

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED
MINUTES OF THE 2nd MEETING OF THE MANAGEMENT REPRESENTATION LETTERS
PROJECT TASKFORCE

27 November 2014 3.30 PM – 4.30 PM

APESB Office, Level 7, 600 Bourke Street, Melbourne, Victoria 3000
&
Teleconference

1. Present and Apologies

Present

Mr Channa Wijesinghe (Chairman), Mr David Castle, Mr Geoff Harris, Mr Michael Venter, Ms Eva Tsahuridu and Mr Justin Reid

In Attendance

Mr Peter Day (APESB Board member) and Ms Saras Shanmugam

Apologies

Mr Alan Lee and Ms Liz Stamford

2. Minutes of Previous Meeting

The minutes of the 1st Management Representations Taskforce meeting held by teleconference on 6 August 2014 were accepted with minor editorial amendments.

3. Introduction and refocus of the project

The Chairman updated the taskforce that the Board discussed the format and contents of the proposed APES GN 41 at the Board Meeting held on 26 August. The Chairman informed the taskforce that the Board had agreed that the project should focus on the principles, values and attributes of the management representation process undertaken by a CFO (or equivalent officer) rather than developing high level principles, values and attributes of a CFO (or equivalent officer).

4. Discussion on the approaches and focus of the APES GN 41 project

The taskforce discussed the potential approaches to address the objectives of the APES GN 41 project such as:

- The purpose of the management representation process and how the principles of the Code interacts with procedures the Members in Business undertake; or
- To focus on the principles, values and attributes of the Code, APES 320 *Quality Control for Firms* and other relevant Standards (where applicable); and
- Other management representation processes.

The taskforce also considered whether to develop APES GN 41 with a:

- narrow approach focussed on the management representation process in respect of financial reporting which is likely to be more useful for Members in Business but needs to take into consideration the consequences of any legal requirements e.g. Corporations Act 2001; or
- high level principles-based approach. However, it was acknowledged that this approach may be unhelpful to Members in Business if it is too generic.

The Board member explained that the APES GN 41 drafting could commence with a narrow approach and could subsequently expand to deal with other matters. A taskforce member was of the view that professional obligations imposed by APES GN 41 are different to any legal obligations referred by APES GN 41. The Chairman suggested that APES GN 41 could incorporate footnote references to the relevant legal requirements.

5. Management Representations Process

The taskforce considered the key principles, values and attributes of an effective management representation process in respect of the annual financial reporting of a consolidated group. The following matters were considered:

Subsidiary level

- Purpose and framework of legal requirements including supplementary notes;
- Mechanisms for employees of subsidiaries to report unethical behaviour (e.g. internal reporting processes and whistleblowing);
- Guidance which will compel management to react and address matters reported by employees; and
- Provide references to APES GN 40 *Ethical Conflicts in the Workplace-Considerations for Members in Business*.

Parent level

- If 'negative' assertions are highlighted to management, there should be an ethical culture which addresses those matters in an honest and unbiased nature; and
- Ensure drafting of terms used in APES GN 41 are aligned with the Code (e.g. ethical mindset and compliance with the fundamental principles).

Board/ Audit Committee level

- Whether to focus only on Members in Business or to include Members in Business who are Board/Audit Committee members; and
- Relevance of APES GN 41 to Board/Audit Committee members.

The Chairman updated the taskforce that a new exposure draft released by IESBA *Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles* may have an impact on the drafting of APES GN 41.

The taskforce agreed to further develop APES GN 41 by:

- focussing on the narrow approach and to subsequently consider broadening the approach;
- to provide the Technical Staff with a list of potential management representations;
- a taskforce member will provide some resources developed by CPA Australia on APES 110 *Code of Ethics for Professional Accountants* and Whistleblowing; and
- a broad approach can be considered later in the process by incorporating comments from the taskforce.

6. Way Forward

APESB Technical Staff will:

- circulate the relevant CPA Australia's resources to the taskforce;
- update the Technical Briefing Paper by incorporating taskforce comments;
- circulate the revised Technical Briefing Paper for taskforce review comments; and
- to consider tabling the proposed Technical Briefing Paper at the next Board Meeting scheduled on Wednesday, 28 January 2015.

7. Closing of Meeting

The meeting was closed at 4.30 PM.