

Project Proposal – Management Representation Letters

Introduction

To develop guidance that assists Members in Business in understanding the contents, implications and responsibilities associated with management representation letters required as part of audit procedures.

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 there is a low level of awareness of APESB Standards within the business community. This is partly due to the focus of the previous professional standards being on Members in Public Practice rather than on Members in Business.

APESB in its development process of the APES series included Members in Business where applicable in the standards development process (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 Board identified a 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 audit procedures and will benefit from a greater understanding of the contents, implications and responsibilities associated with doing so.

Project Objective: To develop a pronouncement that provides guidance to Members in Business who are required to sign management representation letters.

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.

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- APESB Board Member Peter Day will function as an observer on the taskforce.
 - Conduct task force meetings between February 2012 and October 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 exposure draft for the consideration of the Board at the August 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 March 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 3- 4 weeks.
- Budgeted taskforce costs for 5 taskforce meetings:

Conference calls \$300 per unit	\$1,500
Travel & accommodation \$1,000 per unit	\$3,000
Sundry expenses \$200 per unit	\$1,000
Total Budgeted Costs	\$5,500

Timeline:

Feb 2012

Approve project proposal

Feb 2012	Assemble task force
Mar 2012	Conduct initial task force meeting
Mar 2012 – Aug 2012	Develop exposure draft
Aug 2012	Present exposure draft to Board for approval
Sep 2012	Release exposure draft for a 60-90 day comment period
Dec 2012	Collate feedback received
Jan 2013	Revise pronouncement taking into consideration feedback received and prepare basis of conclusions
Feb 2013	Present final pronouncement and basis of conclusions to Board for approval
Feb 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 the guidance note.

Impact on accounting, auditing or other relevant standards

Auditing standard ASA 580 *Written Representations* to be considered during the development process.

Related legislative developments

None noted

Related international developments

There are no international developments that are likely to impact on this pronouncement.

Benefits of developing the pronouncement

Development of a pronouncement will assist Members in Business to understand the responsibilities associated with signing a management representation letter and the implications of doing so.