

### Documentation and quality control

An IPA Member shall prepare working papers in accordance with this Standard that document the work performed, including aspects of the Financial Planning Services that have been provided in Writing. The documentation prepared by the Member shall:

- (a) provide a sufficient and appropriate record of the procedures performed for the Financial Planning Services;
- (b) evidence that the work undertaken provides a reasonable basis for the Financial Planning Advice, including any recommendations accompanying the Financial Planning Advice;
- (c) demonstrate that the Financial Planning Services were carried out in accordance with this Standard and other applicable Professional Standards, and ethical, legal and regulatory requirements; and
- (d) evidence all relevant information concerning the Member's professional relationship with the Client, including:
  - (i) sufficient information to evidence that the Member has acted in the Best Interests of the Client; and
  - (ii) information about how the Member has disclosed and addressed any threats or conflicts of interest arising in the course of the Client relationship or the Financial Planning Services.

Further information on APES 230 can be found at [www.apesb.org.au](http://www.apesb.org.au).