



**The Institute of
Chartered Accountants
in Australia**



Statement of Forensic Accounting Standards – APS 11

CONTENTS

Paragraph(s)

PART 1:

| | |
|-------------------------------|---|
| Introduction | 1 |
| Disciplinary Proceedings..... | 2 |
| Definitions | 3 |

PART 2:

| | |
|---|-------|
| The Standards | 4 |
| General Standards | |
| Professional Independence | 5-8 |
| Skill and Competence..... | 9-12 |
| Reasonable Care..... | 13-15 |
| Confidentiality | 16-17 |
| Professional Behaviour..... | 18 |
| Incorrect or Misleading Information and Changes in Opinion..... | 19-20 |
| Performance Standards | |
| Quality Control | 21-22 |
| Estimates..... | 23 |
| Court Imposed Standards..... | 24 |

July 2002

PART 3:

Remuneration25-27

PART 1

1. Introduction

This Statement is limited to the professional aspects of forensic accounting services as distinct from any responsibilities which may be imposed by law or other authority.

2. Disciplinary Proceedings

The Standards set out in this Statement are mandatory and are subject to disciplinary proceedings.

3. Definitions

For the purposes of this statement:

“Forensic accounting services” means the provision of professional services (but not legal services) in:

- a) assisting or advising clients in any aspect of accounting relating to the financial investigation of:
 - i. the quantum of economic loss;
 - ii. valuations of shares and other assets;
 - iii. breaches of professional standards or relevant corporations or securities law;
 - iv. fraud; and
 - v. such other investigative work; and
- b) presentation of the results of that analysis for the purposes of dispute resolution or litigation in a Court or Tribunal or other forum, and the giving of evidence.

Forensic accounting services does not include services provided as an arbitrator, conciliator or similar role.

“Member” means a member in practice and where applicable includes a member’s firm, company, other entity or any employees thereof.

*“Forensic accountant “*and *“Expert”* mean a member engaged in the provision of forensic accounting services.

PART 2

THE STANDARDS

- 4. Forensic Accounting Standards are basic principles governing the professional responsibilities which a member must exercise in the course of providing forensic accounting services. The Standards are shown in bold type followed by discussion or amplification.

General Standards

Professional Independence

- 5. **The Code of Professional Conduct on Professional Independence applies to the provision of forensic accounting services in the same manner as it applies to other forms of professional practice.**

July 2002

6. **A member must not accept or continue to carry out an engagement to undertake forensic accounting services where the engagement would give rise to a conflict of interest for the member or the member's firm.**
7. **A member may assist and advise a client in resolving a dispute but must take all possible steps to ensure that such a role does not place the member, or the member's firm, in a position of conflict arising from a retainer as an independent expert witness.**
8. The onus of resolving an actual or perceived conflict of interest rests with the member.

Skill and Competence

9. A member engaged in the provision of forensic accounting services must apply the same degree of skill and competence that is required to be exercised in performing any other professional work.
10. **It is the responsibility of each member to evaluate his or her ability to render forensic accounting services and to determine what services will be offered to clients.**
11. **Before accepting an engagement to provide forensic accounting services, the member must exercise professional judgement to determine if he or she is qualified to offer the requested expert advice. Matters to be considered include:**
 - a) whether the member has been trained or practised in this area of professional practice; and
 - b) the member's knowledge, experience and expertise in the type of work requested.
12. **Engagements may require the consideration of matters that are outside a member's professional expertise. In such cases, the member should either refuse to accept the engagement or seek expert assistance or advice from a suitably qualified third party. The member should disclose in any reports or other relevant communications the extent of the reliance upon the advice of such a third party.**

Reasonable Care

13. A member must take reasonable professional care in the provision of forensic accounting services.
14. **The exercise of reasonable care requires a critical review at every level of supervision of the work done, and the judgment exercised, by those assisting in the assignment. Where the expert has utilised the services of partners, consultants or professional staff, it should be made clear that the work has been carried out by personnel acting under the control and direction of the expert.**
15. A member should take reasonable care to ensure that the client has a clear understanding of the nature of the engagement (See APS 2: Terms of Engagement).

Confidentiality

16. Information received by a member in the provision of forensic accounting services must not be used for any purposes other than the proper performance of professional duties.

July 2002

17. **Unless there is a legal duty to disclose, a member must not convey any information relating to a client's affairs to a third party without the client's permission.**

Professional Behaviour

18. Where there is any direct or indirect communication between a member and a potential client which is, in substance, an arrangement to provide forensic accounting services, with or without charging a fee, the member must comply with the provisions of the Code of Professional Conduct (F3 – Changes in Professional Appointments).

Incorrect or Misleading Information and Changes in Opinion

19. A member shall not be associated with a report or an expression of opinion on behalf of a client if the member is aware that the report or opinion is based upon or contains incorrect or misleading information, or omits material information.
20. **A member who becomes aware that a report or opinion is based upon incorrect or misleading information or omits material information must immediately inform his or her client that information has been received that invalidates previous opinions. In such circumstances, earlier opinions should be revised and reissued.**

Performance Standards**Quality Control**

21. Members must comply with the requirements of the APS 4 Statement of Quality Control Standard.
22. In particular, members must ensure that:
- a) **staff have sufficient proficiency and training, and are adequately supervised and directed; and**
 - b) **each assignment is adequately documented.**

Estimates

23. During the course of providing forensic accounting services, members may be instructed, or may seek, to utilise estimates or make assumptions concerning past or future events, facts or amounts, where more accurate data is not available or where the obtaining of better or more reliable data is not appropriate or practicable. In such circumstances, members should ensure that the use of such estimates or assumptions is:
- a) reasonable in the circumstances; and
 - b) suitably qualified and disclosed.

Court Imposed Standards

24. A member providing forensic accounting services must adhere to any duties and performance requirements imposed under the law or set out in various guidelines established by Courts or Tribunals in various State and Federal jurisdictions.

PART 3**Remuneration**

25. A member providing forensic accounting services shall be remunerated for such services by way only of professional fees computed in accordance with the Code of Professional Conduct (section D and F6).
26. No part of any fee charged or received, whether directly or indirectly, when acting as an independent accounting expert is to be related to the outcome of a matter or the amount of the damages awarded.
27. **Members' attention is drawn to the provisions of the Code of Professional Conduct, section D2, Advisory Services – Fees and Commissions.**