

AGENDA PAPER

Item Number: 6
Date of Meeting: 28 January 2015
Subject: Project status update on APES GN 41 *Management Representation Process*

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

Purpose

To provide an update to the Board on the project status of the proposed Guidance Note APES GN 41 *Management Representation Process* (APES GN 41) and to obtain the Board's views on the proposed refocus of the project.

Background

Prior to the release of APES GN 40 *Ethical Conflicts in the Workplace – Consideration for Members in Business* (APES GN 40) in May 2012, APESB's engagement with Members in Business indicated that there were low levels of awareness of APESB pronouncements within the business community. This was partly due to the focus of the previous professional pronouncements being on Members in Public Practice rather than on Members in Business. The release of APES GN 40 raised awareness of APESB pronouncements with Members in Business and provided a greater understanding of Part C of APES 110 *Code of Ethics for Professional Accountants* (the Code).

During the development of APES GN 40, the Board identified the 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 reporting responsibilities (both statutorily and by convention in some entities) and will benefit from a greater understanding of the contents, implications and responsibilities associated with doing so, particularly in the case of a consolidated group with a large number of subsidiaries which are based in multiple countries. Where there are subsidiaries, the Group CFO or Senior Finance Person (SFP) is likely to rely on the representations of the CFOs/SFPs of subsidiaries when making the group representation to the Board and/or the external auditor.

Development Process

The first taskforce meeting was held on 6 August 2014. The taskforce discussed the various aspects of a CFO/SFP's management responsibilities based on 10 subject areas identified in the Technical Staff's preliminary briefing paper. Subsequently, Technical Staff developed the high level principles, values and attributes of a CFO/SFP who is preparing a management representation letter.

At the Board Meeting held on 26 August, the Board agreed that the project should focus on the principles, values and attributes of the management representation process undertaken by a CFO/SFP rather than developing high level principles, values and attributes the CFO/SFP should possess in these circumstances.

January 2015 Update

The second taskforce meeting was held on 27 November 2014. The taskforce discussed the following matters:

- potential approaches to address the objectives of the APES GN 41 project;
- whether to develop APES GN 41 with a narrow approach focussing on the management representation process in respect of the annual financial statements or on a high level principles-based approach; and
- key principles, values and attributes of an effective management representation process in relation to the annual financial reporting of a consolidated group at the subsidiary level, parent level and board level.

Accordingly, Technical Staff prepared a Technical Briefing Paper which specifies the professional obligations of a Member in Business who may be employed at various levels in an organisation and have noted the references to similar professional obligations which are expressed in similar or different contexts in other APESB standards.

The taskforce is supportive of developing APES GN 41 by focussing on the narrow approach in the first instance and to subsequently consider broadening the approach.

Staff Recommendation

The Board note the project status update and provide the Board's review comments whether the Board is supportive of the proposed approach to develop APES GN 41.

Material Presented

- Agenda Item 6 (a) Technical Staff Briefing Paper on APES GN 41 *Management Representation Process* (referenced copy); and
- Agenda Item 6 (b) Draft minutes of 2nd APES GN 41 taskforce meeting held on 27 November 2014.

Author: Saras Shanmugam

Date: 15 January 2015