

AGENDA PAPER

Item Number: 5
Date of Meeting: 11 November 2015
Subject: Project status update on APES GN 41 *Management Representations* Exposure Draft (APES GN 41 ED)

Action required **For discussion** **For noting** **For information**

Purpose

To obtain the Board's approval to issue the proposed APES GN 41 *Management Representations* Exposure Draft (APES GN 41 ED) for public consultation for a 90 day comment period, subject to the Board's editorials and review comments.

Background

APESB determined to develop guidance on management representations for Members in Business at the Board Meeting held on 26 August 2014. The Board also approved the approach to develop the APES GN 41 by focussing on the principles, values and attributes of the Management Representations process undertaken by a Chief Financial Officer or Senior Finance Personnel.

Development Process

The taskforce has met 6 times from August 2014 to date to discuss the potential approaches to address the project's objectives and to discuss the drafting of the proposed APES GN 41 ED.

Accordingly, the proposed APES GN 41 ED has been structured in the following manner:

- Section 1 *Scope and application* that includes the objectives paragraph and editorials to make the ED consistent with the recent revisions to APESB pronouncements;
- Section 2 *Definitions* that includes the revised definitions to reflect amendments made to APES 110 *Code of Ethics for Professional Accountants* and the updated definition of 'Professional Bodies' due to the merger of Institute of Chartered Accountants Australia (ICAA) with the New Zealand Institute of Chartered Accountants (NZICA).
- Section 3 *Fundamental responsibilities of Members in Business* that provides guidance on the Members' mandatory professional obligations and ethical requirements of the Code;

- Section 4 *Professional obligations of a Member in Business in respect of Management Representations* that provides guidance on professional obligations in relation to external Management Representations (e.g. Written Representations) and internal Management Representations (e.g. Financial Reporting Certifications); and where the Member is relying on the work of others and where the Member is considering disclosing confidential information;
- Section 5 *Management Representation considerations at the entity level* that provides guidance for a Member who prepares or who is responsible for Management Representations at the entity level;
- Section 6 *Management Representation considerations at the controlling entity level* that provides guidance for a Member who prepares and/or reviews the group Management Representations at the controlling entity level;
- Section 7 *Management Representation considerations at the board or audit committee level* that provides guidance for a Member who is at the board or audit committee level; and
- Section 8 *Documentation* that provides guidance on the documentation obligations for a Member who is preparing and/or signing Management Representations.

October 2015 Update

A taskforce meeting was held on 15 October 2015 to discuss the Board's feedback at the August Board Meeting whereby the Board had requested the taskforce and Technical Staff to review the proposed APES GN 41 ED with a view to improving its readability, flow of the document and making it more succinct. The draft minutes of the latest taskforce meeting is provided as agenda item 5 (b) for the Board's information.

The key changes to the updated proposed APES GN 41 ED since the 11 August 2015 Board Meeting are as follows:

Section 2 Definitions

- Deleted the defined terms 'Assignment' and 'Written Representations' due to these terms having minimal or no use as a result of streamlining the proposed guidance note by removing duplications.

Section 3 Fundamental responsibilities of Members in Business

- Deleted a paragraph that required Members in Business comply with the fundamental principles of the Code as these obligations are adequately addressed in the remaining provisions of section 3.

Section 4 Professional obligations of a Member in Business in respect of Management Representations

- Relocated the types of external and internal management representations to the beginning of section 4 (as paragraph 4.1) to enhance the readability and flow of the document;
- Specified subtopics within this section and classified similar subject matter together by including subheadings such as '*Relying on the work of others*', '*Confidentiality and disclosure*' to improve the flow of this section; and

- Removed redundant guidance that elaborated on matters that a Member in Business should consider when considering disclosure of confidential information of an employer to a third party, as comprehensive guidance on confidentiality is provided in section 140 *Confidentiality* of the Code and section 12 *Disclosure of information and whistleblowing* of APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business*.

Section 5 Management Representation considerations at the entity level

- Revised section 5 by making it concise to enhance the consistency of this section's presentation and to assist Members in Business to apply the guidance in practice.

Section 6 Management Representation considerations at the controlling entity level

- Restructured section 6 by relocating previous sub-paragraphs on the responsibilities of a Member in Business who:
 - assists and/or supervises the group Management Representation process;
 - reviews the group Management Representations process; and
 - identifies Internal Control weaknesses, Fraud, irregularities, suspected non-compliance with laws and regulations or potential issues;

as standalone paragraphs 6.2, 6.3 and 6.4 respectively, to further improve the flow of content in this section.

Section 7 Management Representation consideration at the board or audit committee level

- Simplified paragraph 7.1 on 'the considerations of Group Management's skills and responsibilities by a Member in Business who is at the board or audit committee level' and paragraph 7.6 on 'the Financial Reporting Certification considerations by a Member in Business who is part of Those Charged with Governance' to enhance its readability.

Staff Recommendation

That the Board approve the issue of APES GN 41 ED for public consultation for a 90 day comment period.

Material Presented

- Agenda Item 5 (a) Proposed APES GN 41 *Management Representations* Exposure Draft (clean); and
- Agenda Item 5 (b) Draft minutes of 6th APES GN 41 taskforce meeting held on 15 October 2015.

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Date: 30 October 2015