



Module 4_{v6.0}

Professional Practice Program APES 300 Members in Public Practice



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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 course,
- Successfully complete the assessment held in two parts at the end of webinar 3 and at the end of webinar 6.

The assessment comprises 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. 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.

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4.1: Introduction – APES 300 Series of Standards

Professional Standards applicable to IPA Members in Public Practice

As at May 2023, the APESB have issued the following professional and ethical standards:

- APES 305 Terms of Engagement
- APES 310 Client Monies
- APES 315 Compilation of Financial Information
- APES 320 Quality Management for Firms that provide Non-Assurance Services
- APES 325 Risk Management for Firms
- APES 330 Insolvency Services
- APES 345 Reporting on Prospective Financial Information prepared in Connection with a Public Document
- APES 350 Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document

4.2: APES 305 – Terms of Engagement

Scope and application

The objectives of APES 305 *Terms of Engagement* are to specify a Member in Public Practice's professional and ethical obligations in respect of:

- documentation and communication of the Terms of Engagement to a Client;
- matters to be included in an Engagement Document;
- circumstances in which an Engagement Document should be reissued in respect of a recurring Engagement; and
- limitation of liability schemes.

APES 305 sets the standards in respect of Terms of Engagement for Members in Public Practice in the provision of quality and ethical Professional Services to Clients. In some instances there are specific standards applicable to Members in Public Practice issued by other standard setting bodies or specific requirements of statutes in respect of Terms of Engagement, for example ASA 210 *Agreeing the Terms of Audit Engagements* issued by the Auditing and Assurance Standards Board which governs audit Engagements. Compliance with these other standards or statutes should result in compliance with APES 305.

Members in Public Practice in Australia shall follow the mandatory requirements of APES 305 when they provide Professional Services to Clients.

Members in Public Practice practising outside of Australia shall follow the provisions of APES 305 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

Members in Public Practice shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.

Definitions

APES 305 provides definitions of the following expressions:

• Client	• Cloud Computing
• Code	• Engagement
• Engagement Document	• Firm
• Material Business Activity	• Member
• Member in Public Practice	• Outsourced Service
• Outsourced Service Provider	• Outsourcing
• Outsourcing Agreement	• Professional Activity
• Professional Bodies	• Professional Services
• Professional Standards	• Terms of Engagement
• Writing	

Terms of Engagement for Professional Services

An IPA Member in Public Practice shall document and communicate to the Client the Terms of Engagement.

The practice of documenting and communicating the Terms of Engagement should ensure that there is a clear understanding between the Client and the IPA Member in Public Practice regarding the Terms of Engagement.

It is in the interests of both the Client and the IPA Member in Public Practice that the Member documents and communicates the Terms of Engagement, preferably before the Engagement commences, to avoid misunderstandings with respect to the Engagement.

Confidentiality

An IPA Member in Public Practice who acquires confidential information in the provision of Professional Services to a Client shall comply with Subsection 114 Confidentiality of the Code.

Utilising Outsourced Services or Cloud Computing

Utilising Outsourced Services or Cloud Computing in the provision of [Professional Services](#) to a [Client](#) impacts the amount of risk associated with the [Professional Service](#) being delivered and the management of the [Client's](#) confidential information. [Members in Public Practice](#) should refer to APES GN 30 *Outsourced Services* to determine whether a service is an [Outsourced Service](#) (which may include [Cloud Computing](#)) and for guidance in relation to professional and ethical obligations in respect of [Outsourced Services](#).

Where an IPA [Member in Public Practice](#) will utilise [Outsourced Services](#) in the provision of [Professional Services](#) to a [Client](#), the [Member](#) shall document and communicate the details of the [Outsourced Service Provider](#), the geographical location of where the [Outsourced Services](#) will be performed and the nature and extent of the [Outsourced Services](#) to be utilised.

Where an IPA [Member in Public Practice](#) will utilise [Cloud Computing](#) in the provision of [Professional Services](#) to a [Client](#) which is not an [Outsourced Service](#), the [Member](#) should document and communicate to the [Client](#) the details of the [Cloud Computing](#) provider, the geographical location of where the [Cloud Computing](#) will be provided and how the [Client's](#) confidential information will be stored.

Engagement Document

An IPA Member in Public Practice shall document the Terms of Engagement in the Engagement Document.

General contents of an Engagement Document

The following is a guide to matters that should, for most Engagements, be considered for inclusion in an Engagement Document. Engagement Documents will vary according to the nature of the Engagement and the terms of appointment of the Member in Public Practice. The following matters should therefore be varied to meet the individual requirements and circumstances of each Engagement:

Purpose: The Engagement Document should explain that its purpose is to set out and confirm the understanding of the Member in Public Practice of the Terms of Engagement.

Objectives of the Engagement: A brief summary of the objectives of the Engagement including reference to the fact that:

- a. procedures to be performed will be limited exclusively to those related to the Engagement;
- b. neither an audit nor a review will be conducted and, accordingly, no assurance will be expressed (if applicable); and
- c. unless otherwise agreed, the Engagement cannot be relied upon to disclose irregularities, including fraud, other illegal acts and errors that may occur.

Scope of the Engagement: Pertinent details of such matters as:

- a. time periods covered by the Engagement;
- b. period of appointment and time schedules;
- c. references to any legislation, regulations, Professional Standards, accounting standards, auditing and assurance standards or any other applicable standards that may be relevant to the Engagement;
- d. any limitations on the conduct of the Engagement including scope limitations and limitations arising from legal or professional and ethical requirements;
- e. Client operations or procedures to be included in the Engagement; and
- f. details of information to be provided by the Client.

An IPA Member in Public Practice should consider the implications of a recurring Engagement when documenting the details noted above.

Engagement output: Details of reports or other anticipated outputs, including:

- a. expected timing;
- b. the intended use and distribution of reports;
- c. the nature of any anticipated disclaimer or arrangement that limits the liability of the Member in Public Practice (for example, appropriate limitation of liability clauses for Members in Public Practice participating in Professional Standards Legislation schemes) with respect to the Client or any other user of the results of the Engagement.

Relative responsibilities: Responsibilities agreed upon, detailing those acknowledged to be the responsibility of:

- a. the Member in Public Practice, including reference to relevant confidentiality requirements and the impact of them on the quality review program of the IPA, and the Member's obligations on responding to actual or suspected non-compliance with laws and regulations (NOCLAR);
- b. the Client, noting the fact that the Client is responsible for the completeness and accuracy of information supplied to the Member in Public Practice; and
- c. any third party including Outsourced Service Providers.

Involvement of other Members in Public Practice: Where the work of another Member in Public Practice is to be used on some aspects of the Engagement, the details of this involvement should be documented in the Engagement Document.

Fees and billing arrangements: Reference to the basis of fees (for example, time-based billing, fixed price contracts, referral fees and commissions, contingent fee arrangements or other similar agreement). Details of agreed upon billing schedules should also be included.

Ownership of documents: The Engagement Document should make clear who owns any documents or electronic data produced as a result of the Engagement or provided by the Client for such a purpose. If a Member in Public Practice has a policy of seeking to exercise a right of lien over such documents in the event of a dispute with the Client, this policy should be disclosed in the Engagement Document communicated to the Client including the process for dealing with disputes over the lien.

Confirmation by the Client: Request for a response from the Client confirming its understanding of the Terms of Engagement as outlined in the Engagement Document. It is preferable for this confirmation of Client acceptance of the Terms of Engagement to be obtained in Writing.

Recurring Engagements

In certain circumstances an IPA Member in Public Practice will have to determine whether an Engagement is a recurring Engagement. A recurring Engagement generally exhibits the following features:

- unchanged Terms of Engagement under which the Professional Services are provided;
- the same or similar Professional Service provided by the Member in each period;
- defined or identifiable commencement and completion dates each time the Engagement is performed; and
- performance of the Engagement is on a regular periodic basis as agreed with the Client, for example annually.

When determining the need to reissue or amend an Engagement Document for a recurring Engagement, a Member in Public Practice should consider the following factors:

- a. any indication that the Client misunderstands the objectives and scope of the Engagement;
- b. any significant changes in the Engagement;
- c. any significant changes in the Professional Services to be provided or the Terms of Engagement;
- d. a recent change of Client management or ownership;
- e. a significant change in the nature or size of the Client's business;
- f. any significant changes to Professional Standards or applicable accounting standards, auditing and assurance standards and any other standards; and
- g. any changes to legal or regulatory requirements.

Professional Standards Schemes

An IPA Member that holds a PPC is also a participating member in the IPA Professional Standards Scheme. The Scheme caps members liability, which is a powerful business tool, however a member must comply with the Professional Standards Legislation, IPA By-laws and Pronouncements to ensure they remain a Scheme participant as a failure to comply may push a member out of the Scheme.

An IPA Member that holds a PPC is a participant in the IPA Professional Standards Scheme under the Professional Standards Legislation and as a result, must disclose to all Clients that the Member's liability is capped in accordance with the Scheme. See <https://www.psc.gov.au/advice-for-scheme-associations/disclosing-your-liability>.

Engagement letter templates

The IPA has Engagement letter templates available to members on www.publicaccountants.org.au.

4.3: APES 310 – Client Monies

Scope and application

The objectives of APES 310 Client Monies are to specify an IPA Member in Public Practice's professional and ethical obligations when the Member:

- (a) Deals with Client Monies including:
 - holding, receiving and disbursing Client Monies in a Trust Account;
 - holding, receiving and disbursing Client Monies in a Client Bank Account;
 - reporting on Dealing with Client Monies; and
 - obtaining an Assurance Engagement on the Member's compliance with this Standard; or
- (b) acts as an Auditor of Client Monies in terms of:
 - compliance with applicable Independence requirements;
 - completing a professional appointment process;
 - compliance with applicable Auditing and Assurance Standards; and
 - reporting obligations to the applicable Professional Body.

An IPA Member in Public Practice in Australia shall follow the mandatory requirements of APES 310 when they Deal with Client Monies or when they act as an Auditor of Client Monies.

An IPA Member in Public Practice practising outside of Australia shall follow the mandatory requirements of APES 310 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

This Standard does not apply where an IPA Member in Public Practice is not acting in a Client relationship and is acting as a trustee, under a power of attorney, as a director or as an officeholder of an entity. When acting in the capacity of a trustee, an attorney, or an officeholder, the Member is required to comply with the obligations specified in the relevant trust deed, the power of attorney or their officeholder obligations.

Members in Public Practice shall comply with all other applicable Professional Standards and be familiar with relevant guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.

Definitions

APES 310 provides definitions of the following expressions:

• Applicable Year-End Date	• Assurance Engagement
• AUASB	• Auditing and Assurance Standards
• Auditor of Client Monies	• Business Day
• Client	• Client Bank Account
• Client Monies	• Code
• Control	• Deals (or Dealing) with Client Monies
• Deficiency	• Engagement
• Financial Institution	• Firm
• Independence	• Limited Assurance Engagement
• Member	• Member in Public Practice
• Monies	• Personnel
• Professional Activity	• Professional Bodies
• Professional Services	• Professional Standards
• Reasonable Assurance Engagement	• Records
• Signatory	• Terms of Engagement
• Trust Account	

Fundamental responsibilities of Members in Public Practice

An IPA Member in Public Practice who Deals with Client Monies or acts as an Auditor of Client Monies shall comply with Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* of the Code and relevant law and regulations.

An IPA Member in Public Practice who Deals with Client Monies or acts as an Auditor of Client Monies shall comply with Section 310 *Conflicts of Interest* of the Code.

Public interest

In accordance with Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* of the Code, an IPA Member in Public Practice shall observe and comply with the Member's public interest obligations when the Member Deals with Client Monies or acts as an Auditor of Client Monies.

Professional competence and due care

An IPA Member in Public Practice who Deals with Client Monies or acts as an Auditor of Client Monies shall maintain professional competence and exercise due care in the performance of the Member's work in accordance with Subsection 113 *Professional Competence and Due Care* of the Code.

Confidentiality

An IPA Member in Public Practice who Deals with Client Monies or acts as an Auditor of Client Monies and acquires confidential information in the course of the Member's work for a Client shall comply with Subsection 114 *Confidentiality* of the Code.

4.3.1: Part A – Professional obligations of a Member in Public Practice who deals with Client Monies

General principles

An IPA Member in Public Practice who Deals with Client Monies shall comply with Section 350 *Custody of Client Assets* of the Code.

An IPA Member in Public Practice shall only Deal with Client Monies through a Client Bank Account or a Trust Account and only in accordance with the Client's agreement and/or instructions with the following 3 noted exceptions:

Exception 1

An IPA Member in Public Practice shall not:

- a. receive or pay into a Trust Account or a Client Bank Account; or
- b. disburse out of a Trust Account or a Client Bank Account,

any Monies if the Member believes, on reasonable grounds, that they were obtained from, or are to be used for, illegal activities or that dealing with the Monies is otherwise unlawful.

Exception 2

When Dealing with Client Monies, an IPA Member in Public Practice shall not be involved in any money laundering transactions or in the utilisation of the proceeds of crime or terrorist financing.

Exception 3

An IPA Member in Public Practice who receives Client Monies that are not capable of being deposited into a Financial Institution shall safeguard the Monies against unauthorised use, record details in an appropriate register, and issue an acknowledgement to the Client within 21 Business Days containing the following details:

- a. the name of the person from whom Monies were received;
- b. the amount of Monies;
- c. the Client for whose benefit Monies are held;
- d. the purpose for which Monies were received or other description of the Monies;
- e. the date on which Monies were received;
- f. the form in which Monies were received; and
- g. in relation to Client Monies of a kind referred to in Exception 3, the location where the Monies are held.

An IPA Member in Public Practice shall comply with access controls specified by the relevant Financial Institution when Dealing with Client Monies. The Member shall not use another person's or the Client's electronic banking password to access or transact Client Monies.

An IPA Member in Public Practice shall be accountable for all Client Monies and keep Client Monies separate from all other Monies of the Member.

Except for the charging of professional fees, an IPA Member in Public Practice shall not obtain any benefit from Dealing with Client Monies, including benefits deriving from the deposit and/or investment of Client Monies, without prior written authority from the Client.

An IPA Member in Public Practice shall only charge professional fees in respect of Dealing with Client Monies in accordance with Section 330 *Fees and Other Types of Remuneration* of the Code.

Subject to legislative requirements, an IPA Member in Public Practice shall take reasonable steps to ensure that the Client authorises IPA to have access to the Member's Records in respect of Client Monies for the purposes of an inspection, quality review or disciplinary proceedings of IPA.

An IPA Member in Public Practice shall document the process followed to establish the identity of a Client and the source of Client Monies prior to Dealing with Client Monies.

Where an IPA Member in Public Practice encounters or becomes aware of instances of a non-compliance or suspected non-compliance with laws and regulations (NOCLAR) when Dealing with Client Monies, the Member shall comply with Section 360 *Responding to Non-Compliance with Laws and Regulations* of the Code.

Specific obligations in relation to Trust Accounts

Opening a Trust Account

An IPA Member in Public Practice who Deals in Client Monies shall open a Trust Account at a Financial Institution in the name of the Member or the Member's Firm and include the term "Trust Account" in its title, unless the Member has been authorised to operate a Client Bank Account.

Some members have experienced difficulty with financial institutions when requesting to set up a practice trust account. It is important to explain to the financial institution that the account is to hold client monies in trust until the client authorises the use of the funds. It is not a bank account for a trust entity.

Where an IPA Member in Public Practice who does not Deal with Client Monies receives Client Monies inadvertently or in error, the Member shall dispatch the Client Monies to the Client within 5 Business Days.

An IPA Member in Public Practice shall not open a Trust Account with a Financial Institution unless its terms and conditions relating to Trust Accounts require that:

- a. all Monies standing to the credit of that account are held by the Member as Client Monies and that the Financial Institution is not entitled to combine the account with any other account, or to exercise any right to set-off or counterclaim against Monies in that account in respect of any sum owed to the Financial Institution on any other account; and
- b. any interest payable in respect of the account balance is credited to that account.

An IPA Member in Public Practice shall retain a copy of the terms and conditions of the Financial Institution relating to a Trust Account as part of the Member's Records and, where requested, provide a copy to the Client within 10 Business Days of that request.

An IPA Member in Public Practice shall inform the Client in writing:

- a. no later than at the time of initial deposit into a Trust Account, the details of the Financial Institution at which the Client Monies are to be held; and
- b. within 10 Business Days, if there is a change to the existing Financial Institution arrangements where the Client Monies are held.

Operation of a Trust Account

An IPA Member in Public Practice shall implement appropriate internal controls and procedures in respect of the operation of a Trust Account. The Member shall take all reasonable steps to ensure that those internal controls achieve the following objectives:

- a. Client Monies are dealt with in accordance with the Client's instructions and the requirements of this Standard; and
- b. A Trust Account is properly safeguarded and accounted for.

Only an IPA Member in Public Practice or any of the following authorised persons shall operate the Member's Trust Account:

- a. another Member in Public Practice;
- b. a solicitor holding a current practising certificate;
- c. a suitably competent person employed by the Member; or
- d. a manager of a branch of a Financial Institution.

An IPA Member in Public Practice shall bear any Financial Institution, statutory or other government charges in respect of a Trust Account.

An IPA Member in Public Practice shall only deposit the Member's own funds into a Trust Account:

- a. to meet charges made to the Trust Account where the Financial Institution has made such charges to the Trust Account in error, instead of to the Member's general bank account; or
- b. to meet prescribed minimum requirements for an ongoing account balance of the Financial Institution or applicable laws and regulations.

Where any interest is earned on a Trust Account, the Member in Public Practice shall allocate interest on a reasonable basis to the credit of each relevant Client.

Holding and receiving Client Monies

An IPA Member in Public Practice shall deposit Client Monies into a Trust Account within 3 Business Days of receipt with the following exception:

Exception

An IPA Member in Public Practice who receives Client Monies that are not capable of being deposited into a Financial Institution shall safeguard the Monies against unauthorised use, record details in an appropriate register, and issue an acknowledgement to the Client within 21 Business Days containing the following details:

- a. the name of the person from whom Monies were received;
- b. the amount of Monies;
- c. the Client for whose benefit Monies are held;
- d. the purpose for which Monies were received or other description of the Monies;
- e. the date on which Monies were received;
- f. the form in which Monies were received; and
- g. in relation to Client Monies that are not capable of being deposited into a Financial Institution, the location where the Monies are held.

The 3 Business Day period commences once the IPA Member in Public Practice is reasonably able to identify the individual Client to whom the refunds belong.

An IPA Member in Public Practice shall only hold Client Monies in a Trust Account for the period necessary to enable the purpose for which the Client Monies were received to be discharged.

An IPA Member in Public Practice receiving Client Monies where the payee is no longer a Client, the intended recipient is unable to be identified or is unknown to the Member, shall return the Monies within 10 Business Days to the drawer or sender as appropriate.

Where an IPA Member in Public Practice is unable to disburse Client Monies to the Client, payee, drawer or sender, the Member shall comply with relevant legislation in respect of unclaimed Monies.

An IPA Member in Public Practice shall record the following information for Client Monies received, or Monies received for deposit into a Client Bank Account:

- a. the name of the person or entity from whom Monies were received;
- b. the amount of Monies;
- c. the Client for whose benefit Monies are held;
- d. the purpose for which Monies were received or other description of the Monies;
- e. the date on which Monies were received;
- f. the form in which Monies were received; and
- g. in relation to Client Monies that are not capable of being deposited into a Financial Institution, the location where the Monies are held.

An IPA Member in Public Practice shall issue an acknowledgement to the Client within 21 Business Days or as otherwise agreed with the Client containing these details and stating that the Member has deposited the Client Monies into a Trust Account.

Disbursement of Client Monies

An IPA Member in Public Practice shall disburse Client Monies within 3 Business Days of receipt of instructions in respect of the disbursement or in accordance with the Terms of Engagement.

An IPA Member in Public Practice shall ensure that appropriate Records are maintained to support disbursements from a Trust Account.

An IPA Member in Public Practice who wishes to disburse Monies from a Trust Account relating to professional fees and/or expenses due from a Client, shall obtain the Client's written approval prior to such disbursement.

An IPA Member in Public Practice shall not make a disbursement to or on behalf of a Client from a Trust Account that exceeds the amount of funds standing to the credit of that Client.

Documentation

An IPA Member in Public Practice shall maintain Records to appropriately document transactions in respect of Client Monies.

An IPA Member in Public Practice shall retain Records that:

- a. enable transactions involving Client Monies to be audited;
- b. disclose the financial position of the Member's Trust Account; and
- c. clearly identify the transactions made on behalf of each Client.

Subject to legislative requirements, an IPA Member in Public Practice shall retain and ensure that all documentation in respect of Client Monies is accessible for at least 7 years.

An IPA Member in Public Practice shall keep Records in such a manner as to disclose clearly:

- a. the details of all transactions involving Client Monies, including:
 - i. details of all Client Monies paid direct to the Client, or to a third party nominated by the Client;
 - ii. details of all cheques received and endorsed by the Member for disbursement to the Client, or to a third party nominated by the Client;
 - iii. details of all electronic funds transfers of Monies received, and of Monies transferred direct to the Client, or to a third party nominated by the Client; and
 - iv. details of any errors in transactions involving Client Monies;
- b. the details and basis of calculation of all interest earned on Client Monies held in a Trust Account and the interest that has been allocated to each relevant Client;
- c. the financial position of a Member's Trust Account and the Client Monies therein.

Reconciliations

An IPA Member in Public Practice shall reconcile the Trust Account Records to the Trust Account at least every 25 Business Days. The Member shall take action to correct any difference or error within 5 Business Days of such identification.

Reporting

An IPA Member in Public Practice shall provide a statement containing details of the Member's application of Client Monies and any interest earned on Client Monies, either to the Client or to such other person as directed by the Client:

- a. upon completion of the matter requiring the maintenance of the Trust Account (statement to be provided within 25 Business Days);
- b. when a Trust Account is closed (statement to be provided within 25 Business Days);
- c. in respect of all transactions, at least annually unless the Member has:
 - i. communicated in writing to the Client the details of the transactions on a regular periodic basis during the year (statement to be provided within 30 Business Days of the Applicable Year-End Date); and
 - ii. agreed with the Client to an alternative reporting period (statement to be provided within 90 Business Days from the Applicable Year-End Date).
- d. in respect of any transaction, upon written request from the Client (statement to be provided within 5 Business Days).

Specific obligations in relation to Client Bank Accounts

Operation of a Client Bank Account

An IPA Member in Public Practice shall implement appropriate internal controls and procedures in respect of the operation of a Client Bank Account with regards to transactions for which the Member has responsibility or oversight. The Member shall take reasonable steps to ensure that those internal controls achieve the following objectives:

- a. Client Monies are dealt with in accordance with the Client's instructions and the requirements of this Standard; and
- b. a Client Bank Account is properly safeguarded against unauthorised access or use.

Holding and receiving Client Monies

An IPA Member in Public Practice shall deposit Client Monies into the appropriate Client Bank Account within 3 Business Days of receipt with the following exception:

Exception

An IPA Member in Public Practice who receives Client Monies that are not capable of being deposited into a Client Bank Account is required to comply with Section 350 *Custody of Client Assets* of the Code and shall safeguard the Monies against unauthorised use, record details in an appropriate register, and issue an acknowledgement to the Client within 21 Business Days containing the following details:

- a. the name of the person from whom Monies were received;
- b. the amount of Monies;
- c. the Client for whose benefit Monies are held;
- d. the purpose for which Monies were received or other description of the Monies;
- e. the date on which Monies were received;
- f. the form in which Monies were received; and
- g. in relation to Client Monies that are not capable of being deposited into a Client Bank Account, the location where the Monies are held.

An IPA Member in Public Practice receiving Client Monies where the payee is no longer a Client, the intended recipient is unable to be identified or is unknown to the Member, shall return the Monies within 10 Business Days to the drawer or sender as appropriate.

Where an IPA Member in Public Practice is unable to disburse Client Monies to the Client, payee, drawer or sender, the Member shall comply with relevant legislation in respect of unclaimed Monies.

An IPA Member in Public Practice shall record the following information for Client Monies received for deposit into a Client Bank Account:

- a. the name of the person or entity from whom Monies were received;
- b. the amount of Monies;
- c. the name of the Client;
- d. the purpose for which Monies were received or other description of the Monies;
- e. the date on which Monies were received; and
- f. the form in which Monies were received.

An IPA Member in Public Practice shall issue an acknowledgement to the Client within 21 Business Days or as otherwise agreed with the Client containing these details and stating that the Member has deposited the Client Monies into a Client Bank Account.

Disbursement of Client Monies from a Client Bank Account

An IPA Member in Public Practice shall disburse Client Monies from a Client Bank Account within 3 Business Days of receipt of instructions in respect of the disbursement or in accordance with the Terms of Engagement.

An IPA Member in Public Practice shall ensure that appropriate Records are maintained to support disbursements from a Client Bank Account where the Member, either solely or in conjunction with one or more people, approved or was a Signatory to the disbursements.

An IPA Member in Public Practice who wishes to disburse Monies from a Client Bank Account relating to professional fees and/or expenses due from a Client, shall obtain the Client's written approval prior to such disbursement.

Documentation

An IPA Member in Public Practice shall maintain Records to appropriately document transactions involving Client Monies undertaken by the Member in Client Bank Accounts.

An IPA Member in Public Practice shall retain Records that enable transactions undertaken by the Member in Client Bank Accounts to be audited.

Subject to legislative requirements, an IPA Member in Public Practice shall retain and ensure that all documentation in respect of Client Monies is accessible for at least 7 years.

An IPA Member in Public Practice shall keep Records in such a manner as to disclose clearly:

- a. the details of all transactions involving Client Monies undertaken by the Member in Client Bank Accounts, including:
 - i. details of all Client Monies deposited into a Client Bank Account by the Member;
 - ii. details of all disbursements (including cheques and electronic funds transfers) where the Member, either solely or in conjunction with one or more people, approved or was a Signatory to the transaction;
 - iii. details of all Monies received or transferred directly by the Member to a third party nominated by the Client; and
 - iv. details of any errors in transactions of Client Monies undertaken by the Member in Client Bank Accounts.
- b. the Signatories for each Client Bank Account where the Member is also an authorised Signatory; and
- c. appropriate evidence of the Client's approval of transactions involving Client Monies undertaken by the Member.

Reconciliations

Where the responsibility to prepare a reconciliation of the Client Bank Account does not rest with the IPA Member in Public Practice, the Member shall provide the Client with a record of transactions conducted by the Member in the Client Bank Account within 25 Business Days of the end of each month or as otherwise agreed with the Client.

An IPA Member in Public Practice who operates a Client Bank Account and has the responsibility to reconcile the Client Bank Account shall ensure that the Member's Records for the Client Bank Account are reconciled to the Financial Institution statements at least every 25 Business Days or as otherwise agreed with the Client. The Member shall take action to correct any difference or error identified during the reconciliation within 5 Business Days of such identification. This may require the Member to obtain additional information from the Client, their Financial Institutions or other parties. Subsequent to the Member taking these actions, the Member shall take corrective action within 5 Business Days of receipt of the outstanding information.

Reporting

An IPA Member in Public Practice shall provide a statement containing details of the Member's application of Client Monies either to the Client or to any other person directed by the Client:

- a. upon completion of the matter requiring the access to the Client Bank Account (statement to be provided within 25 Business Days);
- b. when a Client Bank Account is closed or if the Member's authority to operate a Client Bank Account is revoked (statement to be provided within 25 Business Days);

- c. in respect of all transactions conducted by the Member, at least annually unless the Member has:
 - i. communicated in writing to the Client the details of the transactions on a regular periodic basis during the year (statement to be provided within 30 Business Days of the Applicable Year-End Date); and
 - ii. agreed with the Client to an alternative reporting period (statement to be provided within 90 Business Days from the Applicable Year-End Date); or
- d. in respect of any transaction, upon written request from the Client (statement to be provided within 5 Business Days).

Exception

An IPA Member in Public Practice does not need to provide a statement to the Client on transactions undertaken by the Member in a Client Bank Account where the Client:

- a. provided the supporting information for the transactions to the Member;
- b. was a co-signatory or co-approved the transactions of Client Monies with the Member; and
- c. has agreed in writing that no further reporting is required.

Assurance Engagement on compliance with the Standard

An IPA Member in Public Practice who Deals with Client Monies shall appoint another Member in Public Practice as Auditor of Client Monies and shall ensure that an annual Reasonable Assurance Engagement of the Member's compliance with the requirements of this Standard performed within 3 months of the Applicable Year-End Date.

Exception

Where an IPA Member in Public Practice who is Dealing with Client Monies:

- a. does not have to maintain a Trust Account to comply with this Standard; and
 - b. can only co-authorise transactions in a Client Bank Account in conjunction with the Client,
- then the Member may engage an Auditor of Client Monies to perform a Limited Assurance Engagement.

Where the scope of the subject matter of the Assurance Engagement performed in accordance with legislation does not extend to all of the subject matter of an Assurance Engagement required by this Standard, an IPA Member in Public Practice shall ensure that the Auditor of Client Monies appointed performs an applicable Assurance Engagement of the subject matter that is not covered by the legislative Assurance Engagement.

An IPA Member in Public Practice whose compliance with this Standard is subject to an Assurance Engagement shall bear the cost of the Engagement.

An IPA Member in Public Practice shall:

- a. obtain the Client's authorisation prior to releasing the Client's information to the Auditor of Client Monies or to the IPA;
- b. allow the IPA or the Auditor of Client Monies access to the Member's Records; and
- c. assist the IPA or the Auditor of Client Monies in the performance of their duties.

An IPA Member in Public Practice shall notify the IPA and the Auditor of Client Monies within 5 Business Days of becoming aware of any Deficiency of Client Monies occurring in the Trust Account, the Trust Account ledges for individual Clients or the Client Bank Account along with details of corrective action taken by the Member.

An IPA Member in Public Practice shall appoint a replacement Auditor of Client Monies within 20 Business Days of the resignation or removal of the existing Auditor of Client Monies. The Member shall notify the IPA of the membership details of the new Auditor of Client Monies within 20 Business Days of the appointment of the auditor.

Where an IPA Member in Public Practice ceases public practice and:

- a. another Member in Public Practice is willing to accept the transfer of obligations to transact Client Monies in accordance with this Standard, the Member ceasing public practice shall obtain the written consent of the Client prior to the transfer; or
- b. no other Member in Public Practice is willing to accept the transfer of obligations to transact Client Monies or written consent has not been obtained, the Member or their legal representative shall return Client Monies to the Client.

Where an IPA Member in Public Practice ceases public practice, the Member shall engage an Auditor of Client Monies to perform an Assurance Engagement of the Member's compliance with this Standard for the period where the Member was responsible for Client Monies which has not otherwise been subject to an Assurance Engagement.

An IPA Member in Public Practice shall ensure that an Assurance Engagement of the Member's compliance with this Standard is performed within 3 months of ceasing to Deal with Client Monies.

4.3.2: Part B – Professional obligations of an Auditor of Client Monies

Professional obligations of an Auditor of Client Monies

Professional Independence

An Auditor of Client Monies shall comply with Part 4B *Independence for Assurance Engagements Other than Audit and Review Engagements* of the Code.

An Auditor of Client Monies shall not undertake an Assurance Engagement of another Member in Public Practice's compliance with this Standard in circumstances where a reasonable and informed third party having knowledge of all relevant information, including safeguards applied, would determine that the Independence of the auditor is impaired as a result of a past, existing or proposed relationship.

Professional appointment

A Member in Public Practice who is approached by another Member in Public Practice to accept an Auditor of Client Monies role shall determine whether there are any reasons, professional or otherwise, for not accepting the Engagement. A Member shall, after receiving permission from the other Member in Public Practice, request in writing from the existing auditor any known information which the Member needs to be aware of before deciding to accept the Engagement.

A Member in Public Practice who provides Professional Services as an Audit of Client Monies shall include in the Terms of Engagement the option to notify the relevant Professional Body of the auditee about any concerns that might arise in relation to the auditor's appointment, resignation or removal.

Auditing and Assurance Standards

Subject to any legal requirements, an Auditor of Client Monies shall perform an applicable Assurance Engagement in accordance with Auditing and Assurance Standards.

An Auditor of Client Monies shall prepare the Assurance Engagement report in accordance with Auditing and Assurance Standards.

Reporting obligations to Professional Bodies

If the issued Assurance Engagement report contains a modified opinion the Auditor of Client Monies shall lodge the report with the applicable Professional Body within 15 Business Days of completion of the applicable Assurance Engagement.

An Auditor of Client Monies shall report any Deficiency of Client Monies to the auditee's Professional Body within 5 Business Days upon becoming aware of the Deficiency.

An Auditor of Client Monies shall report to the auditee's Professional Body within 10 Business Days of becoming aware of any material:

- a. failure by a Member to comply with paragraphs 5.13, 5.24, 6.2 or 6.10 of this Standard;
- b. uncorrected error reflected in a statement issued by a Financial Institution; or
- c. circumstances where Client Monies have not been transacted or maintained in accordance with this Standard.

An Auditor of Client Monies who has resigned or is being removed from their role should consider notifying the auditee's Professional Body if the auditor has concerns about the circumstances that led to the resignation or removal, particularly if it relates to professional misconduct of the auditee.

Subject to legislative requirements, an Auditor of Client Monies shall retain relevant working papers for a period of at least 7 years.

Appendix 1 of APES 310 contains an example of a Trust Account authority letter.

Appendix 2 of APES 310 contains an example of a Reasonable Assurance Engagement Report.

Appendix 3 of APES 310 contains an example of a Limited Assurance Engagement Report.

4.4: APES 315 – Compilation of Financial Information

Scope and application

The objectives of APES 315 *Compilation of Financial Information* are:

- to specify that, when performing an Engagement to Compile Financial Information, an IPA Member in Public Practice is required to apply the Member's expertise in accounting and/or financial reporting and, in contrast to an Engagement to perform an audit or review, the Member is not required to verify the accuracy or completeness of the information provided by a Client;
- to mandate that an IPA Member in Public Practice plans a Compilation Engagement but recognises that planning procedures depend upon the context of the Compilation Engagement and the specific circumstances of the Client;
- to provide guidance to IPA Members in Public Practice when undertaking a Compilation Engagement in respect of General Purpose Financial Statements or Special Purpose Financial Statements;
- to specify matters to be considered for inclusion in an Engagement Document;
- to specify the professional obligations of an IPA Member in Public Practice in respect of procedures;
- to specify the documentation and quality control obligations of a Member in Public Practice who performs a Compilation Engagement;
- to specify the obligations of an IPA Member in Public Practice to obtain an acknowledgement from the Client in respect of the Client's responsibilities for the financial information or Financial Statements;
- to specify the reporting requirements of an IPA Member in Public Practice who undertakes Engagements to Compile Financial Information; and
- to mandate that a Member communicates to Those Charged with Governance any significant matters arising from the Compilation Engagement and the impact of subsequent discovery of facts on the Compilation Engagement.

APES 315 sets the standards for the provision of quality and ethical Professional Services for IPA Members in Public Practice who undertake Engagements to Compile Financial Information. APES 315 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.

IPA Members in Public Practice in Australia shall follow the mandatory requirements of APES 315 when they undertake Engagements to Compile Financial Information.

IPA Members in Public Practice practising outside of Australia shall follow the provisions of APES 315 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

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

Definitions

APES 315 provides definitions of the following expressions:

• AASB	• APES 320
• Applicable Financial Reporting Framework	• ASQM 1
• Assurance Engagement	• Assurance Practice
• AUASB	• Auditing and Assurance Standards
• Australian Accounting Standards	• Client
• Code	• Compilation Engagement*
• Compilation Report	• Compile(d) Financial Information
• Compliance Framework	• Engagement
• Engagement Document	• Financial Statements
• Firm	• General Purpose Financial Statements
• General Purpose Framework	• Independence
• Member	• Member in Business
• Member in Public Practice	• Misstatement
• Professional Activity	• Professional Bodies
• Professional Services	• Professional Standards
• Special Purpose Financial Statements	• Special Purpose Framework
• Terms of Engagement	• Those Charged with Governance
• Writing (or Written)	

* A decision tree schematic to assist Members determine whether an Engagement is a Compilation Engagement is included in Appendix 1 of APES 315.

Fundamental responsibilities of Members in Public Practice

An IPA Member in Public Practice undertaking Engagements to Compile Financial Information 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 in Public Practice shall observe and comply with their public interest obligations when they undertake Engagements to Compile Financial Information.

Professional competence and due care

IPA Members in Public Practice undertaking Engagements to Compile Financial Information shall maintain professional competence and take due care in the performance of their work in accordance with Subsection 113 *Professional Competence and Due Care* of the Code.

Professional Independence

Independence is not a requirement for a Compilation Engagement.

Where an IPA Member in Public Practice is not independent, the Member shall make an explanatory statement to that effect in the Compilation Report.

Confidentiality

An IPA Member in Public Practice who acquires confidential information in the course of an Engagement to Compile Financial Information for a Client shall comply with Subsection 114 *Confidentiality* of the Code.

Planning

An IPA Member in Public Practice shall plan the Compilation Engagement to ensure that the Engagement is conducted in accordance with this Standard and all applicable Professional Standards, laws and regulations.

Applicable Financial Reporting Framework

If an IPA Member in Public Practice is of the view that the Applicable Financial Reporting Framework selected by a Client is not appropriate and the Client is not willing to adopt an appropriate framework, the Member shall consider the Firm's policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements* of APES 320 in determining whether to continue acting for the Client in a professional capacity.

When undertaking a Compilation Engagement in respect of General Purpose Financial Statements or Special Purpose Financial Statements, an IPA Member in Public Practice shall comply with the requirements of APES 205 *Conformity with Accounting Standards*.

Where an IPA Member in Public Practice assists the Client with significant judgements regarding amounts or disclosures when undertaking a Compilation Engagement in respect of General Purpose Financial Statements or Special Purpose Financial Statements, the Member shall discuss those judgements with the Client and Those Charged with Governance (if applicable) to ensure that they understand the significant judgements reflected in the Financial Statements and accept their responsibility for those judgements.

Defining the Terms of Engagement

An IPA Member in Public Practice shall document and communicate the Terms of Engagement in accordance with APES 305 *Terms of Engagement*.

Procedures

An IPA Member in Public Practice shall assess whether the Compiled Financial Information in respect of the Compilation Engagement is appropriate in form and content and free from Misstatements.

Where an IPA Member in Public Practice forms the view that the information supplied by a Client includes a Misstatement, the Member shall consider performing the following procedures or other alternative procedures:

- making inquiries of management to assess the reliability, accuracy and completeness of the information provided;
- assessing internal controls; or
- verifying any relevant matters or information.

In the absence of forming the view that the information supplied by the Client includes a Misstatement, the Member is not required to consider performing these procedures.

If the Client refuses to provide additional information or process appropriate amendments requested by the IPA Member in Public Practice in the circumstances referred to in paragraph 7.3, the Member shall consider the Firm's policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements* of APES 320 in determining whether to continue acting for the Client in a professional capacity.

Documentation and quality management

An IPA Member in Public Practice shall prepare working papers in accordance with this Standard that appropriately document the work performed, including aspects of the Compilation Engagement 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 Engagement;
- b. identify the sources of significant information the Member has used in the compilation of financial information; and
- c. demonstrate that the Engagement was carried out in accordance with this Standard and all other Professional Standards applicable to the Engagement, including policies and procedures established in accordance with APES 320 and any applicable ethical, legal and regulatory requirements.

An IPA Member in Public Practice shall perform sufficient reviews of the Compilation Engagement in accordance with the Firm's policies and procedures established in accordance with *Engagement performance* of APES 320 prior to issuing the Compilation Report.

Responsibility of the Client

An IPA Member in Public Practice who undertakes a Compilation Engagement in respect of General Purpose or Special Purpose Financial Statements shall obtain an acknowledgment in Writing from the Client of the Client's responsibility for the reliability, accuracy and completeness of the accounting records and disclosures to the Member of all material and relevant information.

Reporting on a Compilation Engagement

Where an IPA Member in Public Practice prepares Compiled Financial Information in respect of a Compilation Engagement, the Member shall, except where paragraphs 10.3 or 10.4 apply, issue a Compilation Report in circumstances where:

- a. the Member's or the Firm's name is identified with the Compiled Financial Information;
- b. External parties other than the intended users of the Compiled Financial Information are likely to associate the Member with the Compiled Financial Information, and there is a risk that the level of the Member's involvement with the information may be misunderstood;
- c. it is more likely than not that the intended users of the Compiled Financial Information may not understand the nature and scope of the Member's involvement with that information; or
- d. the Compiled Financial Information is required under provisions of applicable law or regulation, or it is required to be publicly filed.

A decision tree schematic to assist Members determine when a Compilation Report should be issued is included in Appendix 2 of APES 315.

Where the Client has engaged another practitioner to audit or review the Compiled Financial Information in accordance with Auditing and Assurance Standards, an IPA Member in Public Practice undertaking the Compilation Engagement shall assess the need to issue a Compilation Report. Where the Member decides not to issue a Compilation Report the Member shall document the rationale for that decision. Where the scope of the Compilation Engagement extends to significant subject matter not covered under the Assurance Engagement, the Member in Public Practice shall issue a Compilation Report for the subject matter not covered under the Assurance Engagement.

Where an IPA Member in Public Practice issues a Compilation Report in relation to Financial Statements which are prepared in accordance with a regulation or contract, the Member shall describe in the Compilation Report the purpose for which the Financial Statements are prepared or refer to a note in the Financial Statements that contains that information.

Where Financial Statements purport to be prepared in accordance with a contract or a regulation and an IPA Member in Public Practice forms the view that the Financial Statements do not adequately describe significant interpretations of the contract or the regulation on which the Financial Statements are based, the Member shall modify the Compilation Report.

Where an IPA Member in Public Practice issues a Compilation Report, the Compilation Report shall contain the following:

- a. the title of the report;
- b. the addressee;
- c. a statement that the Compilation Engagement was performed in accordance with this Standard, and that the Member has complied with relevant ethical requirements;
- d. an explanatory statement that the Member or the Firm is not independent of the Client (if applicable);
- e. identification of the Compiled Financial Information noting that it is based on the financial information provided by the Client (if applicable);
- f. the basis of any forecast information and key assumptions (applicable to prospective financial information only);
- g. a statement that the Client is responsible for the financial information compiled by the Member;
- h. a statement that neither an audit nor a review has been carried out by the Member and that accordingly no assurance is expressed on the Compiled Financial Information;
- i. if the Member is reporting on the compilation of Special Purpose Financial Statements, a statement to that effect as well as stating:
 - i. the specific purpose for which they have been prepared; and
 - ii. that the Special Purpose Financial Statements are only suitable for the purpose they have been prepared and may not be suitable for any other purpose;
- j. the date of the Compilation Report;
- k. the Member's or Firm's name, address and signature;
- l. an appropriate disclaimer of liability; and
- m. a description of the responsibilities of management or Those Charged with Governance of the Client, as appropriate, in relation to the Compilation Engagement, and in relation to the financial information.

Examples of Compilation Reports including Compilation Reports in respect of General Purpose and Special Purpose Financial Statements are contained in Appendix 4 of APES 315.

Where an IPA Member in Public Practice issues a Compilation Report, the financial information compiled by the Member shall contain a reference such as "Unaudited", "Compiled without Audit or Review", or "Refer to Compilation Report" on each page of the Compiled Financial Information.

Communication of significant matters

An IPA Member in Public Practice shall communicate to Those Charged with Governance of the Client any significant matters arising from the Compilation Engagement on a timely basis.

An IPA Member in Public Practice who becomes aware of instances of non-compliance or suspected non-compliance with laws and regulations during the performance of a Compilation Engagement shall comply with Section 360 *Responding to Non-Compliance with Laws and Regulations* of the Code.

If during the performance of a Compilation Engagement, an IPA Member in Public Practice obtains information that indicates that a fraud, Misstatement or illegal act has occurred, the Member shall communicate these matters as soon as practicable to Those Charged with Governance of the Client.

Where during the performance of a Compilation Engagement an IPA Member in Public Practice obtains information that a fraud, Misstatement or illegal act has occurred and the Member has reason to believe that such an act is the result of actions of Those Charged with Governance of the Client, the Member shall consider the Firm's policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements* of APES 320 in determining whether to continue acting for the Client in a professional capacity.

Subsequent discovery of facts

An IPA Member in Public Practice who has performed a Compilation Engagement shall assess the impact on the Compiled Financial Information of facts discovered subsequent to the date of the Compilation Report, discuss the matter with the Client, and take action appropriate in the circumstances. The Member shall document the reasons for the action taken by the Member. If the IPA Member in Public Practice believes that the Compiled Financial Information needs to be revised, the Member shall:

- take all reasonable steps to advise the Client to take the necessary steps to inform anyone who received the previously issued Compiled Financial Information of the situation; and
- if, in the view of the Member in Public Practice, the Client has not taken appropriate action, the Member shall notify Those Charged with Governance of the Client; and
- If, in the view of the IPA Member in Public Practice, appropriate action is not taken by Those Charged with Governance of the Client, the Member in Public Practice shall consider the Firm's policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements* of APES 320 in determining whether to continue acting for the Client in a professional capacity.

APES 315 includes 6 appendices:

- Appendix 1 provides guidance to determine whether an Engagement is a Compilation Engagement
- Appendix 2 provides guidance to determine when a Compilation Report should be issued
- Appendix 3 is a sample Engagement Letter tailored to the Australian environment
- Appendix 4 provides numerous sample Compilation Reports tailored to the Australian environment
- Appendix 5 provides an example an Accountant's Report Disclaimer that can be used when an IPA Member in Public Practice performs an excluded activity
- Appendix 6 provides a summary of revisions to the previous APES 315 (issued in December 2019).

4.5: APES 320 – Quality Management for Firms that provide Non-Assurance Services

Scope and application

The objectives of APES 320 *Quality Management for Firms that provide Non-Assurance Services* are to specify the mandatory obligations of a Firm in respect of establishing and maintaining a System of Quality Management for non-assurance services designed to provide it with reasonable confidence that the:

- Firm and its Personnel are complying with Professional Standards and applicable legal and regulatory requirements; and
- Engagement Outputs issued or provided by the Firm or Engagement Partners are appropriate in the circumstances.

APES 320 sets the standards for Members in Public Practice to establish and maintain a System of Quality Management in their Firms in respect of the provision of quality and ethical Professional Services. APES 320 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.

Members in Public Practice in Australia shall follow the mandatory requirements of APES 320.

Members in Public Practice practising outside of Australia shall follow the provisions of APES 320 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

Members in Public Practice shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.

Firms that provide non-assurance services are required to apply APES 320 to their non-assurance practice and Engagement. Assurance Practices within Firms are required to comply with APES 210 *Conformity with Auditing and Assurance Standards*, which includes the quality management standards issued by AUASB being:

- ASQM 1 – *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Service Engagements*;
- ASQM 2 – *Engagement Quality Reviews*; and
- ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Information*.

Definitions

APES 320 provides definitions of the following expressions:

• Assurance Engagement	• Assurance Practice
• AUASB	• Client
• Code	• Engagement
• Engagement Document	• Engagement Documentation
• Engagement Output	• Engagement Partner
• Engagement Team	• External Expert
• Firm	• Independence
• Inspection	• Member
• Member in Business	• Member in Public Practice
• Monitoring	• Network
• Network Firm	• Partner
• Personnel	• Professional Activity
• Professional Bodies	• Professional Services
• Professional Standards	• Public Document
• Service Provider	• Staff
• System(s) of Quality Management	• Those Charged with Governance

Firm's responsibilities for a System of Quality Management

A Firm shall establish and maintain a System of Quality Management for non-assurance services designed to provide it with reasonable confidence that the Firm and its Personnel comply with Professional Standards and applicable legal and regulatory requirements and that Engagement Outputs issued or provided by the Firm or Engagement Partners are appropriate in the circumstances.

The System of Quality Management

A Firm shall establish and maintain a System of Quality Management that includes policies and procedures that address each of the following elements:

- a. Governance and Leadership.
- b. Professional Standards.
- c. Acceptance and continuance of Client relationships and specific Engagements.
- d. Resources.

- e. Engagement performance.
- f. Information and communication
- g. Monitoring and remediation.

A Firm shall document its policies and procedures and communicate them to the Firm's Personnel.

The requirements of this Standard are designed to enable a Firm to implement a System of Quality Management that achieves the Firm's responsibilities for a System of Quality Management. A Firm shall consider the nature and circumstances of the Firm or its Engagements and:

- a. comply with each requirement of this Standard unless the requirement is not relevant to the Firm; and
- b. consider whether there are any particular matters or circumstances that require the Firm to establish policies and procedures in addition to those required by this Standard.

Allocation of responsibilities within the Firm

The Firm's chief executive officer (or equivalent) or the Firm's managing Partner (or equivalent) or, if appropriate, the Firm's managing board of Partners (or equivalent), shall assume ultimate responsibility for the Firm's System of Quality Management. The Firm shall document this in the Firm's policies and procedures.

A Firm shall establish policies and procedures such that any person or persons assigned operational responsibility for the Firm's System of Quality Management, or for specific aspects of the System of Quality Management, by the Firm's chief executive officer, managing Partner or managing board of Partners:

- a. has the appropriate experience, knowledge, influence and authority within the Firm, and sufficient time, to fulfill their assigned responsibility; and
- b. understands their assigned roles and that they are accountable for fulfilling them.

Documentation of the System of Quality Management

A Firm shall maintain appropriate documentation to provide evidence of the operation of each element of its System of Quality Management.

Elements of the System of Quality Management

Governance and Leadership

A Firm shall establish policies and procedures designed to promote an internal culture recognising that quality is essential in performing Engagements.

Professional Standards

A Firm shall establish policies and procedures designed to provide it with reasonable confidence that the Firm and its Personnel comply with Professional Standards.

Independence

The type of Professional Services the Firm provides may result in the Firm being subject to Independence requirements. If the Firm is providing non-assurance services to a Client and the Firm is also engaged to conduct an Assurance Engagement, the Firm needs to consider *Part 4A Independence for Audit and Review Engagements* or *Part 4B Independence for Assurance Engagements Other than Audit or Review Engagements of the Code*, as applicable. Other Professional Standards with Independence requirements include:

- a. APES 215 Forensic Accounting Services;
- b. APES 225 Valuation Services;

- c. APES 230 Financial Planning Services;
- d. APES 315 Compilation of Financial Information;
- e. APES 330 Insolvency Services;
- f. APES 345 Reporting on Prospective Financial Information prepared in connection with a Public Document; and
- g. APES 350 Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document.

A Firm shall establish policies and procedures designed to provide it with reasonable confidence that the Firm, its Personnel and, where applicable, others subject to Independence requirements (including Network Firm's Personnel) maintain Independence where required by Professional Standards. Such policies and procedures shall enable the Firm to:

- a. communicate its Independence requirements to its Personnel and, where applicable, others subject to them; and
- b. identify and evaluate circumstances and relationships that create threats to Independence, and to take appropriate action to eliminate those threats or reduce them to an acceptable level by eliminating the circumstances creating the threats, applying safeguards (if available), or to withdraw from the Engagement (where withdrawal is possible under applicable law or regulation).

Acceptance and continuance of Client relationships and specific Engagements

A Firm shall establish policies and procedures for the acceptance and continuance of Client relationships and specific Engagements, designed to provide the Firm with reasonable confidence that it will only undertake or continue relationships and Engagements where the Firm:

- a. is competent to perform the Engagement and has the capabilities, including time and resources, to do so;
- b. can comply with Professional Standards; and
- c. has considered the integrity of the Client and does not have information that would lead it to conclude that the Client lacks integrity.

A Firm shall establish policies and procedures that require:

- a. the Firm to obtain such information as it considers necessary in the circumstances before accepting an Engagement with a new Client, when deciding whether to continue an existing Engagement, and when considering acceptance of a new Engagement with an existing Client.
- b. if a potential conflict of interest is identified prior to accepting an Engagement from a new or an existing Client or during the conduct of an Engagement, the Firm to determine whether it is appropriate to accept or continue the Engagement.
- c. if issues have been identified, and the Firm decides to accept or continue the Client relationship or a specific Engagement, the Firm to document how the issues were resolved.

A Firm shall establish policies and procedures on continuing an Engagement and the Client relationship, addressing the circumstances where the Firm obtains information that would have caused it to decline the Engagement had that information been available earlier. Such policies and procedures shall include consideration of:

- a. when a Member encounters or becomes aware of instances of non-compliance or suspected non-compliance with laws and regulations (NOCLAR) that they comply with NOCLAR provisions in the Code;
- b. the professional and legal responsibilities that apply to the circumstances, including whether there is a requirement for the Firm to report to the person or persons who made the appointment or, in some cases, to regulatory authorities; and
- c. the possibility of withdrawing from the Engagement or from both the Engagement and the Client relationship.

Resources

A Firm shall establish policies and procedures designed to provide it with reasonable confidence that the Firm has sufficient and appropriate resources for use in the Firm's System of Quality Management and in the performance of Engagements.

Assignment of Engagement Team

A Firm shall assign responsibility for each Engagement to an Engagement Partner and shall establish policies and procedures requiring that:

- a. the identity and role of the Engagement Partner are communicated to key members of Client management and where applicable Those Charged with Governance;
- b. the Engagement Partner has the appropriate competence, capabilities and authority to perform the role;
- c. the Engagement Partner has the capacity to be sufficiently and appropriately involved throughout the Engagement; and
- d. the responsibilities of the Engagement Partner are clearly defined and communicated to that Partner.

A Firm shall establish policies and procedures to assign appropriate individuals to the Engagement Team with the necessary competence and capabilities to perform Engagements that comply with the requirements of the System of Quality Management.

Engagement performance

A Firm shall establish policies and procedures designed to provide it with reasonable confidence that the Firm performs Engagements that comply with the requirements of the System of Quality Management.

Where the Firm utilises an Engagement Team, the policies and procedures required shall include:

- a. Engagement Teams understand and fulfill their responsibilities in connection with the Engagements;
- b. members of the Engagement Team have an inquiring mind, exercise professional judgement and use the reasonable and informed third party test in the Code;
- c. matters relevant to promoting consistency in the quality of Engagement performance;
- d. supervision responsibilities; and
- e. review responsibilities, including that the work of less experienced team members is reviewed by more experienced Engagement Team members.

Consultation

A Firm shall establish policies and procedures designed to provide it with reasonable confidence that:

- a. Appropriate consultation takes place on difficult or contentious matters and high risk Engagements;
- b. sufficient resources are available to enable appropriate consultation to take place; and
- c. conclusions resulting from consultations are implemented.

Engagement Documentation

A Firm shall establish policies and procedures in relation to Engagement Documentation including:

- a. the completion of the assembly of final Engagement files on a timely basis after the Engagement Outputs have been finalised;

- b. to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of Engagement documentation; and
- c. for the retention of Engagement Documentation for a period sufficient to meet the needs of the Firm or as required by law or regulation.

Information and Communication

The Firm shall establish policies and procedures that address obtaining, generating or using information regarding the System of Quality Management, and communicating that information within the Firm and to external parties on a timely basis to enable the establishment and maintenance of the System of Quality Management.

Monitoring and remediation

Monitoring a Firm's quality control policies and procedures

A Firm shall establish a Monitoring process designed to provide it with reasonable confidence that the policies and procedures relating to the System of Quality Management are relevant, adequate, and operating effectively. This process shall:

- a. include an ongoing consideration and evaluation of the Firm's System of Quality Management, including, on a cyclical basis, Inspection of at least one completed Engagement for each Engagement Partner;
- b. require that those performing the Engagement are not involved in Inspections.

A Firm shall establish policies and procedures that require retention of documentation for a period of time sufficient to permit those performing Monitoring procedures to evaluate the Firm's compliance with its System of Quality Management, or for a longer period if required by law or regulation.

Complaints and allegations

A Firm shall establish policies and procedures requiring documentation on receiving and investigating complaints and allegation and the responses to them and that provide the Firm with reasonable confidence that it deals appropriately with:

- a. complaints and allegations that the work performed by the Firm fails to comply with Professional Standards and applicable legal and regulatory requirements; and
- b. allegations of non-compliance with the Firm's System of Quality Management.

As part of this process, the Firm shall establish clearly defined channels for the Firm's Personnel to raise any concerns in a manner that enables them to come forward without fear of reprisals.

Remediation

The Firm shall respond to circumstances and undertake appropriate remedial actions when findings of the Monitoring process, or investigations into complaints and allegations, indicate that there are deficiencies in the Firm's System of Quality Management.

Professional Practice Quality Management & Risk Management Manual template

The IPA has a Professional Practice Quality Management & Risk Management template available to members on www.publicaccountants.org.au. We encourage members to review and adapt the Manual to their practice's circumstances.

Further Guidance

APES 320 sets out additional guidance on the various matters outlined in this Module. APES 320 can be downloaded from the APESB website at www.apesb.org.au.

4.6: APES 325 – Risk Management for Firms

Scope and application

The objectives of APES 325 *Risk Management for Firms* are to specify the mandatory obligations of a Firm to:

- establish and maintain a Risk Management Framework in order to identify, assess and manage key organisational Risks;
- monitor the Firm's Risk Management Framework on an ongoing basis; and
- document the Firm's Risk Management Framework and to communicate its Risk Management policies and procedures to its Personnel.

APES 325 sets the standards for Members in Public Practice to establish and maintain a Risk Management Framework in their Firms in respect of the provision of quality and ethical Professional Services. Members have a responsibility, whether as owner, Partner or employee, to ensure that the Firm implements the requirements of the Standard. The level of responsibility will depend on the position held by each Member in the Firm, but as a minimum all Members should participate in the Firm achieving the objectives of the Standard. The Standard identifies the Firm as the overarching entity which must implement the requirements of the Standard, but it is the Firm's Members in Public Practice who have responsibility to ensure this occurs.

Members in Public Practice conducting the operations of a Firm in Australia shall follow the mandatory requirements of APES 325.

Members in Public Practice conducting the operations of a Firm outside Australia shall follow the provisions of APES 325 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

Members in Public Practice shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.

Definitions

APES 325 provides definitions of the following expressions:

• Assurance Practice	• Client
• Code	• Engagement
• Firm	• Member
• Member in Public Practice	• Monitoring
• Network	• Partner
• Personnel	• Professional Activity
• Professional Bodies	• Professional Services
• Professional Standards	• Risk
• Risk Management	• Risk Management Framework
• Staff	

Objectives of a Risk Management Framework

An effective Risk Management Framework should assist a Firm to meet its overarching public interest obligations as well as its business objectives by:

- a. Facilitating business continuity;
- b. Enabling quality and ethical Professional Services to be provided to Clients; and
- c. Protecting the reputation and credibility of the Firm.

The Risk Management Framework should consist of policies designed to achieve the objectives set out above and procedures necessary to implement and monitor compliance with those policies. The Risk Management Framework should be an integral part of the Firm's overall strategic and operational policies and procedures and should take account of the Firm's Risk appetite.

A Firm that provides non-assurance services is required to develop quality management policies and procedures in accordance with APES 320 *Quality Management for Firms that provide Non-Assurance Services* (APES 320). Assurance Practices within Firms are required by ASQM 1 to design and implement responses, which are policies or procedures to address one or more quality risk(s). Quality management policies and procedures or responses developed in accordance with APES 320 or ASQM 1 respectively, should be embedded within the Risk Management Framework. This will facilitate a Firm complying with this Standard and where applicable, APES 320 or ASQM 1, or APES 320 and ASQM 1, and ensure consistency within the Firm's policies and procedures.

Establishing and maintaining a Risk Management Framework for a Firm

A Firm shall establish and maintain a Risk Management Framework taking into consideration its public interest obligations. The Firm shall periodically evaluate the design and effectiveness of the Risk Management Framework.

The Firm's Risk Management Framework shall include policies and procedures that identify, assess and manage key organisational Risks, which may include:

- a. Governance Risks;
- b. Business continuity Risks (including succession planning);
- c. Business Risks;
- d. Financial Risks;
- e. Regulatory Risks;
- f. Technology Risks (including cyber security);
- g. Human resources Risks; and
- h. Stakeholder Risks.

Additional Risks specific to the Firm can be identified through the use of other relevant standards or guidance. Firms shall comply with Section 360 *Responding to Non-Compliance with Laws and Regulations* of the Code.

The nature and extent of the policies and procedures developed by a Firm to comply with this Standard will depend on various factors such as the size and operating characteristics of the Firm and whether it is part of a Network.

The Firm's chief executive officer (or equivalent) or the Firm's managing Partner (or equivalent) or, if appropriate, the Firm's managing board of Partners (or equivalent), shall take ultimate responsibility for the Firm's Risk Management Framework.

A Firm shall ensure that the Personnel assigned responsibility for establishing and maintaining its Risk Management Framework in accordance with APES 325 have the necessary skills, experience, commitment and authority.

Monitoring a Firm's Risk Management policies and procedures

A Firm shall establish a Monitoring process designed to provide reasonable confidence that the Risk Management policies and procedures relating to the Risk Management Framework are relevant, adequate and operating effectively, and that instances of non-compliance with the Firm's Risk Management policies and procedures are detected.

A Firm shall establish a process whereby instances of non-compliance with the Firm's Risk Management policies and procedures are brought to the attention of the Firm's leadership who shall take appropriate corrective action.

Documentation

A Firm shall document its Risk Management Framework.

The form and content of documentation of the Risk Management Framework for a Firm is a matter of judgement and depends on a number of factors, including:

- the number of Personnel and offices of the Firm; and
- the nature and complexity of the Firm's practice and the Professional Services provided.

A Firm shall document its Risk Management policies and procedures and communicate them to the Firm's Personnel.

Communication of Risk Management policies and procedures to a Firm's Personnel should include a description of the policies and procedures, the objectives they are designed to achieve, and a message that each individual has a personal responsibility for Risk Management and is required to comply with the policies and procedures. In recognition of the importance of obtaining feedback on the Firm's Risk Management Framework and policies and procedures, the Firm's Personnel should be encouraged to communicate their views and concerns on Risk Management matters.

The documentation of a Firm's Risk Management Framework should include:

- procedures for identifying potential Risks;
- the Firm's Risk appetite;
- Risks identified;
- procedures for assessing and managing Risks;
- treatment of identified Risks;
- documentation processes;
- procedures for dealing with non-compliance;
- training of Staff in relation to Risk Management; and
- procedures for regularly reviewing the Risk Management Framework.

A Firm shall retain all relevant documentation for a sufficient time to permit those performing the Firm's Monitoring process to evaluate its compliance with its Risk Management Framework and to comply with applicable legal or regulatory requirements for record retention.

A Firm shall document all instances of non-compliance with the Firm's Risk Management policies and procedures detected through its Monitoring process and the actions taken by the Firm's leadership in respect of those instances of non-compliance.

Professional Practice Quality Management & Risk Management Manual template

The IPA has a Professional Practice Quality Management & Risk Management template available to members on www.publicaccountants.org.au. We encourage members to review and adapt the Manual to their practice's circumstances.

Further Guidance

APES 325 sets out additional guidance on the various matters outlined in this Chapter/Module. APES 325 can be downloaded from the APESB website at www.apesb.org.au.

IFAC resources

- Practice Management Guide for Small and Medium Practices (refer particularly Module 7 Risk Management: <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/guide-practice-management-small-and-medium-sized-practices-0>).
- IFAC's Global Knowledge Gateway also contains numerous articles and publications on risk management (refer: <https://www.ifac.org/knowledge-gateway>).

4.7: APES 330 – Insolvency Services

Scope and application

The objectives of APES 330 *Insolvency Services* are:

- to mandate Independence requirements for Members in Public Practice who are responsible for Appointments;
- to mandate that Members in Public Practice provide creditors with a *Declaration of Independence, Relevant Relationships and Indemnities* (DIRRI) and to specify the minimum requirements of the DIRRI;
- to specify requirements for a Member in Public Practice who intends to replace another practitioner who has commenced an Appointment;
- to specify requirements for a Member in Public Practice to disclose relevant information about Professional Fees and Expenses to the director(s) of the insolvent Entity or to the Insolvent Debtor prior to an Appointment;
- to specify the requirements for Members in Public Practice who are responsible for Appointments as a Restructuring Practitioner; and
- to specify the quality control and documentation obligations of a Member in Public Practice who provides Insolvency Services.

APES 330 sets the standards for Members in Public Practice in the provision of quality and ethical Insolvency Services. APES 330 should be read in conjunction with other professional duties of Members and any legal obligations that may apply.

Members in Public Practice in Australia shall follow the mandatory requirements of APES 330 when they provide Insolvency Services.

Members in Public Practice outside of Australia shall follow the mandatory requirements of APES 330 when they provide Insolvency Services, to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

Members in Public Practice shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.

Definitions

APES 330 provides definitions of the following expressions:

• Acceptable Level	• Administration
• Appointee	• Appointment
• Approving Body	• Associate
• Close Family	• Code
• Committee	• Contingent Fee
• Controller	• DIRRI
• Engagement	• Entity
• Expenses	• Expert Witness
• Expert Witness Service	• Financial Interest
• Firm	• Immediate Family
• Independence	• Inducement
• Insolvency Services	• Insolvent Debtor
• Managerial Employee	• Member
• Member in Public Practice	• Network
• Network Firm	• Office
• Partner	• Pre-appointment Advice
• Professional Activity	• Professional Bodies
• Professional Fees	• Professional Services

• Professional Standards	• Referring Entity
• Related Entity	• Restructuring Practitioner
• Trustee	Upfront Payment

Fundamental responsibilities of Members in Public Practice

An IPA Member in Public Practice providing an Insolvency 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, a Member in Public Practice shall observe and comply with the Member's public interest obligations when the Member provides an Insolvency Service.

An IPA Member in Public Practice shall not advise an insolvent Entity (nor, if the Entity is a company, its directors) on how to cause assets to be unavailable in an Administration or to otherwise avoid the consequences of the insolvency.

Professional competence and due care

An IPA Member in Public Practice providing an Insolvency 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.

When dealing with other practitioners in transitioning Appointments or where there are parallel Appointments, an IPA Member in Public Practice shall be professional and co-operative, without compromising the Member's obligations in the Member's Appointment.

Where an Insolvency Service requires the consideration of matters that are outside the professional expertise of an IPA Member in Public Practice, the Member shall seek expert assistance or advice from a suitably qualified third party or decline the Insolvency Service. Where the Member relies on the advice of a third party, the Member shall disclose in relevant reports or communications the name and qualifications of the third party and the areas in which third party advice has been obtained. This obligation does not extend to legal advice where disclosure may result in a waiver of legal professional privilege.

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

An IPA Member in Public Practice shall take all reasonable steps to communicate with Entities affected by an Administration in a timely and clear manner as to the insolvency processes and the rights and obligations of the Entities.

In undertaking an Insolvency Service, an IPA Member in Public Practice shall consider any guidance issued by professional bodies and appropriate regulatory authorities. For example, IPA Members in Public Practice who are also members of the Australian Restructuring Insolvency and Turnaround Association (ARITA) need to consider their obligations in accordance with ARITA's Code of Professional Practice.

Prior to accepting an Appointment, an IPA Member in Public Practice shall ensure that the Member has the capacity and has access to the necessary resources to conduct the proposed Administration in an effective and efficient manner.

Prior to accepting an Appointment from the director(s) of an insolvent Entity or Insolvent Debtor, an IPA Member in Public Practice shall make reasonable enquiries about the identity of the director(s) or Insolvent Debtor in accordance with the requirements of APES 320 *Quality Control for Firms* in relation to *Acceptance and continuance of Client relationships and specific Engagements* as if an Appointment is an Engagement.

If an IPA Member in Public Practice accepts an Appointment with another insolvency practitioner, all Appointees are equally responsible for all decisions made on the Appointment.

Confidentiality

An IPA Member in Public Practice who acquires confidential information in the course of an Insolvency Service shall comply with Subsection 114 *Confidentiality* of the Code.

Professional Behaviour

An IPA Member in Public Practice providing an Insolvency Service shall comply with Subsection 115 *Professional Behaviour* of the Code, in particular, the requirements in relation to marketing activities.

When placing an advertisement in respect of an Administration, an IPA Member in Public Practice shall not use that advertisement to market the Member's Professional Services.

An IPA Member in Public Practice shall not include slogans, logos, claims about the Member's Firm, or other promotional material in statutory advertisements.

An IPA Member in Public Practice providing an Insolvency Service shall comply with Section 340 *Inducements, Including Gifts and Hospitality* of the Code.

An IPA Member in Public Practice shall not provide any Inducement to any Entity to secure an Appointment for the Member, or to secure or prevent the Appointment or nomination of another person.

An IPA Member in Public Practice shall not accept an Appointment or perform an Administration that involves:

- a. referral or other commissions, or monetary or non-monetary benefits;
- b. spotter's fees;
- c. understandings or requirements that work in the Administration will be given to a referrer; or
- d. any other such arrangements that restrict the proper exercise of the Member's judgement and duties.

Professional Independence

The following professional independence requirements do not apply to Appointments as Controller or liquidator in a members' voluntary liquidation, however this does not remove an IPA Member in Public Practice's obligations to comply with the relevant law in respect of Independence.

An IPA Member in Public Practice accepting an Appointment or conducting an Administration shall maintain Independence.

Exception

Prior to accepting an appointment, an IPA Member in Public Practice shall identify, evaluate and address threats to the Independence of the Member. Where the Member identifies a threat, the Member shall not accept the Appointment, unless:

- the threat is trivial and inconsequential;
- the threat arises in circumstances or relationships that are permitted by this Standard or law or regulations; or
- the Member obtains court approval.

An IPA Member in Public Practice shall not accept an Appointment where the Member, the Member's Firm, a Network Firm or their Partners have provided Professional Services to the insolvent Entity or any other Entity which:

- a. has reasonable potential to lead to litigation claims against the Member or the Member's Firm by a stakeholder of the Administration;
- b. is material to the Administration; or
- c. was related to the structuring of assets of the insolvent Entity in order to avoid the consequences of insolvency, even if that advice was provided at a time when the Entity was solvent.

Where an IPA Member in Public Practice is requested by an insolvent Entity, its directors or its creditors to consent to an Appointment to replace another person who has commenced the Administration, and the Member intends to agree to the request, the Member shall:

- a. give reasonable notice to the other person being not less than one business day prior to the meeting of creditors, except when the request is received within one business day before that meeting;
- b. not solicit proxies directly or indirectly and shall act, and be seen to act, in the creditors' interests;
- c. provide to the other person a Declaration of Independence, Relevant Relationships and Indemnities (DIRRI), containing the information required by paragraph 4.24 of APES 330, to be tabled at the meeting where the creditors decide whether to replace the other person;
- d. provide details in the DIRRI of the Member's relationship with the Entity nominating the Member for the Appointment; and
- e. disclose to the creditors, at the meeting where the creditors decide whether to replace the other person, the basis (including rates where applicable) on which the Member proposes to charge Professional Fees.

An IPA Member in Public Practice conducting an Administration shall:

- a. act impartially in the discharge of the Member's duties and responsibilities;
- b. ensure that the Member's personal interests do not conflict with the Member's duty to the creditors; and
- c. remain alert for new information or changes in facts and circumstances that may create threats to independence.

When circumstances or relationships giving rise to a threat to Independence are identified after the commencement of an Administration, an IPA Member in Public Practice shall evaluate that threat and:

- a. continue performing the Administration if the Member determines that the threat would not have precluded the Member from accepting the Appointment had the threat been identified prior to the commencement of the Appointment. The Member shall amend the Declaration of Independence, Relevant Relationships and Indemnities (DIRRI) and send it to all the creditors; or
- b. where the threat to the Independence of the Member would have precluded the Member from accepting the Appointment had the threat been identified prior to the commencement of the Appointment, the Member shall notify all creditors and the appropriate regulatory authority of the following:
 - (i). the nature of the threat;
 - (ii). the key facts and circumstances;
 - (iii). reasons why the circumstances or relationships giving rise to the threat were not identified prior to acceptance of the Appointment;
 - (iv). the potential impact on the Independence of the Member;
 - (v). the status of the Administration;
 - (vi). the costs of ceasing and transferring the Appointment;
 - (vii). Professional Fees and Expenses billed and any outstanding amounts; and
 - (viii). how the threat will be addressed, such as applying to the court to continue the Appointment, or for the Appointment of a special purpose Appointee, or resigning from the Appointment; and
- c. in the circumstances described in the proceeding subparagraph above, apply to the court to continue the Appointment or for the Appointment of a special purpose Appointee, or resign from the Appointment.

Interests and relationships

When seeking to identify relationships with an insolvent Entity, an IPA Member in Public Practice shall take reasonable steps to identify and evaluate any threats the Member has reason to believe are created by the Firm's or Network Firms' interests and relationships with the insolvent Entity, its Related Entities or Associates. The Member shall consider the following matters when identifying relevant Network Firms:

- a. the geographical regions or countries in which the insolvent Entity, its Related Entities or Associates operate; and
- b. relationships with the directors or officers of the insolvent Entity, its Related Entities or Associates.

An IPA Member in Public Practice shall not accept an Appointment, where the Member, the Member's Firm, a Network Firm or their Partners or those Managerial Employees in the Office in which the Member practises have, or have had, any of the following relationships:

- a. an Immediate or Close Family relationship with:
 - the insolvent Entity;
 - an Associate or Related Entity of the insolvent Entity;
 - an employee of, or adviser to, the insolvent Entity who is in a position to exert direct and significant influence over the insolvent Entity; or
 - an Entity or an Associate or Related Entity of that Entity that has provided finance to the insolvent Entity.
- b. a close personal relationship with:
 - the insolvent Entity;
 - an Associate or Related Entity of the insolvent Entity; or
 - an employee of, or adviser to, the insolvent Entity who is in a position to exert direct and significant influence over the insolvent Entity.
- c. a material business relationship, including the holding of a material Financial Interest, whether directly or indirectly in or jointly in the previous two years with:
 - the insolvent Entity;
 - an Associate or Related Entity of the insolvent Entity;
 - an employee of, or adviser to, the insolvent Entity who is in a position to exert direct and significant influence over the insolvent Entity; or
 - an Entity that has provided finance to the insolvent Entity.
- d. a material loan or material guarantee, in the previous two years, to or from:
 - the insolvent Entity;
 - an Associate or Related Entity of the insolvent Entity; or
 - an employee of, or adviser to, the insolvent Entity who is in a position to exert direct and significant influence over the insolvent Entity.
- e. employment with the insolvent Entity in the preceding two years, in a position to exert direct and significant influence over the insolvent Entity.

Where an IPA Member in Public Practice, in a capacity other than as an Appointee, has a controlling interest in or the ability to influence a business operating in the same, or principally the same, market as the insolvent Entity, the Member shall evaluate the significance of any threats to Independence and, when necessary, apply safeguards to eliminate the threats or reduce them to an Acceptable Level. Where there are no safeguards that can eliminate the threats or reduce them to an Acceptable Level, the Member shall decline the Appointment. Australian courts have established legal precedents in respect of independence in the context of Insolvency Services. Members should refer to the definition of Independence and Appendix 1 of APES 330.

Prior Professional Services (including those provided at different Firms)

An IPA Member in Public Practice shall not accept an Appointment where the Member, the Member's Firm or a Network Firm has during the prior two years provided a Professional Service to the insolvent Entity, unless the Professional Service:

- a. will not affect the Member's ability to comply with statutory and fiduciary obligations associated with the Administration;
- b. does not create threats to the Member's ability to comply with fundamental principles of the Code and Independence when performing the duties of the Administration; and
- c. will not be subject to review by the Member during the course of the Administration.

Where an IPA Member in Public Practice is considering accepting an Appointment and two or more Firms or Network Firms have merged in the preceding two years, the Member shall evaluate any relationships that the Member is aware of, or ought reasonably to be aware of, which the insolvent Entity had with the Firm, previous Firm(s) or Network Firm(s) in accordance with the requirements of this Standard.

Where an IPA Member in Public Practice is considering accepting an Appointment and has moved Firms in the preceding two years, the Member shall evaluate any relationships that the Member is aware of, or ought reasonably to be aware of, which the insolvent Entity had with the previous Firm or its Network Firms during the time that the Member was a Partner or Managerial Employee. Where there were prior relationships, the Member shall disclose the relationships in the DIRRI. Where the prior relationships pose significant threats to Independence and there are no safeguards that can eliminate the threats or reduce them to an Acceptable Level, the Member shall decline the Appointment.

Pre-appointment Advice

If the insolvent Entity is a company, an IPA Member in Public Practice shall not provide Pre-appointment Advice to both the company and its directors in their personal capacity, as the threat to Independence created would be so significant that no safeguard could reduce the threat to an Acceptable Level.

If the insolvent Entity is an individual, and an IPA Member in Public Practice provides Pre-appointment Advice to that individual, the Member shall not provide Pre-appointment Advice to any company controlled by that individual or of which the individual serves as a director or an officer.

Declaration of Independence, Relevant Relationships and Indemnities

An IPA Member in Public Practice shall provide a *Declaration of Independence, Relevant Relationships and Indemnities* (DIRRI) in respect of an Insolvency Service. The Member shall provide the DIRRI in the first communication to the creditors and table it at the first meeting of the creditors.

An IPA Member in Public Practice shall include all relevant relationships in the DIRRI that may be relevant to a creditor in assessing the Member's independence.

An IPA Member in Public Practice shall include the following in the DIRRI:

- a. a statement about the purpose of the DIRRI;
- b. a statement as to whom the DIRRI is being made in respect of;
- c. a declaration that the Member has undertaken an evaluation of the significance of any threats to Independence and that the Member determined that the Member is independent for the purpose of accepting the Appointment in accordance with the requirements of the relevant legislation and this Standard;
- d. where there is a Referring Entity and disclosure of the Referring Entity is:
 - required by law; or

- not required by law and the Referring Entity is not an individual; or
- not required by law and the Referring Entity is an individual and the Member has obtained consent in writing from that individual;
 - i. the name of the Referring Entity;
 - ii. the connection to the insolvent Entity (if applicable) of the Referring Entity;
 - iii. the Member's reasons for believing the relationship with the Referring Entity does not result in the Member having a conflict of interest or duty; and
 - iv. a statement that there is no expectation, agreement or understanding with the Referring Entity regarding the conduct of the Administration.
- e. a declaration setting out the circumstances of the Appointment including the number of meetings with the insolvent Entity or its advisors and the period over which Pre-appointment Advice was provided, a summary of the nature of the issues discussed, the amount of any Professional Fees received for the Pre-appointment Advice and the Member's reasons for believing why such Pre-appointment Advice does not result in a conflict of interest or duty;
- f. a declaration that no other information or advice beyond that outlined in the DIRRI was provided to the insolvent Entity, directors of the insolvent Entity (if the insolvent Entity is a company) or their advisors;
- g. a declaration setting out all relationships the Member, the Member's Firm, a Network Firm or their Partners or those Managerial Employees in the Office in which the Member practises, have had in the preceding two years with:
 - i. the insolvent Entity;
 - ii. if the insolvent Entity is a company – an Associate of the company;
 - iii. if the insolvent Entity is an individual:
 - an Immediate or Close Family member of the individual;
 - a spouse or dependant of an Immediate or Close Family member of the individual; or
 - any Entity with which the individual or any of the persons noted above are associated;
 - iv. a former Appointee of the insolvent Entity; and
 - v. a person who has a security over the whole or substantially the whole of the insolvent Entity's property and other assets;

and the Member's reasons for believing why these relationships, if any, do not result in a conflict of interest or duty;
- h. a declaration of prior Professional Services provided in the preceding two years to the insolvent Entity by the Member, the Members' Firm, a Network Firm or their Partners, including:
 - i. the nature of the Professional Services;
 - ii. when the Professional Service was provided;
 - iii. the period over which the Professional Service was provided;
 - iv. the Professional Fees paid; and
 - v. the Member's reasons for believing why the Professional Service does not result in a conflict of interest or duty;
- i. a declaration of any other relevant relationships the Member has had in the preceding two years that may be relevant to the creditors in assessing the independence of the Member;
- j. a declaration that there are no other known prior Professional Services or other relationships that require disclosure; and
- k. a declaration of indemnities (other than statutory indemnities) and Upfront Payments, including:
 - i. the identity of each indemnifier or provider of an Upfront Payment (name and relationship with the insolvent Entity);

- ii. the extent and nature of each indemnity or Upfront Payment;
- iii. a statement as to where the funds are being held;
- iv. when and how the funds will be applied;
- v. Whether there are any conditions imposed on the use of funds; and
- vi. that there are no other indemnities or Upfront Payments to be disclosed.

Where more than one Member in Public Practice is appointed to an insolvent Entity, all Appointees shall sign the DIRRI prior to its issue. Where this is not possible and a DIRRI is issued before all Appointees sign it, the Members shall:

- provide an explanation in the DIRRI as to why all Appointees were not able to sign it; and
- Sign a replacement DIRRI as soon as possible and ensure that it is provided to creditors in the next communication.

Where an IPA Member in Public Practice becomes aware that the DIRRI is out of date or inaccurate, the Member shall update the DIRRI and provide it to the creditors and the Committee with the next communication and table it at the next meeting of the creditors or the Committee.

Professional Engagement matters

An IPA Member in Public Practice who has accepted an Appointment is not required to provide an engagement document in accordance with APES 305 *Terms of Engagement*.

An IPA Member in Public Practice who becomes aware of instances of non-compliance with laws and regulations when providing Insolvency Services shall comply with Section 360 *Responding to Non-Compliance with Laws and Regulations* of the Code.

Dealings with property and other assets

An IPA Member in Public Practice shall not derive a profit or advantage from an Administration, including through the sale or purchase of property or other assets of an Administration, unless permitted by law, regulations or with prior approval of the court.

An IPA Firm which provides Insolvency Services shall establish policies and procedures which prohibit the Firm, a Network Firm, their Partners and employees, and the Close and Immediate Families, controlled and associated Entities of the Firm's and Network Firms' Partners and employees from purchasing assets or deriving a benefit from dealing with any assets, including property, which comes under the control of a Partner or employee due to an Appointment, unless permitted by law, regulations or with prior approval of the court.

An IPA Member in Public Practice shall take all reasonable steps to ensure that the Member does not knowingly sell property or other assets of an Administration to the Member's Firm, a Network Firm, their Partners or employees, or to the Immediate and Close Families, controlled or associated Entities of the Member, the Firm's or Network Firms' Partners and employees, unless permitted by law, regulations or with prior approval of the court.

Expert Witness obligations

An IPA Member in Public Practice who during the course of an Administration acts as an Expert Witness shall comply with APES 215 *Forensic Accounting Services* as if an Appointment is an Engagement.

Professional Fees and Expenses

An IPA Member in Public Practice performing an Administration shall be remunerated for such service by way of Professional Fees in accordance with Section 330 *Fees and Other Types of Remuneration* of the Code, subject to the following limitations:

An IPA Member in Public Practice shall not accept an Appointment or perform an Administration that involves:

- a. referral or other commissions, or monetary or non-monetary benefits;
- b. spotter's fees;
- c. understandings or requirements that work in the Administration will be given to a referrer; or
- d. any other such arrangements that restrict the proper exercise of the Member's judgement and duties.

When requested to consent to an Appointment, in the case of a company where the Appointment is made by the director(s) or members (other than a members' voluntary liquidation) or in the case of an Insolvent Director, an IPA Member in Public Practice shall provide to the director(s) of the insolvent Entity or the Insolvent Debtor the following information prior to Appointment:

- a. The basis of calculating Professional Fees the Member proposes to use in the Administration;
- b. If the Member proposes to use a time basis, the scale of hourly rates that will be used;
- c. An explanation that:
 - i. Professional Fees drawn in the Administration will be those approved by the Approving Body;
 - ii. creditors will be advised of the basis of calculating Professional Fees proposed to the director(s) of the insolvent Entity or the Insolvent Debtor; and
 - iii. where the director(s) of the insolvent Entity, Insolvent Debtor or other Entity have made an Upfront Payment, the amount paid may not satisfy the full costs of the Administration. Professional Fees are subject to approval by the Approving Body and if an amount above the Upfront Payment is approved, it may be paid from the assets of the Administration;
- d. If the Member provides an estimate of the cost of the Appointment to the director(s) of the insolvent Entity or the Insolvent Debtor:
 - i. it shall be in writing clearly detailing any variables which may affect the estimate; and
 - ii. the director(s) of the insolvent Entity or the Insolvent Debtor shall be informed that creditors will be advised of the estimate and that the actual Professional Fees drawn in the Administration may exceed that estimate and this higher amount can be approved by the Approving Body.

Where an IPA Member in Public Practice provides an estimate of the costs of the Appointment to the creditors, or claims an amount of Professional Fees, which is different to the estimate provided to the director(s) of the insolvent Entity or the Insolvent Director, the Member shall provide an explanation of the reason for the variance to the creditors.

Where an IPA Member in Public Practice provides a fixed fee or unconditional quote to the director(s) of the insolvent Entity or the Insolvent Debtor, the Member shall not ask the Approving Body for approval of Professional Fees greater than the fixed fee or unconditional quote.

An IPA Member in Public Practice shall only claim Professional Fees and Expenses in respect of Professional Services performed or to be performed for an Administration which are necessary and proper.

An IPA Member in Public Practice shall claim as Professional Fees, and not as Expenses, any fees for Insolvency Services provided by the Member, the Member's Firm, a Network Firm or a third party to an Administration. Where the Member, the Member's Firm or a Network Firm provides Professional Services, other than Insolvency Services, the fees in respect of those services shall be claimed as Professional Fees.

An IPA Member in Public Practice shall use the Member's commercial judgement, adopting the perspective of, and acting with the same care as, a reasonable person when incurring Expenses for the Administration.

An IPA Member in Public Practice who has accepted an Appointment, other than as a Controller or a Trustee, shall obtain court approval when the Member makes a claim in respect of Professional Fees for any pre-appointment work performed in respect of an Appointment.

An IPA Member in Public Practice who has accepted an Appointment, other than as a Controller or Trustee, shall not claim as an Expense any disbursements that were incurred prior to the date of Appointment.

Where an IPA Member in Public Practice has accepted an Appointment, other than as a Controller, and is seeking approval for Professional Fees from the Approving Body, the Member, in addition to any statutory requirements, shall provide sufficient information so as to allow the Approving Body to make an informed assessment as to whether the Professional Fees are reasonable, and shall:

- a. provide details of how the Professional Fees are computed;
- b. state the terms of the approval sought from the Approving Body;
- c. compare the Professional Fees sought to be approved to any estimate previously provided to the Approving Body and if it differs provide an explanation of the reason for the variance;
- d. advise the total of Professional Fees previously determined and whether the Member may be seeking approval for additional Professional Fees in the future;
- e. provide details of Expenses paid from the Administration, including:
 - i. where Expenses are paid for Professional Services that have not been provided by the Firm, who the Expenses were paid to;
 - ii. what the Expenses were for;
 - iii. for Expenses charged directly by the Firm, the basis of calculation of those Expenses including any profit or advantage; and
 - iv. the amount paid and to be paid;
- f. provide a summary of receipts and payments to and from the Administration bank account; and
- g. provide a reconciliation to any prior prospective Professional Fee approvals, including actual Professional Fees to estimated Professional Fees, tasks undertaken and tasks that remain to be completed.

Contingent Fees

An IPA Member in Public Practice shall not enter into an arrangement to receive a Contingent Fee for Insolvency Services if that arrangement:

- a. impairs the Member's Independence;
- b. results in the receipt of a Contingent Fee for performing professional work that the Member is required to complete under the relevant legislation governing an Appointment;
- c. is inconsistent with the fiduciary obligations of the Member; or
- d. results in the perception that the Member is acting in the Member's interests, rather than in the best interests of the creditors.

When considering whether a proposed Contingent Fee arrangement in a particular Administration meets the above requirements, the Member shall consider the following:

- a. funds available to the Administration;
- b. funding from alternative sources such as creditors or a litigation funder;
- c. the costs of the alternative sources of funds in comparison to the Contingent Fee arrangement;
- d. the risk associated with the tasks to be undertaken for the Contingent Fee; and
- e. the appropriateness of the amount of the proposed Contingent Fee in relation to the nature of the Administration and the risk associated with the task to be undertaken.

Where an IPA Member in Public Practice enters into an arrangement to receive a Contingent Fee for Insolvency Services, the Member shall obtain approval from the Approving Body prior to commencement of Professional Services after having disclosed the following information:

- a. details of the arrangement including the nature of the contingency and how achievement of the contingency will be assessed;
- b. the Member's Professional Fees in the event the contingency is or is not achieved;
- c. when the Member's Professional Fees are expected to be drawn; and
- d. except in the case of an Appointment as a Controller, why the arrangement to receive a Contingent Fee is in the best interest of the creditors.

Drawing of Professional Fees and Expenses

An IPA Member in Public Practice shall only draw Professional Fees once the proper resolution, order, or authority has been obtained from the Approving Body and in accordance with the terms of approval.

Where an IPA Member in Public Practice has entered into a fixed fee arrangement in respect of Professional Fees, the Member shall draw the fixed fee at the conclusion of the Administration or in amounts and at milestones specified by the Approving Body.

Where an IPA Member in Public Practice seeks approval from the Approving Body for the payment of prospective Professional Fees and Expenses charged directly by the Firm which include a profit or advantage for the Firm, the Member shall specify the maximum amount of the Professional Fees and Relevant Expenses that may be drawn before requiring further approval from the Approving Body. The Member shall draw on these prospective Professional Fees and Expenses progressively as the work is completed.

Where an IPA Member in Public Practice has prospective Professional Fees approved, the scale of rates used to draw Professional Fees shall be the scale of rates provided by the Member to the Approving Body at the time of the approval, unless a specific formula to increase the scale of rates was incorporated into the resolution passed by the Approving Body. If a specific formula was not incorporated into the resolution, then the Member shall only change the scale of rates by obtaining further approval from the Approving Body.

Receipt of monies

Where an IPA Member in Public Practice receives an Upfront Payment in respect of a proposed Administration, the Member shall ensure:

- a. the monies are held in trust and they comply with the relevant requirements of APES 310 *Client Monies* as if the Appointment related to a client;
- b. there are no conditions on the conduct or outcome of the Administration attached to the monies;
- c. full disclosure is made to creditors in the DIRRI;
- d. approval of Professional Fees is obtained prior to them being paid to the Appointee; and
- e. the monies are accounted for as funds of the Administration.

Where an IPA Member in Public Practice has accepted an Appointment, other than as a Controller, and receives money from an Entity, other than from the assets of the insolvent Entity, to meet the costs of the Administration, the Member shall disclose the receipt of this money to the Approving Body and shall obtain approval to apply the money to Professional Fees from the Approving Body.

Restructuring Practitioner's Independence, Professional Fees and Expenses

Restructuring Practitioner's Independence

A Restructuring Practitioner shall maintain Independence. [Australian courts have established legal precedents in respect of independence in the context of Insolvency Services. IPA Members should refer to the definition of Independence and Appendix 1 of APES 330].

Prior to accepting an **Appointment** as a **Restructuring Practitioner**, an IPA **Member in Public Practice** shall identify, evaluate and address threats to the **Independence** of the **Member**. Where the **Member** identifies a threat that is not at an **Acceptable Level**, the **Member** shall not accept the **Appointment** unless:

- a. the threat can be eliminated or reduced to an **Acceptable Level** by;
 - i. eliminating the circumstances, including interests or relationships, that are creating the threat;
 - ii. applying safeguards, where available and capable of being applied, to reduce the threat to an **Acceptable Level**; or
- b. the threat arises in circumstances or relationships that are permitted by this Standard or law or regulations.

A **Restructuring Practitioner** shall:

- a. act impartially in the discharge of the **Restructuring Practitioner's** duties and responsibilities;
- b. ensure that the **Restructuring Practitioner's** personal interests do not conflict with the **Restructuring Practitioner's** duties; and
- c. remain alert for new information or changes in facts and circumstances that may create threats to **Independence**.

An IPA **Member in Public Practice** shall not accept an **Appointment** as a **Restructuring Practitioner** where the **Member**, the **Member's Firm**, a **Network Firm** or their **Partners** have provided **Professional Services** to the insolvent **Entity** or any other **Entity** which:

- a. has reasonable potential to lead to litigation claims against the **Member** or the **Member's Firm** by a stakeholder of the **Administration**;
- b. is material to the **Administration**; or
- c. was related to the structuring of assets of the insolvent **Entity** in order to avoid the consequences of insolvency, other than through the **Administration**, even if that advice was provided at a time when the **Entity** was solvent.

When circumstances or relationships giving rise to a threat to **Independence** are identified after the commencement of an **Administration** as a **Restructuring Practitioner**, a **Restructuring Practitioner** shall evaluate that threat and:

- a. continue performing the **Administration** if the **Restructuring Practitioner** determines that the threat would not have precluded the **Restructuring Practitioner** from accepting the **Appointment** had the threat been identified prior to the commencement of the **Appointment**. The **Restructuring Practitioner** shall amend the *Declaration of Independence, Relevant Relationships and Indemnities* (DIRRI) and send it to all the creditors; or
- b. where the threat to the **Independence** of the **Member in Public Practice** would have precluded the **Member** from accepting the **Appointment** had the threat been identified prior to the commencement of the **Appointment**, the **Restructuring Practitioner** shall address the threat by resigning from the **Appointment** by written notice to the company to enable the **Appointment** of a replacement **Restructuring Practitioner**.

Interests and Relationships

For the purpose of this Standard, when seeking to identify relationships with an insolvent **Entity** that are relevant to an **Appointment** as a **Restructuring Practitioner**, an IPA **Member in Public Practice** shall take reasonable steps to identify and evaluate any threats the **Member** has reason to believe are created by the **Firm's** or **Network Firms'** interests and relationships with the insolvent **Entity** or its **Associates**. The **Member** shall consider the following matters when identifying relevant **Network Firms**:

- a. the geographical regions or countries in which the insolvent **Entity** or its **Associates** operate; and
- b. relationships with the directors or officers of the insolvent **Entity** or its **Associates**.

An IPA **Member in Public Practice** shall not accept an **Appointment** as a **Restructuring Practitioner**, where the **Member**, the **Member's Firm**, a **Network Firm** or their **Partners** or those **Managerial Employees** in the **Office** in which the **Member** practises have, or have had, any of the following relationships:

- a. an **Immediate** or **Close Family** relationship with: (i) the insolvent **Entity**;
 - i. an **Associate** of the insolvent **Entity**;
 - ii. an employee of, or adviser, to the insolvent **Entity** who is in a position to exert direct and significant influence over the insolvent **Entity**; or
 - iii. an **Entity** or an **Associate** of that **Entity** that has provided finance to the insolvent **Entity**.
- b. a close personal relationship with:
 - i. the insolvent **Entity**;
 - ii. an **Associate** of the insolvent **Entity**; or
 - iii. an employee of, or adviser to, the insolvent **Entity** who is in a position to exert direct and significant influence over the insolvent **Entity**.

Prior to accepting an **Appointment** as a **Restructuring Practitioner**, an IPA **Member in Public Practice** shall identify, evaluate and address threats to the **Independence** of the **Member**, where the **Member**, the **Member's Firm**, a **Network Firm** or their **Partners** or those **Managerial Employees** in the **Office** in which the **Member** practises have, or have had, any of the following relationships:

- a. a material business relationship, including the holding of a material **Financial Interest**, whether directly or indirectly in or jointly in the previous two years with:
 - i. the insolvent **Entity**;
 - ii. an **Associate** of the insolvent **Entity**;
 - iii. an employee of, or adviser to, the insolvent **Entity** who is in a position to exert direct and significant influence over the insolvent **Entity**; or
 - iv. an **Entity** that has provided finance to the insolvent **Entity**.
- b. a material loan or material guarantee, in the previous two years, to or from:
 - i. the insolvent **Entity**;
 - ii. an **Associate** of the insolvent **Entity**; or
 - iii. an employee of, or adviser to, the insolvent **Entity** who is in a position to exert direct and significant influence over the insolvent **Entity**.
- c. employment with the insolvent **Entity** in the preceding two years, in a position to exert direct and significant influence over the insolvent **Entity**.

Prior Professional Services (including those provided at different Firms)

An IPA **Member in Public Practice** shall not accept an **Appointment** as a **Restructuring Practitioner** where the **Member**, the **Member's Firm** or a **Network Firm** has during the prior two years provided a **Professional Service** to the insolvent **Entity**, where that **Professional Service**:

- a. affects the **Member's** ability to comply with the statutory and fiduciary obligations associated with the **Administration**; and
- b. creates threats to the **Member's** ability to comply with the fundamental principles of the **Code** and **Independence** when performing the duties of the **Administration**.

Where an IPA **Member in Public Practice** is considering accepting an **Appointment** as a **Restructuring Practitioner** and two or more **Firms** or **Network Firms** have merged in the preceding two years, the **Member** shall evaluate any relationships that the **Member** is aware of, or ought reasonably to be aware of, which the insolvent **Entity** had with the **Firm**, previous **Firm(s)** or **Network Firm(s)** in accordance with the requirements of APES 330.

Where an IPA **Member in Public Practice** is considering accepting an **Appointment** as a **Restructuring Practitioner** and has moved **Firms** in the preceding two years, the **Member** shall evaluate any relationships that the **Member** is aware of, or ought reasonably to be aware of, which the insolvent **Entity** had with the previous **Firm** or its **Network Firms** during the time that the **Member** was a **Partner** or **Managerial Employee**. Where there were prior relationships, the **Member** shall disclose the relationships in the *Declaration of Independence, Relevant Relationships and Indemnities* (DIRRI). Where the prior relationships pose significant threats to **Independence** and there are no safeguards that can eliminate the threats or reduce them to an **Acceptable Level**, the **Member** shall decline the **Appointment**.

Pre-appointment Advice

Where an IPA **Member in Public Practice** is considering accepting an **Appointment** as a **Restructuring Practitioner**, the **Member** shall not provide Pre-appointment Advice to both the company and its directors in their personal capacity if such Pre-Appointment Advice might compromise the outcome from the **Administration** for the company's creditors.

Restructuring Practitioner's Professional Fees and Expenses

Restructuring Practitioners shall be remunerated for such service by way of **Professional Fees** in accordance with Section 330 *Fees and Other Types of Remuneration* of the **Code**, subject to the limitations in paragraph 3.26 of APES 330.

Restructuring Practitioners shall only claim reasonable **Professional Fees** and **Expenses** in respect of **Professional Services** performed or to be performed for an **Administration** which are necessary and proper.

Restructuring Practitioners shall only claim **Expenses** or fees for **Insolvency Services** or **Professional Services** other than **Insolvency Services** provided by the **Restructuring Practitioner**, the **Restructuring Practitioner's Firm**, a **Network Firm** or a third party to an **Administration**, that are specified in the:

- a. fixed amount of **Professional Fees** approved by the **Approving Body** for a **Restructuring Practitioner** for a company;
- b. **Professional Fees** determined under a method approved by the **Approving Body** for a **Restructuring Practitioner** for a company in the event the board of the company consents to proceedings; or
- c. restructuring plan approved by the **Approving Body** for **Professional Fees** determined under a method specified in the plan in the event the board of the company consents to proceedings.

Restructuring Practitioners seeking approval for **Professional Fees** from the **Approving Body**, in addition to any statutory requirements, shall provide sufficient information so as to allow the **Approving Body** to make an informed assessment as to whether the **Professional Fees** are reasonable.

Contingent Fees

Restructuring Practitioners shall not enter into an arrangement to receive a **Contingent Fee** for **Insolvency Services** performed in relation to proceedings if that arrangement:

- a. impairs the **Restructuring Practitioner's Independence**;
- b. results in the receipt of a **Contingent Fee** for performing professional work that the **Restructuring Practitioner** is required to complete under the relevant legislation governing the **Appointment**;
- c. is inconsistent with the fiduciary obligations of the **Restructuring Practitioner**; or
- d. results in the perception that the **Restructuring Practitioner** is acting in the **Restructuring Practitioner's** interests, rather than in the best interests of the company and its creditors.

When considering whether a proposed **Contingent Fee** arrangement in a particular **Administration** meets the requirements of paragraph 10.22 of APES 330, a **Restructuring Practitioner** shall consider the following:

- a. the risk associated with the tasks to be undertaken for the **Contingent Fee**; and
- b. the appropriateness of the amount of the proposed **Contingent Fee** in relation to the nature of the **Administration** and the risk associated with the task to be undertaken.

Where a **Restructuring Practitioner** enters into an arrangement to receive a **Contingent Fee** for **Insolvency Services** performed in relation to proceedings, the **Restructuring Practitioner** shall obtain approval from the **Approving Body** prior to commencement of **Professional Services** after having disclosed the following information:

- a. details of the arrangement including the nature of the contingency and how achievement of the contingency will be assessed;
- b. the **Restructuring Practitioner's Professional Fees** in the event the contingency is or is not achieved;
- c. when the **Restructuring Practitioner's Professional Fees** are expected to be drawn; and
- d. why the arrangement to receive a **Contingent Fee** is in the best interest of the company and its creditors.

Drawing of Professional Fees and Expenses

A **Restructuring Practitioner** shall only draw **Professional Fees** once the proper resolution or authority has been obtained from the **Approving Body** and in accordance with the terms of approval.

Where a **Restructuring Practitioner** has entered into a fixed fee arrangement in respect of **Professional Fees** set out in subparagraphs 10.20(a), 10.20(b) or 10.20(c) of APES 330, the **Restructuring Practitioner** shall draw the fixed fee at the conclusion of the **Administration** or in amounts and at milestones specified by the **Approving Body**.

Where a **Restructuring Practitioner** seeks approval from the **Approving Body** for **Professional Fees** in relation to proceedings, the **Restructuring Practitioner** shall specify the method for determining those **Professional Fees**, which may include the scale of rates used by the **Firm**.

Where a **Restructuring Practitioner** has **Professional Fees** approved in accordance with paragraph 10.27 of APES 330, the scale of rates used to determine **Professional Fees** shall be the scale of rates provided by the **Restructuring Practitioner** to the **Approving Body** at the time of the approval, unless a specific formula to increase the scale of rates was incorporated into the resolution passed by the **Approving Body** or the restructuring plan approved by the **Approving Body**.

Receipt of monies

Where an IPA **Member in Public Practice** receives an **Upfront Payment** in respect of a proposed **Administration** as a **Restructuring Practitioner**, the **Member** shall ensure:

- a. the monies are held in trust and the **Member** complies with the requirements of APES 310 *Client Monies* as if the **Appointment** related to a client;
- b. there are no conditions on the conduct or outcome of the **Administration** attached to the monies;
- c. full disclosure is made to creditors in the *Declaration of Independence, Relevant Relationships and Indemnities* (DIRRI);
- d. approval of **Professional Fees** is obtained prior to them being paid to the **Appointee**; and
- e. the monies are accounted for as funds of the **Administration**.

Documentation and quality control

An IPA Member in Public Practice shall comply with the requirements of APES 320 *Quality Control for Firms* as if an Appointment is an Engagement.

An IPA Member in Public Practice shall prepare working papers in accordance with this Standard that appropriately document the work performed, including aspects of the Insolvency Service that have been provided, in writing. The documentation prepared by the Member shall:

- provide a sufficient and appropriate record of the procedures performed for the Insolvency Service;
- identify threats to Independence, and how they have been evaluated and addressed including safeguards applied; and
- demonstrate that the Insolvency Service was carried out in accordance with this Standard and other applicable Professional Standards, including policies and procedures established in accordance with APES 320 *Quality Control for Firms*, and any applicable ethical, legal and regulatory requirements.

An IPA Member in Public Practice shall establish and adhere to documented procedures for each type of Administration that the Member undertakes to guard against not complying with statutory timeframes.

4.8: APES 345 – Reporting on Prospective Financial Information prepared in connection with a Public Document

Scope and application

The objectives of APES 345 *Reporting on Prospective Financial Information prepared in connection with a Public Document* are to specify a Member in Public Practice's professional and ethical obligations in respect of:

- fundamental responsibilities of the Member who performs a Reporting Service Engagement;
- compliance with applicable Independence requirements;
- consideration of relationships and the provision of other Professional Services that create threats to the Member's ability to comply with the fundamental principles;
- reporting and documentation;
- communication with Those Charged with Governance; and
- the impact of any litigation between the Client or its related entities and the Firm.

Further information on APES 345 can be found at www.apesb.org.au.

4.9: APES 350 – Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document

The objectives of APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* are to specify a Member in Public Practice's professional and ethical responsibilities when providing Professional Services to a Client which consist of participating in and/or reporting to a Due Diligence Committee as a DDC Member, DDC Observer or Reporting Person in connection with a Public Document, in respect of:

- fundamental responsibilities;
- the requirements to take reasonable steps to ensure that the Members' responsibilities specified in the Due Diligence Planning Memorandum are consistent with those set out in the Engagement Document; and
- the circumstances in which a Due Diligence Sign-Off, a Materiality Letter or a New Circumstances Statement can be issued, the matters to be included therein and to provide guidance on the form of the reports.

A Member in Public Practice may provide Professional Services to a Client in connection with a Due Diligence Committee (DDC) in the role of a:

- DDC Member and Reporting Person;
- DDC Observer;
- DDC Observer and Reporting Person; or
- Reporting Person.

Further information on APES 350 can be found at www.apesb.org.au.

4.10: APES Guidance Notes applicable to all IPA Members (GN 20 series)

4.10.1: GN 20 Scope and Extent of Work for Valuation Services

APES GN 20 provides guidance to assist Members on the application of APES 225 Valuation Services in determining the scope and extent of work that, depending on the particular circumstances, may be appropriate for the three types of Valuation Service defined in section 2 of APES 225.

Further information on GN 20 can be found at www.apesb.org.au.

4.10.2: GN 21 Valuation Services for Financial Reporting

The objective of APES GN 21 *Valuation Services for Financial Reporting* is to provide guidance on the application of APES 225 *Valuation Services* (APES 225) in relation to a Member's professional and ethical obligations in respect of:

- the provision of a Valuation Service for Financial Reporting to a Client or Employer;
- the scope of work to be performed; and
- matters to be disclosed in a Valuation Report.

APES GN 21 provides guidance to assist Members on the application of APES 225 to Valuation Services conducted in respect of financial reporting. This Guidance Note does not prescribe or create any mandatory requirements or consider the requirements of applicable Australian Accounting Standards.

Further information on GN 21 can be found at www.apesb.org.au.

4.11: APES Guidance Notes applicable to IPA Members in Public Practice (GN 30 series)

4.11.1: GN 30 Outsourced Services

The objectives of APES GN 30 *Outsourced Services* are to provide guidance in relation to a Member in Public Practice's professional and ethical obligations in respect of:

- fundamental responsibilities of the Member who provides or utilises an Outsourced Service;
- management of risks associated with the performance or utilisation of Outsourced Services;
- matters to be included in the Outsourcing Agreement pertaining to Outsourced Services;
- management and monitoring of the Outsourced Services; and
- documentation.

APES GN 30 provides guidance or suggestions to assist a Member in Public Practice who is providing or utilising Outsourced Services and does not prescribe or create any new professional requirements.

Further information on GN 30 can be found at www.apesb.org.au.

4.11.2: GN 31 Professional and Ethical Considerations relating to Low Doc Offering Sign-Offs

The objective of APES GN 31 *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs* is to provide guidance on the professional and ethical obligations of a Member in Public Practice in relation to Low Doc Offering Engagements and Low Doc Offering Sign-offs.

APES GN 31 provides guidance to assist Members in Public Practice to determine whether or not it is appropriate to provide a Low Doc Offering Sign-off in relation to a Low Doc Offering Engagement, taking into consideration the applicable requirements of APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* (APES 350).

Further information on GN 31 can be found at www.apesb.org.au.