

# Guide to APES 230 Financial Planning Services



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## Preface

This guide is jointly issued by CPA Australia and the Chartered Accountants Australian and New Zealand (Chartered Accountants ANZ) to assist members understand their obligations under APES 230 *Financial Planning Services* (APES 230).

The guide is advisory only and does not replace APES 230, nor interprets the requirements of APES 230, the Constitution/Charter, By-Laws, Code of Ethics for Professional Accountants or other Standards of CPA Australia or Chartered Accountants ANZ.

APES 230 does not intend to detract from any responsibilities which may be imposed by law. Members must also be familiar and comply with any obligations and responsibilities that apply under common law, the *Corporations Act 2001* (Corporations Act) and other relevant legislation.

Examples and templates used in this guide are intended to be illustrative, not prescriptive.

In developing this guide, reference has been made to material published by the Australian Securities and Investment Commission (ASIC) and joint documents published by CPA Australia and Chartered Accountants ANZ.

The following sections provides guidance on the specific provisions of APES 230. The commentary under each section contains best practice guidance, elaborates on the obligation or standard and provides guidance on how members can implement those obligations in their practice.

Defined terms in the standard appear italicized in this guide.

Members are required to refer to the standard for full definitions, requirements and guidance of APES 230.

Members are also encouraged to refer to other references published by CPA Australia and Chartered Accountants ANZ, such as the Joint Accounting Bodies Independence Guide.

## Introduction

The release of APS 12 – *Statement of Financial Advisory Services* (APS 12) in 2005 was the result of a joint work program between CPA Australia and the Chartered Accountants ANZ over several years.

It set a standard for members involved in the provision of financial advice and demonstrated the value offered by members through the provision of their accounting and financial planning skills.

APES 230, released by the Accounting Professional and Ethical Standards Board (APESB) in 2013 is in many respects an extension of APS 12.

It elaborates and expands on what is expected of members of CPA Australia and Chartered Accountants ANZ, in the provision of professional and ethical financial advice. The standard addresses key issues such as professional independence, conflict of interest, fee for service and soft dollar remuneration.

The primary objective of APES 230 is to ensure the provision of quality and ethical financial planning services from CPA Australia and Chartered Accountants ANZ members, in the best interests of their clients. In addition, the standard aims to:

- promote the confident and informed participation of consumers in the financial advisory process
- facilitate and improve the performance and efficiency of financial advisory services, and
- promote consumer confidence in using financial planning services.

CPA Australia and Chartered Accountants ANZ view the release of APES 230 as an important step in addressing a number of key issues within the financial advisory sector, including the quality of advice provided to consumers, conflicted remuneration and transparency.

If you are a member of either CPA Australia or Chartered Accountants ANZ you are reminded to notify your respective professional body as soon as you can, if you:

- commence or cease to hold an Australian Financial Services (AFS) licence
- become or cease to be a representative / authorised representative of an AFS licensee
- commence or cease to hold an Australian Credit Licence (ACL), or
- become or cease to be a representative of an ACL.

In doing so, you should provide the:

- full name of the licensee
- licensee number
- your representative number, and
- effective date of the change.

If you are a member of CPA Australian and Chartered Accountants ANZ, your obligation is to provide these details with both professional bodies.

## 1. Scope and application

APES 230 sets the standard for the provision of quality and ethical *Financial Planning Services* by *Members* of the accounting profession.

The mandatory requirements of this standard are in **bold-type** (black lettering), preceded or followed by guidance or explanation in normal type (grey lettering). APES 230 should be read in conjunction with other relevant professional standards and legal obligations that may apply.

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

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

APES 230 covers *Financial Planning Services* provided by *Members*. *Financial Planning Services* are services where a *Member* provides *Financial Planning Advice* defined as advice in respect of a Client's personal financial affairs, specifically related to wealth management, retirement planning, estate planning, risk management and related advice, including:

- advice and services provided under an AFS licence
- advice and services provided under an ACL, and
- the provision of other advice such as taxation, real estate and non-product related advice on financial strategies or structures where the advice is provided as part of the overall advice in any of these licensed capacities.

The obligations of this standard also apply to CPA Australia and Chartered Accountants ANZ public practices providing *Financial Planning Services*, including where the individual providing the *Financial Planning Services* within the practice is not a *Member*.

In other circumstances members should use their professional judgment to consider whether the obligations of APES 230 apply. Factors that should generally be considered include control, for example who is responsible for significant day-to-day decisions, and ownership. Members should also consider the client's perception of who is providing the service and in what capacity. For example, if a *Financial Planning Service* is provided under a separate entity to the accounting practice but both entities operate from the same location, will the client perceive the two entities to be in fact one and the same?

### Excluded activities

Generally, the following activities are unlikely to be considered a *Financial Planning Service*.

### Referrals

Members who refer a client to either a licensed financial planner or credit representative and receive a referral fee or *commission*, are not likely to be offering a *Financial Planning Service*. However, members must comply with the provisions of APES 110 *Code of Ethics for Professional Accountants* (the Code) in respect of referral fees and commissions, as well as other relevant obligations.

### Accounting Insurance

Accounting insurance services are likely not to be a *Financial Planning Services* as defined in the standard, as they are not generally provided in relation to personal wealth management. However, members must comply with the provisions of the Code and other relevant obligations.

## General Insurance

General insurance advice and services are generally not provided in relation to the provision of personal wealth management advice and services. However, members must comply with the provisions of the Code and other relevant obligations.

## Stockbroking

Members who provide execution only stockbroking services, where the *Client* provides an instruction to buy or sell a specific share or portfolio of shares, are generally not providing a *Financial Planning Service*. However, in such instances the member must comply with the provisions of the Code in respect of commissions and other relevant obligations.

Where a *Financial Planning Service* is provided and the fee is solely determined based on the value of assets, this will not be considered a *Fee for Service* and the obligations of paragraph 8.2 (b) will apply.

## Transition and Grandfathering provisions

The requirements of paragraphs 8 and 9 in respect of Professional fees and *Third Party Payments* are effective from 1 July 2015.

Further guidance on transition and application of the remuneration paragraphs is provided under the respective sections of the guide.

## 2. Definitions

Defined terms in the standard appear *italicized* in this guide. Members are required to refer to the standard for full definitions and to understand the requirements of APES 230.

The definitions in APES 230 are consistent with other standards issued by the APESB. Relevant definitions applicable to this standard include:

- *Client*
- *Fee for Service*
- *Financial Planning Advice*
- *Informed Consent*
- *Professional Independence*, and
- *Third Party Payments*.

### Client

*Client* is defined to be the person to whom the member is providing the *Financial Planning Service*. APES 230 does not distinguish between retail and wholesale clients.

### Fee for Service

*Fee for service* is not a standardised flat fee charged to all clients. Rather in determining the fee for a service a *Member* should have regard to a number of influencing factors including complexity of the work, expertise, risks, required resources and time.

Importantly, an asset based fee or a fee calculated based solely on product sales or volume is not a *Fee for Service*.

*Fee for Service* does not include fees solely determined or based on a percentage of the value of assets or *Third Party Payments* or other forms of fees or remuneration that are calculated by reference to product sales or the volume or accumulation of funds under management.

### Financial Planning Advice

*Financial Planning Advice* is broader than just financial planning advice provided under an AFS licence, and extends to advice in respect of a *Client's* personal financial affairs specifically related to wealth management, retirement planning, estate planning, risk management and related advice.

Members are required to read the definition of *Financial Planning Advice* and use their professional judgement to determine when the requirements of APES 230 apply.

### Informed Consent

The purpose of *Informed Consent* is to ensure that the *Client* has been provided with sufficient information and time to make an informed decision about whether to accept the proposed *Financial Planning Service* without pressure of coercion.

Further guidance is provided in section 8 of this Guide.

### Third Party Payments

*Third party payments* are defined as all amounts received by a *Member* from parties other than the *Client* who is being provided the service. This definition captures a broad range of payments such as *Commissions* and remuneration tied to sales volumes.

Members are referred to 'Excluded activities' for guidance on referral fees.

## 3. Fundamental responsibilities of Members

The fundamental responsibilities of *Members* are based on *Section 100 Introduction and Fundamental Principles* of the Code and relevant legislation.

Members are required to refer to APES 230 and the Code for definitions and further guidance.

### Conflicts of interest

Conflicts of interest arise in circumstances where your personal or business interests, or those of your employer, licensee or an associate are at odds with those of the *Client*. However, the interests of your employer or your own personal interests should not affect either your objectivity or professional judgment. Conflicts of interest create threats to compliance with the fundamental principles of the Code of objectivity and professional behaviour.

Measures that can be taken to address perceived or actual conflicts of interest may include:

- the adoption of appropriate procedures to identify and manage real and potential conflicts of interest
- the disclosure of relevant conflicts of interest to the *Client* and obtain *Informed Consent* before proceeding, or
- demonstrating that conflicts of interest that are significant to the provision of *Financial Planning Advice* have been avoided, for example, by either declining to provide the *Financial Planning Service* or referring the *Client* to another adviser.

The proper management of conflicts of interest will assist in meeting both your professional and statutory obligations.

Appendix 4 includes a flowchart on identifying and managing conflicts of interest within your business.

### Best Interests of the Client

The definition of *Best Interests of the Client* in the Standard has been based on the definition of the best interests duty and related obligations in Division 2 of Pt 7.7A of the *Corporations Act*, implemented by the Future of Financial Advice (FoFA) reforms.

For guidance on the Best Interest and related obligations *Members* should refer to:

- ASIC Regulatory Guide 175 *Licensing: Financial product advisers – Conduct and disclosure*, and
- *Best interests duty and related obligations* fact sheet, accessible from either the [CPA Australia](#) or [Chartered Accountants ANZ](#) website.

A *Member* providing *Financial Planning Services* under an ACL should be guided by the principal of the best interests duty and related obligations rather than comply with specific provisions and related obligations. This is in recognition of the differences when providing credit and financial product advice under the two different licensing regimes and related obligations. *Members* are reminded of their responsible lending conduct obligations and the relevant guidance provided by ASIC in Regulatory Guide 209 *Credit licensing: Responsible lending conduct*.

## 4. Professional Independence

*Professional Independence* has the same meaning as *Independence* in the Code. Please note that independence in APES 230 is not the same as the independence tests of section 923A of the *Corporations Act 2001*.

## 5. Terms of the Financial Planning Service

While the requirements of APES 305 *Terms of Engagement* only apply to *Members in Public Practice*, all *Members* are encouraged to adopt these obligations as it should ensure a clear understanding between the *Client* and the *Member* regarding the terms of engagement.

Many complaints against advisers are based on a communication breakdown or mismatch of expectations about the services to be provided and the objectives to be met. Clearly documenting the terms of engagement can minimise these risks, thereby reducing the potential liability of the advice provider and ensuring compliance with the Code and relevant standards.

APES 305 requires *Members* to document and communicate the terms of the engagement in an engagement document. The engagement document is not required to be provided in a particular form. The ways a *Member* may satisfy these obligations include:

- an authority to proceed
- an engagement letter, or
- a combination of the above.

For example, where the advice is simple or is limited in nature, it could be incorporated into the statement of advice (SOA), by way of an authority to proceed. In such cases, it is important to ensure the client understands that the contents of the SOA include an engagement document.



Alternatively, for more complex advice, it may be more prudent to separate the process into three parts (depending on the client and your own business processes):

- a) provide an FSG to assist the *Client* in their decision to obtain services from you
- b) once that decision is made, then prepare the terms of engagement, and then
- c) provide the SOA at a later time.

## 6. The basis of preparing and reporting Financial Planning Advice

### Basis for the Financial Planning Advice

It is fundamental to the advice process that a clear basis for the *Financial Planning Advice* is established. This will ensure that advice can be appropriately tailored to suit the needs and objectives of the *Client*.

In complying with this provision, *Members* should consider other provisions in the standard such as Paragraph 3.6, which requires *Members* who provide a *Financial Planning Service* to act in the *Best Interests of the Client*.

When complying with these obligations, *Members* should also consider if they have:

- established a basis for the *Financial Planning Advice* by using their professional judgment to ensure that a sufficient quantity and quality of information is obtained considering the nature of the advice and to comply with any relevant legal obligations
- taken reasonable steps to ensure the advice reflects the agreed scope with the *Client*, taking into account the identified objectives, financial situation, needs and any other relevant information
- informed the *Client* of any significant assumptions and their potential impact on the advice. agree with the client the appropriate assumptions and, to the extent possible, document the final assumptions, and
- ensured the *Client* understands that forecasts provide an indication of an outcome that cannot be guaranteed.

*Members* providing *Financial Planning Advice* under an AFS licence should also consider various strategies to meet the *Client's* needs, including advice that is not product specific, or a combination of advice that is both product specific and non-product specific, where this would better suit the *Client's* objectives, financial situation and needs.

The ways a *Member* may demonstrate compliance with these obligations could include:

- evidence of all enquiries and investigations made, whether of the *Client* or others, documents in file notes and other relevant records
- evidence of the consideration and investigation conducted on the subject matter of the *Financial Planning Advice*
- explanation why the advice and recommendations made would be considered in the *Best Interests of the Client*
- evidence that you have considered whether the *Financial Planning Advice* appears to be free from material misstatements, incomplete or inaccurate information
- documentation of any enquiries made of the *Client* as to the accuracy and completeness of the information supplied

- documentation of any potential or actual conflicts of interest that may have arisen in preparing the advice and how they were adequately eliminated or reduced to an acceptable level
- evidence that you have communicated any concerns in this regard to the *Client* and any relevant warnings about reliance on the advice as a result
- the reasons why it is in the *Best Interests of the Client* to recommendation to invest in one financial product over another, or move from one financial product to another including potential benefits lost, costs and how this should leave the *Client* in a better position
- the reasons why it is in the *Best Interests of the Client* to recommend one insurance policy over another, or move from one insurance policy to another including potential benefits lost, costs and why this should leave the *Client* in a better position, or
- the reasons why a particular loan / lease is in the *Best Interests of the Client* over another, or to move from one loan / lease to another including potential benefits lost, costs and why this should leave the *Client* in a better position.

## Reporting the Financial Planning Advice

As a matter of best practice, all *Financial Planning Advice* provided to a *Client* should be in writing to avoid potential misunderstandings or miscommunication between the *Member* and the *Client*.

Subject to the terms of engagement and scope of work, *Members* who provide *Financial Planning Advice* must provide a written report to the *Client*. The report must contain specific information. The following table details this information and makes comparisons to the requirements of a SOA or credit disclosure documents.

APES 230	Statement of Advice	Written Assessment / Credit Proposal Disclosure Document
Client Name	Standard information	Standard information
Date of the report	Should be dated and set out the period of time during which the advice remains current	Written assessment - date of report and period which the assessment covers
Purpose of the advice	Statement setting out the advice	Written assessment - Clients requirements and objectives in relation to the credit contract
Name and qualifications of the Member, for example professional memberships relevant to the provision of the advice	Name and contact details of the providing entity, including disclosure of relevant AFS licensing information	
Scope of the Financial Planning Advice, including limitations	Statement setting out the advice	Written assessment - Clients requirements and objectives in relation to the credit contract
Basis for the advice, including all significant assumptions made in preparing the advice	Information about the basis on which the advice is provided	Written assessment - reference to the relevant factual information provided by the client used to assess the credit contract as 'not unsuitable'

Any specific information that has been relied upon and the extent to which the Member has reviewed this information	Warn the client if advice is based on incomplete or inaccurate information	Written assessment - reference to the relevant factual information provided by the client used to assess the credit contract as 'not unsuitable'
Why the advice is in the Best Interests of the Client Disclose, if applicable, three comparative quotes in respect of Financial Planning Advice on new contracts for life insurance, other risk products and procurement of new loans Any potential or actual conflicts of interest that may have arisen in preparing the advice and what safeguards were used to eliminate them or reduce them to an acceptable level	Document how the advice is in the best interests of the client and why it is appropriate. All conflicts of interest that may affect the advice and prioritise the interests of the client.	
All fees receivable by the Member, including from the Client or any third party for providing the advice	Information about the remuneration, commission and other benefits that the providing entity, and other specified persons, will, or reasonably expects to, receive that might reasonably be expected to be, or have been capable of, influencing the providing entity in providing the advice	Proposal document - costs to the consumer of using your services, including any commissions you may receive
A statement that the Financial Planning Advice has been provided in accordance with APES 230		

It is clear that there are overlaps between existing disclosure obligations and the disclosure obligations of APES 230. However, *Members* should pay particular attention to the requirement to include a statement in the written report that the *Financial Planning Advice* has been provided in accordance with the standard.

The report should also be concise, effective in its advice and written in a manner that the *Client* can clearly understand.

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

A *Member in Public Practice* who receives or disburses *Client* monies or operates a *Client's* bank account must comply with the requirements of APES 310 *Dealing with Client Monies*.

Members must also ensure they comply with their relevant obligations under the Privacy Act and should refer to their relevant professional accounting body for further guidance and resources.

## 8. Professional Fees

APES 230 does not prohibit any specific remuneration models. However, a *Fee for Service* approach is considered to be consistent with the principles of the Code including integrity, objectivity, and professional competence and due care, as it does not create any self-interest or advocacy threats.

A *Fee for Service* is not as simple as an hourly or fixed fee applied to all clients. Rather, *Fee for Service* is defined to mean a charge to the *Client* determined by taking into account factors such as:

- skill and knowledge required for the type of work
- level of training and experience of the person undertaking the work
- degree of responsibility applicable to the work including the professional and financial risk involved, and
- time commitment made of those who performed the work.

CPA Australia and the Chartered Accountants ANZ strongly support members adopting a *Fee for Service* approach as this eliminates threats to compliance with the principles of the Code, including professional independence.

A *Fee for Service* does not include fees solely determined or based on a percentage of the value of assets or *Third Party Payments* or other forms of fees or remuneration that are calculated by reference to product sales or the volume or accumulation of funds under management. However, a *Member* can take into consideration the value of a *Client's* assets or funds under management as one of the factors to determine a professional fee.

*Members* can also convert, communicate and collect a professional fee that has been determined on a *Fee for Service* basis as a percentage of the value of the *Client's* assets or funds under management at the commencement of each engagement period. The determined fee and percentage must be clearly communicated in the terms of the engagement. Further, the determined fee must not change during the engagement period or other length of period agreed by the *Client*.

### Asset based fees

*Members* are not prohibited from charging and collecting an asset based fee for the provision of *Financial Planning Services*.

However, APES 230 states that asset based fees create a self-interest threat and impact the *Member's* ability to comply with the fundamental principles of integrity, objectivity and professional competence and due care of the Code. Therefore when a *Member* charges an asset based fee, the standard requires the *Member* to:

- obtain written *Informed Consent* from the *Client* to charge and collect the fee on a percentage basis prior to providing the Financial Planning Service
- disclose annually the amount collected and explain any significant variation from the previously agreed fee, and
- at least biennially obtain written *Informed Consent* from the *Client* to continue charging and collecting the fee charge on a percentage basis.

The purpose of *Informed Consent* is to ensure that the *Client* has been provided with sufficient information and time to make an informed decision about whether to accept the proposed advice and / or service without pressure of coercion. It is therefore a process where the *Member* is required to explain to the *Client*:

- how an asset based fee works
- implications for the *Client*

- any conflicts of interest the asset based fee may create
- the safeguards the *Member* will adopt to eliminate or reduce to an Acceptable Level these conflicts, and
- any other material information that the *Client* should consider as part of their decision.

The *Member* must then make a professional judgment whether they believe the *Client* adequately comprehends this information and is in a position to provide their voluntary *Informed Consent*.

While there is no prescribed format for this process, it is the responsibility of the *Member* to document that the *Informed Consent* process has taken place and collect the *Client's* written *Informed Consent* in some form. This could, for example, be incorporated into the authority to proceed in the SOA.

*Members* providing *Financial Planning Services* under an AFS licence are reminded that *Clients* include both retail and wholesale clients.

*Members in Business* are required to follow the requirements of section 8 to the extent practicable. Where this is not possible, the *Member in Business* must document the reasons that prevent them from complying with the provisions.

Under the transition provisions in the standard, the obligations of Section 8 apply as follows:

Engagements pre 1 July 2015	Obligations of section 8 do not apply but voluntary adoption is encouraged
Engagements from 1 July 2015	Obligations of section 8 apply to all new engagements

Importantly, the obligations of APES 230 are based on the nature of the engagement not when a *Financial Planning Service* was first provided to the *Client*. The provisions may therefore apply differently to the obligations implemented by the FoFA reforms.

Where a new engagement commences after 1 July 2015, even if it is with an existing *Client*, the requirements of section 8 apply.

CPA Australia and Chartered Accountants ANZ encourage *Members* to apply these obligations to all engagements as a matter of best practice and professional behaviour.

## 9. Third Party payments

APES 230 does not prohibit the receipt of *Commissions*. However, APES 230 states that the receipt of Third Party Payments creates a self-interest threat and impacts the *Member's* ability to comply with the fundamental principles of integrity, objectivity and professional competence and due care of the Code.

Where a *Member* receives a *Third Party Payment* for the provision of a *Financial Planning Service* the standard requires the *Member* to:

- obtain written *Informed Consent* from the *Client* prior to receiving the *Third Party Payments*
- disclose, where possible, three comparative quotes for new contracts for life insurance, other risk products and new loans
- annually disclose to the client the amount or estimated amount, of *Third Party Payments* that will be received for the *Financial Planning Service*
- annually disclose to the *Client* the actual amount of *Third Party Payments* received, and

- disclose, where possible, the impact of any proposed changes to an existing risk or loan contract including the impact on *Third Party Payments* received or receivable.

The standard requires Members who are remunerated on a *Fee for Service* basis for the provision of a *Financial Planning Service* in respect of risk and loan contracts to fully rebate to the *Client* any *Third Party Payment* received as soon as practicable. Where the *Third Party Payment* is not related to a specific *Client*, the payment should be apportioned amongst all relevant *Clients* in a fair and reasonable manner.

A payment from an associate, such as a family member or associated entity, for a *Client* in respect of a *Financial Planning Service* is not considered a *Third Party Payment*.

**Under the transition provisions in the standard, the obligations of Section 9 apply as follows:**

	Pre 1 July 2015	From 30 June 2015
Existing Clients (i.e. engagements entered into pre 1 July 2015) + no new additional services provided	Grandfathered	Grandfathered
Existing and new Clients (i.e. engagements entered into pre 1 July 2015) + new or varied services provided post 30 June 2015	Grandfathered	Paragraph 9 applies
New Clients (i.e. engagements entered into post 30 June 2015)	N/A	Paragraph 9 applies

Trailing commissions in respect of contracts entered into prior to 1 July 2015 are grandfathered and not captured by the provisions of APES 230, provided no additional services are provided in respect of the contract.

Note: While the standard refers predominantly to insurance and credit advice the Third Party Payments transition and grandfathering arrangement apply to investments and superannuation.

## 10. Soft Dollar Benefits

The standard prohibits the receipt of *Soft Dollar Benefits* in relation to a *Financial Planning Service* provided by a *Member*, except where the benefit is trivial or insignificant and the Member complies with obligations of paragraph 10.3.

*Soft Dollar Benefits* exclude free or subsidised professional development as defined in the *Corporations Act 2001* and computer software, provided it is not commercially available.

Members are required to refer to the definition of *Soft Dollar Benefit* and related obligations in the standard for further guidance.

## APES 230 & Quality Review Programs

Compliance with APES 230 will be monitored in accordance with the existing quality review and disciplinary mechanisms of CPA Australia and Chartered Accountants ANZ.

### CPA Australia

CPA Australia members will have their compliance with APES 230 assessed as part of CPA Australia's Quality Review program. The scope and methodology of the assessment is currently being finalised and will be communicated once this process is complete.

Non-compliance can lead to disciplinary proceedings under Article 27 of the Constitution of CPA Australia.

The potential penalties that can be imposed as a result of disciplinary proceedings by CPA Australia are outlined in Clause 27.2 of the Constitution and can include forfeiture or suspension of membership, fines, censure or reprimand, downgrading of membership status or the obligation to undertake additional training or education.

### Chartered Accountants Australia and New Zealand

Chartered Accounting practices that provide financial planning services are subject to a quality review where they operate either under their own AFSL or have members who are authorised representatives and where one or more members in the practice is required to hold a Certificate of Public Practice (CPP).

To date, the reviews of practices that provide financial planning services have focused on the quality control systems in place in these practices. Chartered Accountants ANZ are currently refining the review approach to include assessing compliance with the requirements of APES 230.

The objective of all Chartered Accountants ANZ quality reviews is to assess whether a practice has implemented an appropriate system of quality control to ensure compliance with relevant professional standards. Chartered Accountants ANZ group the findings from each practice's review into one of four classifications, depending on the significance of the issues found. You can obtain further information about these classifications and their consequences on the [Quality review page of the website](#).

## Appendix 1 – Risk Compliance Checklist

Standard	APES 230 paragraph	Task
<b>Integrity</b>	Paragraph 3.3	Do you have systems in place to ensure: <ul style="list-style-type: none"> <li>• services are undertaken in a prompt and thorough manner and with proper planning</li> <li>• there is responsive and timely action to client requests, and</li> <li>• suitable time management and diary systems.</li> </ul>
<b>Objectivity and conflicts of interest</b>	Paragraph 3.4 & 3.5	Have you adopted appropriate procedures to identify and manage conflict of interest? Have you clearly disclosed any relevant conflicts to the client and obtained informed consent to proceeding? Can you demonstrate that conflicts of interest that are significant to the provision of financial advice have been avoided?
<b>Professional Independence</b>	Section 4	Do you identify real and potential threats to professional independence? Have you evaluated the significance of those threats? Can you demonstrate that threats to independence are disclosed to the client? Have you applied safeguards to reduce or eliminate those threats if significant? If you have recommended that one financial product be replaced with another, has the client received written reasons for the recommendation? What about a concise summary of the costs and benefits of the switch?
<b>Confidentiality</b>	Paragraphs 3.11-3.16	Have you or your firm adopted appropriate procedures for maintaining the confidentiality and safe custody of working papers and the financial information of the client? Has information relating to a client's affairs only been conveyed or disclosed to a third party with the client's permission? Are there procedures in place to ensure tax file numbers are collected, stored, used and secured properly?
<b>Professional competence and due care</b>	Paragraphs 3.7 – 3.10	Do your files reflect that reasonable professional care was taken in the performance of the services? Have you conveyed advice and recommendations to the client in writing? Does your written advice include the matters outlined in paragraph 6.8, including a statement that the Financial Planning Advice was provided in accordance with APES 230? Have you refrained from performing services that you are not competent to carry out? Can you demonstrate adherence to the minimum CPD points required of members?
<b>Ethical Behaviour &amp; other matters</b>	Paragraph 1.5	Can you demonstrate compliance with the ethical requirements of CPA Australia and Chartered Accountants ANZ, including familiarity with the accounting practices and principles of the profession?



# Guide to APES 230 Financial Planning Services

(June 2015)

<b>Terms of Engagement</b>	Section 5	<p>How did you ensure that there was a clear understanding between the client and yourself regarding the terms of engagement?</p> <p>Was a Terms of Engagement letter used or another form of agreement which meets the criteria outlined in paragraph 5.2?</p> <p>Did it comply with the guidance given in APES 305?</p>
<b>Incorrect/ Misleading Information</b>	Paragraph 6.6 & 6.7	<p>Is there evidence on the file that you have considered whether the financial advice appears to be free from material misstatements, incomplete or inaccurate information?</p> <p>Where you have identified a misstatement, incomplete or inaccurate information, have you discussed the matter with your client and provided written warnings if the inaccuracy or omission is not rectified?</p> <p>Have you documented enquiries and investigations made as to the accuracy and completeness of the information required to provide the advice?</p> <p>Are checklists used and retained on the working file, that assist in identifying any unusual/suspicious transactions?</p>
<b>Estimates/ Projections</b>	Paragraph 6.4 & 6.5	<p>Have you prepared financial or investment projections involving the use of estimates, only where it was practical or acceptable to do so?</p> <p>If estimates have been used, are they presented so as to avoid the implication of greater accuracy than in fact exists?</p> <p>Has the client received in writing a clear explanation as to the appropriateness of the estimate or projection rates used and the basis on which they are calculated?</p>
<b>Remuneration</b>	Paragraph 8.2 & 9.2	<p>Has the client has been advised in writing of the total cost of the service and does it fairly reflect the value of the work performed?</p> <p>If your fees will be greater than anticipated or expected by the client, have you discussed this with the client prior to billing?</p>
<b>Receipt of Fees</b>	Paragraph 8.2 & 9.2	<p>Have you documented the method used to collect fees and how that applies to the client on their file?</p>
<b>Disclosure &amp; Reporting of Fees</b>	Paragraph 8.2, 8.4, 9.2, & 10.3	<p>Have you fully disclosed all interests, both financial and non-financial, relating to the provision of advice, to the client in writing?</p> <p>In the case of disclosure of remuneration and benefits, is the disclosure in clear dollar denominated terms?</p> <p>Is there evidence that a fee schedule has been provided to the client?</p> <p>Have you provided a new fee schedule to the client if there has been a material change to the basis on which fees will be calculated?</p> <p>Where a percentage calculation of a portfolio value is used for fee payment, is your estimate based on the annual ongoing balance of the client's account?</p>
<b>Soft Dollar Benefits</b>	Section 10	<p>Does the file document the management of any real or potential conflicts of interest relating to Soft Dollar Benefits, including the avoidance of those which cause significant conflict with the client's interests?</p> <p>Is there evidence that you do not accept benefits, gifts or other incentives that are banned paragraph 10.2?</p> <p>Have you or the AFS Licensee retained a Soft Dollar Benefit register that meets the requirements of 10.3 and Appendix Three of this guide?</p>

<b>Other Matters</b>		
<b>Planning</b>	Section 6	<p>Do you plan your work to ensure that the:</p> <ul style="list-style-type: none"> <li>• client's details are obtained, client's objectives understood, written advice received, services delivered in a timely way, implementation handled effectively, and</li> <li>• the client is given appropriate time and opportunity to review work prior to implementation/sign off/consent.</li> </ul>
<b>Documentation</b>	Paragraph 6.8	<p>Is there evidence on the file that you have obtained a thorough understanding of the client's needs and objectives before providing the financial advice?</p> <p>Have you documented matters that support your advice and rationale?</p> <p>Are checklists used and retained on the working file which ensure completeness of the advice prepared and that all matters have been attended to?</p> <p>Have copies of relevant file notes and correspondence been retained?</p> <p>Does that written advice (e.g. SOA) include a statement that the Financial Planning Advice was provided in accordance with APES 230?</p>
<b>Document Content</b>	Paragraph 6.8	<p>Do documents sent to the client and retained on the file contain:</p> <ul style="list-style-type: none"> <li>• a title</li> <li>• an addressee</li> <li>• a statement that the engagement was performed in accordance with APES 230</li> <li>• identification of the financial advice noting that it is based on the financial information provided by the client</li> <li>• an appropriate disclaimer of responsibility</li> <li>• the member or firm's signature</li> <li>• the member or firm's name</li> <li>• the member or firm's address, and</li> <li>• the date.</li> </ul>
<b>Notification of change in circumstances</b>		<p>Have you notified CPA Australia or Chartered Accountants ANZ of any relevant change in licensing status?</p>

## Appendix 2 – FoFA and APES 230

Obligation	FoFA	APES 230	Additional obligation
<b>Best Interests Duty</b>	Statutory obligation to act in your client's best interests. Division 2 of Part 7.7A, Corporations Act 2001	Members shall act in the Best Interests of the Client. Defined as Division 2 of Part 7.7A, Corporations Act 2001	
<b>Fee Disclosure Statements (FDS)</b>  (ongoing fee arrangements)	FDS obligation applies to <b>all new clients from 1 July 2013 who enter into an ongoing fee arrangement.</b> FDS must contain information from the previous 12-month period about: <ul style="list-style-type: none"> <li>• the amount of fees paid by the retail client</li> <li>• the services that they were entitled to receive, and</li> <li>• the services that they did receive.</li> </ul> <p>The FDS must relate to a period of 12 months ending no more than 30 days before the statement is given to the client.</p>	Annual disclosure obligation applies to all new engagements from 1 July 2015 unless the Member charges on a Fee for Service basis. Annual disclosure must contain: <ul style="list-style-type: none"> <li>• the amount of fees paid by the Client for the Financial Planning Service, and</li> <li>• an explanation for any significant variation from previously advised fee.</li> </ul> <p>If receiving ongoing <i>Third Party Payments</i>, e.g. Commissions, annual disclosure must contain:</p> <ul style="list-style-type: none"> <li>• the amount or estimated amount of Third Party Payments to be received, and</li> <li>• the amount of Third Party Payments actually received.</li> </ul> <p>The annual disclosure must be for the preceding 12 months</p>	APES 230 applies to both retail and wholesale clients.  APES 230 requires an explanation for any significant variance in previously advised fees and fees actually paid.  APES 230 requires annual disclosure of any ongoing Third Party Payments received for Financial Planning Services to the Client.
<b>Opt-in</b>  (ongoing fee arrangements)	Must provide client a written renewal notice every two years which requires the client to 'opt in' to renew that fee arrangement. If the client does not respond to the renewal notice, or opts out, then the fee arrangement terminates.	Must obtain at least biennially written consent from the Client to continue charge and collect fees on a percentage basis.	

<p><b>Conflicted remuneration</b></p>	<p>AFS licensees, their representatives are prohibited from accepting conflicted remuneration, with exceptions including:</p> <ul style="list-style-type: none"> <li>• Benefits for advice on general insurance, life risk and consumer credit insurance products,</li> <li>• Benefits related to execution only services, and</li> <li>• Brokerage.</li> </ul> <p>Grandfathered benefits are not conflicted remuneration.</p>	<p>Where remunerated by <i>Third Party Payments</i>, must:</p> <ul style="list-style-type: none"> <li>• Obtain prior to Financial Planning Service written Informed Consent from the Client to receive the Third Party Payments</li> <li>• Disclose, where available, three comparative quotes</li> <li>• Annually disclose estimated Third Party Payments to be received, and</li> <li>• Annually disclose actual Third Party Payments received.</li> </ul> <p><i>Third Party Payments</i> for contracts entered into prior to 30 June 2015 are grandfathered.</p>	<p>APES 230 requires additional obligations to be met to receive <i>Third Party Payments</i> are received.</p>
<p><b>Soft dollar remuneration</b></p>	<p>Ban on receipt of conflicted remuneration. Non-monetary benefits less than \$300 for each AFS licensee or representative (that is the final recipient of the benefit and identical or similar benefits are not given on a frequent or regular basis). AFS licensees must keep records of benefits between \$100 and \$300 that are given to the licensee or one of their representatives.</p>	<p>Members are prohibited from receiving Soft Dollar Benefits unless:</p> <ul style="list-style-type: none"> <li>• It is less than \$300 in value</li> <li>• It is recorded in register within 10 days of receipt</li> <li>• Maintains register for 5 years after receipt, and</li> <li>• Register is available for inspection upon request.</li> </ul>	

### Appendix 3 – Soft Dollar Benefit Register

Template register for permissible Soft Dollar Benefits received or receivable by a Member.

AFS licence / ACL Name				
AFS licence / ACL Number				
Adviser Name				
DATE BENEFIT RECEIVED	PROVIDER	BENEFIT	DESCRIPTION	ESTIMATED RETAIL VALUE

**NB:**

- Where the benefit is received in full, record the date the benefit is received.
- If the benefit is ongoing, record the date the benefit started.
- If the benefit is deferred until a later date, record the date the contract entered into.

## Appendix 4 – Statement of Advice Checklist

Client Name: \_\_\_\_\_ Date: \_\_\_\_\_

<b>Financial planning SOA checklist</b>		
1.	Standard Cover Sheet & Table of Contents (TOC only required for full advice)	Yes/No
2.	Subject Headings	Yes/No
3.	Basic Information The fact the document is called an SOA The name of the providing entity and their contact details The name of the authorising Licensee and their contact details What the SOA is about and why the client should read it	Yes/No
4.	Summary of the Advice - highlight The advice Why the advice is in the client's best interests The risks of the advice Next steps	Yes/No
5.	Scope of Advice (what the advice doesn't cover)	Yes/No
6.	Warnings (if client fails to provide sufficient personal details)	Yes/No
7.	Personal Details – name, address, date of birth	Yes/No
8.	Goals and Objectives	Yes/No
9.	Background, Issues & Problems	Yes/No
10.	Assumptions	Yes/No
11.	Assets & Liabilities – net worth	Yes/No
12.	How much the client has to invest	Yes/No
13.	Cash flow & Tax – income, expenses, surplus	Yes/No
	The client's attitude to risk	Yes/No
14.	Asset Allocation	Yes/No
15.	Risk Management – life, health, general – Deal with risk at; <ul style="list-style-type: none"> <li>• Generic</li> <li>• Specific and</li> <li>• Asset class levels</li> </ul>	Yes/No  Yes/No Yes/No
16.	Investments (existing)	Yes/No
17.	Retirement Planning	Yes/No
18.	Estate planning	Yes/No
19.	<b>Recommendations ( including why the advice is appropriate)</b> <ul style="list-style-type: none"> <li>• Strategy</li> <li>• Vehicle or Platform</li> <li>• Investments (including reasons – marry client info and product features &amp; make comparisons)</li> <li>• Consider tabular comparison of product, benefit and cost</li> </ul>	Yes/No Yes/No Yes/No Yes/No

	<ul style="list-style-type: none"> <li>• If recommendation involved switching – identify any loss of benefits and/or taxation consequences</li> <li>• Disadvantages of the advice</li> <li>• Risks of the advice</li> </ul>	Yes/No Yes/No Yes/No
20.	Disclose the conflicts of interest of the adviser and the Licensee	Yes/No
21.	Disclosure & Disclaimer – include when costs are payable and to whom. Articulate if there is any fee discretion	Yes/No
22.	Cooling-Off Period for Retail Product and client notified	Yes/No
23.	Time limits on the advice ( if applicable)	Yes/No
24.	What the client should do next	Yes/No
25.	Implementation Authority to Proceed Sign & Return	Yes/No
26.	Reviews – state anticipated frequency i.e. quarterly, half yearly, annually etc and costs associated	Yes/No

ADDITIONAL

Market Update/outlook                     
  Product Sheets                     
  Fact Sheets                     
  PDS

INVESTMENT VEHICLE

Retail                     
  SMSF                     
  Other

DELIVERY INSTRUCTION

Post                     
  Deliver                     
  Hold for presentation

FEES

Non-Standard Fee Arrangement  
 Details:

BILLING INSTRUCTIONS

Invoice                     
  Plan Fee \$ \_\_\_\_\_
  Fee for Service \$ \_\_\_\_\_

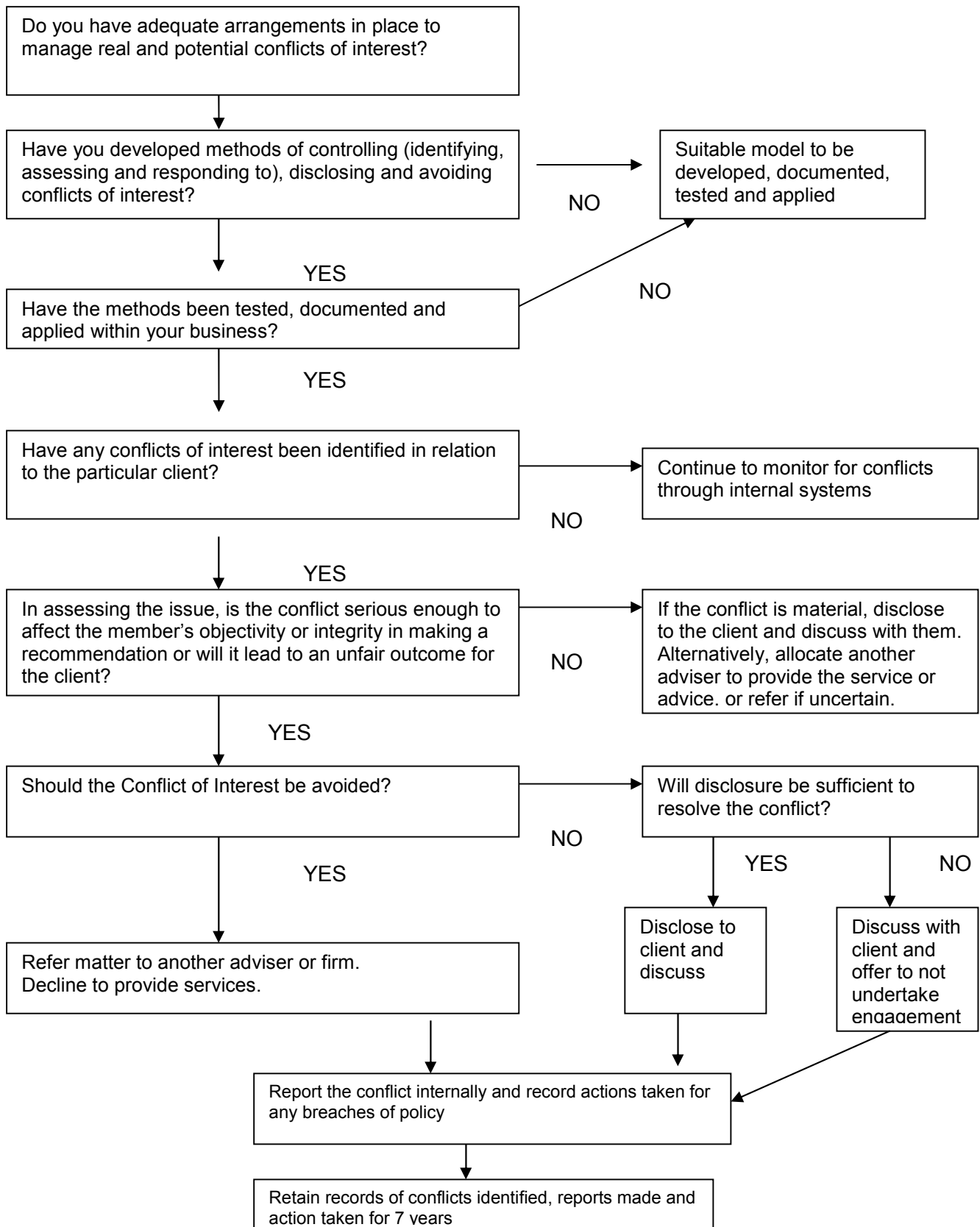
Send Invoice to  
\_\_\_\_\_

SoA Author  
\_\_\_\_\_

Peer Checker:  
\_\_\_\_\_

Team Leader:  
\_\_\_\_\_

## Appendix 4 – Conflict of Interest Flowchart





## Questions to Consider in Managing Conflict of Interest?

Will you, your business, a business associate or other person or entity obtain an advantage (financial or otherwise) by giving certain advice or acting in a certain way?

Would such an advantage be available regardless of how you acted?

Are there any particular benefits or remuneration practices which place the interests of the adviser in direct and significant conflict with those of the client?

Is the client likely to be disadvantaged or receive a lower quality of service than they should expect if you take a certain course of action?

How would the client perceive the situation?

In providing services, am I advancing one client's interests unfairly ahead of another client's interests?

Does the practice provide other services that may impact the independence of advice provided, for example audit services?