



Accounting Professional & Ethical Standards Board

AGENDA PAPER

Item Number: 16

Date of Meeting: 4 November 2013

Subject: Revised Scope of APES GN 41 *Members in Business in Senior Finance Roles*

Action Required

For Discussion

For Information Only

Purpose

To seek the Board's direction on the scope of the following project in relation to Members in Business:

- APES GN 41 *Members in Business in Senior Finance Roles*

Background

Refer attached revised scope of APES GN 41, incorporating comments received from the Professional Bodies.

Consideration of Issues

At the August the 2013 meeting the Board determined to seek the views of the Members in Business committees of the Professional Bodies in respect of this project. A summary of the comments received from the Members in Business committees of the Professional Bodies is given below:

- This is a broad topic and the guidance could be voluminous. Perhaps consider splitting the guidance note into two separate documents:
 1. External focus of the CFO (e.g. capital markets); and
 2. Internal focus of the CFO (e.g. corporate governance);
- Senior Financial Personnel (SFP) is a very broad category. How can the guidance be relevant and valuable to all Members in Business? Only some SFPs have statutory obligations;
- Given the broad range of roles for SFPs the guidance may need to be so broad that it may be difficult to apply and ineffective;
- Broader reference could be made to fraud, anti-money laundering/counter-terrorism financing, whistleblowing, bribery and facilitation payments;

- The guidance in sections 3 (*Interactions with Those Charged with Governance, Audit Committees, Due Diligence Committees*) and 4 (*Dealing with potential conflicts of interest arising from different roles and responsibilities*) is key whilst the other proposed sections may be superfluous;
- The guidance should address “shades of grey” areas where right and wrong is not clear cut. CFOs have to make subjective judgement calls frequently on valuations, provisions, forecasts, period on period profit allocation, etc. and need to approach these tasks professionally and ethically;
- Modern CFOs are commonly part of the executive management team of employing organisations. These executive management teams often make collective decisions on a wide range of issues (e.g. operational, environmental, OH&S, codes of conduct, human resources, etc.). Ethical principles should extend beyond financial matters to non-financial areas as well;
- Appropriate case studies would be a useful addition;
- A guidance note on this topic may, or may be assumed to, create additional obligations and carry legal ramifications;

IFAC's Discussion Paper on the Role and Expectations of the CFO

IFAC has recently issued a *Discussion Paper: The Role and Expectations of a CFO, a global debate on preparing accountants for finance leadership*. This document identifies five principles guiding the role and expectations of a CFO. The principles are:

1. Be an effective organisational leader and a key member of senior management;
2. Balance the responsibilities of stewardship with business partnership;
3. Act as the integrator and navigator for the organization;
4. Be an effective leader of the finance and accounting function; and
5. Bring professional qualities to the role and the organization.

This discussion paper should be considered by APESB during the development phase of this proposed project.

Way forward

The Board is asked to determine whether the Guidance Note should be narrowed to focus on ethical issues arising from the Member acting in multiple roles with conflicting responsibilities with significant ethical “shades of grey” areas rather than also considering specific external roles such as continuous disclosure obligations, financial reporting and audit obligations (i.e. internal focus vs. external focus). These areas include circumstances in which a Member is asked to make decisions or subjective judgement calls on a wide range of issues, with financial and non-financial matters potentially having conflicting objectives.

Alternatively, as suggested above, there could be two Guidance Notes or the two areas (external and internal) could be dealt within the same Guidance Note in two different sections.

Staff Recommendation

The Board to provide direction on the proposed scope of the Guidance Note for *Members in Business in Senior Finance Roles*.

Material Presented

- Attachment 16 (a) – Technical Staff Paper on Revised Scope of APES GN 41 *Members in Business in Senior Finance Roles*; and
- Attachment 16 (b) – IFAC Discussion Paper: The Role and Expectations of a CFO – At a Glance.

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