



## What Are the Accountants Up To?

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Regular readers may recall a series of columns devoted to the accounting profession in 2012, including a discussion of the draft APES 230 in light of the principles stated in the FPA Code of Ethics. Readers may not be aware of an interesting development in the accounting profession's governance standards relating to financial advice. First, a quick summary of the story so far...

The Accounting Professional & Ethical Standards Boards (APESB) sets principle-based professional standards for the Australian accounting profession, comprising members of all three accounting bodies: the Institute of Chartered Accountants (ICAA); the Certified Practising Accountants (CPA Australia); and the Institute of Public Accountants (IPA).

Being a profession, the APESB was determined to set a higher standard of behaviour for accountants practising in financial advice compared with the standards of the FPA. The relevant draft standard, APES 230, was controversial for clearly specifying the principles – and the implications of applying those principles – particularly in areas of responsibility such as Integrity, Objectivity and Fairness. After a long and emotive consultation period the final APES 230 was released in April 2013 with some significant concessions around the two most controversial sections, third party payments and fees expressed as a percentage of FUM.

Interestingly, one of the accounting bodies, the IPA, was still not happy with APES 230 and in October 2013 it invoked a “get out clause” which allowed its members to ignore the APESB and follow an alternative standard. I have read the December 2013 version of “Pronouncement 11 – Providing Financial Advice” and it takes effect on 1 July 2014.

After that lengthy preamble, I would like to make some observations....

I would encourage readers to take the time to read Pronouncement 11. It is a brief paper and the body comprises only 7 pages. It may be valuable to test your beliefs against the principles espoused in that standard. In my opinion, on first reading the standard sets high expectations about the behaviour of the IPA members when it comes to providing financial advice. The only apparent “soft” specification is that client engagement documents need not be updated any more frequently than every four years.

So that puzzled me. Why did the IPA go to so much trouble to set an alternative standard to APES 230? I read the IPA press release dated 3 July 2013 which announced the draft Pronouncement and I read the IPA press release dated 14 October which announced that they would adopt Pronouncement 11. Neither press release explains the IPA's problem with APES 230.



Still puzzled, I compared the two standards and I then drew a different conclusion about Pronouncement 11. Cleverly, it simply avoids mentioning the contentious sections of APES 230. Nowhere in Pronouncement 11 does it mention third party payments. Nowhere in Pronouncement 11 does it mention the question of fees expressed as a % of FUM. It appears that by ignoring those critical clauses it simply allows members to draw their own conclusions. This is a curious application of the principles of integrity and transparency.

It is quite possible that I am missing something so members of the IPA are most welcome to respond to this column and explain their problem with APES 230. I would also like to understand why that problem is not mentioned in the press releases or the Pronouncement.

In any event, if nothing else, the issue serves to remind us of the importance of the ethical principles that support professional behaviour. These are the best of times to really behave as a professional - and enjoy the benefits of differentiation from those merely claiming to be professional.