

Constituents' Submissions – Specific Comments Table
Exposure Draft 05/15: APES GN 41 Management Representations

Note: General comments relating to APES GN 41 are addressed in a separate table. This table excludes minor editorial changes.

Item No.	Paragraph No. in Exposure Draft	Respondent	Respondents' Comments
1	1.1	KPMG	<p>Scope of the guidance note</p> <p>Section 1 sets out the scope and application of the proposed guidance note. The wording in section 1.1 implies wide application of the guidance note, however the guidance note itself is limited to dealing with representations only in respect of financial statements, whether a complete set of financial statements or a single financial statement. Whilst we appreciate the examples of external representations provided in the guidance note is not intended to be a comprehensive list, we note in particular the Australian Standards on Assurance Engagements set out requirements for the assurance practitioner to request written representations on subject matters other than historical financial information. We recommend that the scope of the guidance note is broadened to explicitly cover subject matters other than historical financial information.</p>
2	1.1 4.1	Deloitte	<ul style="list-style-type: none"> Whilst the document is titled "Management Representations" the content appears to cover Management Representations for financial reporting purposes and Financial Reporting Certifications but does not cover the wide range of management representations that members in business may be requested to provide, for example, to support compliance reporting obligations such as the Australian Financial Services Licence.
3	1.1	IPA	<p>3. Representations in relation to continuous disclosure obligations should be within scope and specifically addressed by the proposed guidance note.</p>
4	1.3	CPA A Member	<p>I have a couple of points that you may wish to consider in regards to the Management Representations Exposure Draft, as follows:</p> <p>a) 'External parties' does not appear to be defined.</p>
5	1.5, 3.2, 5.1d(i), 6.4(d),6.8(b)	CPA A Member	<p>b) 'Regulations' do not appear to be defined (e.g. legal, organisational?).</p>
6	Definition Financial Reporting Certification	KPMG	<p>Financial Reporting Certification considerations</p> <p>The Financial Reporting Certification is defined in the guidance note as a declaration provided by the Chief Executive Officer and Chief Financial Officer to Those Charged with Governance in relation to an entity's financial statements. This definition implies the declarations required to be given under Section</p>

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			<p>295A of the Corporations Act 2001 in relation to a listed entity to enable Those Charged with Governance to approve the annual financial statements and to sign the Directors' Declaration in the annual financial statements of the entity/group. The Directors' Declaration includes distinct representations including:</p> <ul style="list-style-type: none"> • Whether in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due • Whether the financial statements and notes comply with accounting standards, and give a true and fair view of the financial position and performance of the company and any consolidated entity. <p>Financial Reporting Certification could be construed as being the Directors' Declaration itself for all entities required to prepare financial statements under the Corporations Act.</p> <p>We recommend that the guidance note is more explicit in the meaning of Financial Reporting Certification, and that it includes guidance around making the individual determinations within the directors' declaration as noted above.</p>
7	4.1	CPA A Member	d) Section 4.1 could potentially make reference to external certification bodies
8	4.1	IPA	2. In relation to external representations the IPA believes this should include regulators (such as APRA and ASIC) and representations by market operators by market participants (such as ASIC).
9	4.1 (a)	KPMG	<p>Written representations provided to Members in Public Practice (e.g. external auditors) in respect of annual and half-year financial statements</p> <p>Providing representation letters to members in public practice in respect of annual and half year financial statements is the most frequent type of representation letter, therefore, we recommend expanding the Guidance Note in relation to the following:</p> <ol style="list-style-type: none"> 1) Australian Auditing Standards set out mandatory written representations that the external auditor is required to request from management. We recommend that the guidance note includes details of these mandatory representations. 2) We further recommend that the guidance note includes details of the representations, that failure to provide, would result in the external auditor disclaiming an opinion on the Financial Statements.
10	4.1 (d)	CPA A	<p>Specific Comments</p> <p>Paragraph 4.1(d) is expressed in general terms, however we suggest the consideration of a specific reference to Prospectus Content and Product Disclosure Statement Content, and the addition of a footnote reference to <i>Corporation Act 2001</i> section 710 and section 1013D.</p>

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11	4.1 (f)	CPA A Member	c) Section 4.1 (f) could refer to 'raising <u>or renegotiating</u> finance'
12	4.1 (j)	IPA	4.The IPA is aware that a number of entities use questionnaire based procedures (on a quarterly or six monthly basis) to elicit issues ranging from financial reporting, compliance with laws and regulations to the identification of potential continuous disclosure matters. The IPA is of a view such mechanisms should be within the ambit of the proposed guidance note.
13	4.2 5.2 6.4	KPMG	Where management identifies matters The proposed guidance note recommends that when management identify matters that may create threats to compliance with the fundamental principles of the code or matters that have a material impact on the group Management Representations that these matters are reported to Those Charged with Governance. Whilst we note the overarching requirements in section 4.2, we recommend that the guidance note is more explicit in the potential effect on the actual representations made, where matters are identified.
14	4.2	CPA A Member	e) Section 4.2 could potentially include 'to not <u>include</u> information which would cause the Management Representations to be misleading'.
15	4.5	KPMG	Relying on the work of others Section 4.5 of the exposure draft highlights that where a member in Business relies on the work of others to provide Management Representations, the Member should take reasonable steps to be satisfied that such work enables the Member to present the Management Representation in a manner that is fair and honest. We recommend that the guidance note be expanded to include further detail on the “reasonable steps”, and consider the points included in the Auditing Standard ASA 500 para. 8, and also explicitly states that a member in Business retains ultimate responsibility for the representations they are making.
16	4.5	CA ANZ	We also wish to address some specific concerns in relation to particular paragraphs of the proposed GN: <ul style="list-style-type: none"> The language uses many terms seemingly drawn from auditing standards. As noted, the role of a professional in an employee or director position is not the same a professional providing an independent professional services and the language and approach should reflect this. For example there is reference to the Member in Business relying on the work on others. We believe this language is not appropriate. A Member in Business may use the work of others in informing their representation but does not rely on it in the same manner that say an external auditor may rely on certain forms of information. The language is potentially confusing and may imply that a Member in Business should perform the same level of procedures that an auditor may perform in relation to such information, which is not the case.

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17	4.6	PwC	<p>High level comments for consideration by APESB:</p> <ul style="list-style-type: none"> Paragraph 4.6 is drafted in a way that implies that the Member in Business would only consider performing procedures in relation to the matters described when they have determined that there is a misstatement or that the Management Representation is misleading. It is likely that the Member would consider the need to undertake these procedures in many other circumstances when using the work of others.
18	4.6 (c)	CA ANZ	<ul style="list-style-type: none"> In another instance, paragraph 4.6(c) refers to the member being required to reassess suspected misstatements or potentially misleading representations on an ongoing basis. This also seems to be drawn from an audit approach. We do not believe that this concept applies in this instance or how a member could practically achieve this.
19	5.1	PwC	<ul style="list-style-type: none"> Paragraph 5.1 does not appear to have specific relevance to the provision of Management Representations. The matters included are all relevant to Member in Business's overall responsibilities but do not provide any specific guidance in relation to providing Management Representations.
20	5.1 (a)	Deloitte	<ul style="list-style-type: none"> As drafted, the document states that there are certain things that the member should do which may not be practical for the member depending on the size and complexity of the business. Paragraph 5.1(a) of the document is an example of this. We believe that it could be interpreted that there is an expectation that the member in business is personally responsible for the processing of all transactions.
21	5.1 (a)	CPA A Member	f) Section 5.1 (a) could potentially include 'has regard the information requirements of users and their decision processes'.
22	5.1 (d) 6.2	Deloitte	<ul style="list-style-type: none"> The document uses phrases such as a "Management Representations Checklist" (Par 5.1 (d)) and "Management Representation Process" (Par 6.2) without explaining or introducing the concepts more fully.
23	6.2	CPA A	<p>Paragraph 6.2 of the proposed guidance note states: 'The responsibilities of a Member in Business who is assisting and/or supervising the group Management Representation process may include: (a) monitoring its progress'. It appears that this paragraph provides guidance in relation to the establishment and supervision of the process. If that is in fact the intention of this paragraph we are of the opinion that it should state:</p> <p>The responsibilities of a Member in Business who is establishing and/or supervising the group Management Representation process may include:</p> <p>(a) Monitoring the process</p>
24	6.4	Deloitte	<ul style="list-style-type: none"> If section 6.4 is retained we recommend that it is revised to include consideration as to whether there is an obligation to report to an external party, for example, the police in the event of a fraud.
25	6.5 7.5	PwC	<ul style="list-style-type: none"> The use of the words "should perform" throughout the document implies the need for the Member to perform specific procedures that may not be necessary in the circumstances of the particular entity.

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26	6.7	CPA A Member	g) There appears to be little, if any, reference to various stakeholders, such as shareholders, creditors, suppliers, customers, employees and governments.
27	7.5	Deloitte	<ul style="list-style-type: none"> We are concerned that, as drafted, paragraph 7.5 could be interpreted to suggest that obtaining a Financial Reporting Certification from the CEO and CFO is sufficient for a member of Those Charged with Governance to satisfy their obligations under the Corporations Act 2001 in respect of the financial report. We respectfully challenge whether this is in fact correct.
28	Section 8	Deloitte	<ul style="list-style-type: none"> The documentation requirements appear to be more akin to those that would be expected of an auditor rather than a member who is an employee or on the Board of Directors.
29	8.1	PwC	<ul style="list-style-type: none"> The documentation requirements in Section 8.1 appear unduly onerous, particularly if representation is given by more senior members, since they require working papers to be prepared to support the representation.

Staff Instructions:

- Comments of a “general” nature should be dealt with first, followed by paragraph specific comments.
- Respondents’ comments must be copied verbatim into this table.
- Comments should be dealt with in paragraph order, not respondent order. Use acronyms only for respondents. Update the attached table with details of additional respondents.

RESPONDENTS

1	KPMG	KPMG
2	PwC	PricewaterhouseCoopers
3	Deloitte	Deloitte
4	AICD	Australian Institute of Company Directors
5	CA ANZ	Chartered Accountants Australia & New Zealand
6	CPA A	CPA Australia
7	CPA A Member	Nigel Fitzpatrick, Chair of Ballarat Branch, CPA Australia
8	IPA	The Institute of Public Accountants