

AGENDA PAPER

Item Number: 15
Date of Meeting: 26 August 2014
Subject: Update on the APES GN 41 *Management Representation Letters* project

Action Required

For Information Only

Purpose

To provide an update to the Board on the development of the proposed Guidance Note APES GN 41 *Management Representation Letters* (APES GN 41) and to seek the Board's views on the proposed way forward on the project.

Background

Prior to the release of APES GN 40 *Ethical Conflicts in the Workplace – Consideration for Members in Business* (APES GN 40) in May 2012, APESB's engagement with Members in Business indicated that there were low levels of awareness of APESB pronouncements within the business community. This was partly due to the focus of the previous professional pronouncements being on Members in Public Practice rather than on Members in Business. The release of APES GN 40 raised awareness of APESB pronouncements with Members in Business and provided a greater understanding of Part C of APES 110 *Code of Ethics for Professional Accountants* (the Code).

During the development of APES GN 40, the Board identified the need for guidance on management representation letters for Members in Business. Members in Business are commonly required to sign such representations as part of the year-end reporting responsibilities (both statutorily and by convention in some entities) and will benefit from a greater understanding of the contents, implications and responsibilities associated with doing so, particularly in the case of a consolidated group with a large number of subsidiaries which are based in multiple countries. Where there are subsidiaries, the Group CFO (or equivalent officer) is likely to rely on the representations of the CFOs/Financial Controllers of subsidiaries when making the group representation to the Board and/or the external auditor.

Technical briefing paper for the proposed APES GN 41

APESB Technical Staff prepared a technical briefing paper identifying potential matters to be addressed in the proposed APES GN 41.

The following are subject matters a CFO (or equivalent officer) will have to consider in making management representations to Those Charged with Governance or an external auditor:

1. The management control environment;
2. Legislative, regulatory compliance and professional and ethical obligations;
3. Accounting records and controls;
4. Fraud and irregularities;
5. External and internal audit findings;
6. Assessment of all assets and liabilities reflected in the financial statements;
7. Potential write-offs;
8. Commitments and contingencies;
9. Subsequent events; and
10. The process to collate the management representation letters from subsidiaries.

Development Process

The first taskforce meeting was held on 6 August 2014. The taskforce discussed the various aspects of management responsibilities that a CFO would be responsible for in an organisation based on the matters raised in the Technical Staff paper.

It was determined that the best way to approach this project is to provide guidance on the principles that a CFO should consider when signing off on a management representation letter and the values and attributes the CFO (and the organisation) should possess in these circumstances.

Way forward

APESB Technical Staff will:

- circulate an example of a management representation letter to the taskforce for their information;
- develop high level principles, values and attributes of a CFO or equivalent officer who is preparing a management representation letter. Technical Staff will consider the 10 subject areas identified in the Technical Staff Briefing Paper when developing these principles, values and attributes.

Staff Recommendation

The Board note the status update and provide the Board's comments on the proposed approach to develop APES GN 41.

Material Presented

Agenda Item 15 (a) Technical Staff Briefing Paper on APES GN 41 *Management Representation Letters*; and

Agenda Item 15 (b) Draft minutes from APES GN 41 Taskforce meeting on 6 August 2014.

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Date: 11 August 2014