

Project Proposal – Senior Executive Leadership Roles

Introduction

To develop guidance that assists Members in Business in performance of Senior Finance Roles including a focus on roles on Audit Committees.

Background

APESB initiated a project in late 2008 to replace the existing GN 1 *Members in Business Guidance Statement* with the proposed APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business*. This project is nearing completion with the Board to consider respondent's comments to the Exposure Draft in February 2012.

APESB's engagement with Members in Business to date indicates that awareness of APESB Standards could be raised within the business community. This is partly due to the focus of the previous professional standards being on Members in Public Practice rather than including Members in Business.

APESB included Members in Business where applicable in the development process of the APES series of standards (i.e. APES 215 *Forensic Accounting Services* and APES 220 *Taxation Services*). However, as historically there were very few professional standards applicable to Members in Business, the level of awareness of Members in Business of Professional Standards has continued to be low.

The release of APES GN 40 is intended to raise awareness of APESB standards with Members in Business and provide a greater understanding of Part C of APES 110 *Code of Ethics for Professional Accountants* (the Code) which governs the conduct of professional relationships by Members in Business.

During development of APES GN 40, the taskforce considered the difficulties that may arise where there is no direct reporting link between finance personnel in an organisation and senior finance roles such as the CFO. For example, where divisional accountants are hired by and report to the divisional manager with no real reporting or other links to the head office CFO.

The Board considered this issue raised by the taskforce and determined that senior executive roles are critical for organisations and that it is better addressed by developing a separate guidance note rather than incorporating it in the proposed APES GN 40.

| | |
|---------------------------|--|
| Project Objective: | To develop a pronouncement that provides guidance to Members in Business performing senior finance roles including roles on audit committees. The pronouncement will be based on the requirements of APES 110 <i>Code of Ethics for Professional Accountants</i> . |
|---------------------------|--|

Project Steps:

- Invite current APES GN 40 taskforce members to participate in the project and also invite Members to participate in the project via the APESB website. The task force should consist of the APESB Technical Director, 1 representative from each of the professional bodies and at least 3 members with demonstrated expertise in commercial organisations and/or corporate codes of conduct.
- APESB Board Member Peter Day will function as an observer on the taskforce.
- Conduct task force meetings between February 2012 and August 2012 to identify and discuss the approach to be taken in developing the exposure draft.
- Develop an exposure draft for the Board review that addresses key issues and provides sufficient guidance on the application of the Code for Members in Business performing senior finance roles.
- Present the first draft of the exposure draft to the APES Board for consideration at the November 2012 Board meeting.
- Release the guidance note for exposure requesting comments on both specific issues highlighted and also general comments on the document as a whole.
- Consider respondents' comments and their impact on the exposure draft and amend as required.
- Prepare a basis of conclusions document detailing key issues that were identified and considered during the development of the pronouncement.
- Present the final pronouncement and basis of conclusions document to the Board for approval at the February 2013 Board meeting.
- Release the pronouncement in February 2013 and upload the pronouncement and basis of conclusions document onto the APESB website.

Project Structure:

- Board – provide feedback and oversee development of the pronouncement
- APESB Technical Director – assemble task force, provide technical support, role of principal drafting editor of the pronouncement, provide guidance to the task force on APESB policies and procedures
- Task Force – provide APESB with advice on development and review of pronouncement
- APESB Secretariat – provide administrative support to the taskforce

Resource Requirements:

- Teleconference facilities, Travel of APESB staff (as required) and taskforce members (by invitation only), printing and stationary.
 - It is estimated that the staff time on this project will be approximately 4- 6 weeks.
-

-
- Budgeted taskforce costs for 8 taskforce meetings:

| | |
|---|---------|
| Conference calls \$300 per unit | \$2,400 |
| Travel & accommodation \$1,000 per unit | \$5,000 |
| Sundry expenses \$200 per unit | \$1,000 |
| Total Budgeted Costs | \$8,400 |

Timeline:

| | |
|---------------------|---|
| Feb 2012 | Approve project proposal |
| Feb 2012 | Assemble task force |
| Mar 2012 | Conduct initial task force meeting |
| Mar 2012 – Oct 2012 | Develop exposure draft |
| Nov 2012 | Present exposure draft to Board for approval |
| Dec 2012 | Release exposure draft for a 60-90 day comment period |
| March 2013 | Collate feedback received |
| April 2013 | Revise pronouncement taking into consideration feedback received and prepare basis of conclusions |
| May 2013 | Present final pronouncement and basis of conclusions to Board for approval |
| June 2013 | Issue pronouncement |

Impact on other APESB pronouncements

Part C Members in Business of the APES 110 *Code of Ethics for Professional Accountants* and APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business* will be complemented by the issue of this guidance note.

Impact on accounting, auditing or other relevant standards

No impact on accounting, auditing or other standards.

Related legislative developments

None noted

Related international developments

The IFAC Professional Accountants in Business Committee has published three papers that should be considered during the development of the proposed pronouncement:

- The Crucial Roles of Professional Accountants in Business in Mid-Sized Enterprises (2008)*
This paper features interviews with 10 senior-level professional accountants in business and explores their experiences in mid-sized enterprises. This document explores the

unique challenges faced by mid-sized enterprises and how professional accountants in business address these challenges.

2. *The Roles and Domain of the Professional Accountant in Business (2005)*

This paper highlights many roles professional accountants perform in business and facilitates an understanding of such roles.

3. *Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success (2011)*

This paper aims to explain the many roles professional accountants perform in business – exploring roles that go beyond the stereotypical perceptions of accountants. This document aims to provide a deeper understanding of how professional accountants drive sustainable organizational success, encompassing the public and non-profit sectors.

The American Institute of CPAs has published a series of Audit Committee Toolkits for public companies, private companies, not-for-profit organisations and government organisations. These toolkits contain information on the roles and responsibilities of committee members and may provide useful insight during development of the proposed pronouncement.

Benefits of developing the pronouncement

Development of a pronouncement will expand on the guidance provided to Members in Business in the Code and assist in performance of their roles specifically focused at Members in senior and executive leadership positions.