

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED

MINUTES OF THE 4th MEETING OF THE APES GN 40 MEMBERS IN BUSINESS TASKFORCE

18 January 2011 10.30–12.00 PM

Teleconference

1. Present and Apologies

Present:

Mr. Channa Wijesinghe (Chairman), Mr. Paul Meredith, Mr. John Purcell, and Mr. Jeff O'Connell.

In Attendance:

Mr Geoff Williams, Mr. Peter Day (Board Member), Ms Rozelle Azad and Ms Si-Jia Li.

Apologies:

Ms. Karen McWilliams and Ms. Jo-Ann Long.

2. Minutes of previous meeting

The minutes of the 3rd Members in Business taskforce meeting held by teleconference on 22 October 2010 were accepted without amendment.

3. Introductory comments

The Chairman welcomed taskforce members and introduced Mr Geoff Williams who is a quality control reviewer for the ICAA and has a keen interest in the proposed guidance note.

4. Update from APESB November 2010 Board meeting

The Chairman provided taskforce members with an update on discussions held and recommendations made by the Board members at the November 2010 Board meeting. The Board provided feedback on the draft guidance note presented to them and as a result, changes have been made as follows:

- a decision tree to deal with ethical dilemmas has been included and precedes the case study scenarios to assist the reader navigate the case studies;
- the title of the proposed Guidance Note to be changed to "Dealing with Ethical Conflicts for Members in Business" to more accurately reflect the contents of the Guidance Note;
- a reference to materiality has been included in paragraph 4.3 and the Member is encouraged to consider both qualitative and quantitative factors when assessing the materiality of the matter under consideration;
- some of the case studies headings have been changed to ensure consistency across the case studies; and
- local case studies have been added to the proposed guidance note.

The Chairman also noted that the action items identified in the previous taskforce meeting had been incorporated into the revised draft.

5. Revised draft of proposed APES GN 40

The current draft of the proposed APES GN 40 was considered by the taskforce with the following changes agreed:

Paragraph 4.3 Materiality

- Reference should also to be made to the reassessment of issues rather than suggesting an assessment of materiality is a one-off act.

Action Item 1

Paragraph 12.4(h) Whistleblowing

- As currently drafted the paragraph is confusing. Redraft with shorter sentences to enhance clarity.

Action Item 2

The taskforce members discussed the issues raised by Geoff Williams as follows:

The rights and responsibilities of Senior Finance Personnel

- A suggestion was made that APES GN 40 include a guidance paragraph dealing with Finance Function Links. The paragraph will detail rights and responsibilities of Senior Finance Personnel in relation to becoming involved in the recruitment of finance personnel and their ongoing appraisals, regardless of the reporting structure of the organisation. Taskforce members agreed that the responsibilities of finance personnel is an important issue that should be best addressed by including a new section in the standard "Roles and responsibilities of senior finance personnel" or similar. The section should take a principles based approach and an additional case study illustrating the principles be added.

Action Item 3

Clarification of role description prior to the Member accepting a new position

- It was suggested that the Member needs to clarify certain issues prior to accepting a new role in order to reduce the threat of ethical conflicts. Such issues include:
 - the criteria used by the Employer to measure success/failure
 - the appropriate person to approach in relation to obtaining functional advice
 - agreement that functional advice could be sought prior to the member providing advice on any issue
 - agreement with the Employer on the approach to be taken where there is an ethical conflict.

The taskforce agreed that the above issues can be appropriately addressed in the proposed new section "Roles and responsibilities of senior finance personnel". It was also agreed that the section should be drafted in a principles based manner.

Use of the term "mentor" in paragraph 5.5 dot point 3

- It was agreed that an alternative term would be used to eliminate any ambiguity.

Action Item 4

Discussion of Case Studies

The Chairman noted the inclusion of a diagrammatic representation of the decision-making model immediately preceding the case studies and asked for comment. The taskforce was supportive of this inclusion.

The taskforce members made the following comments in relation to the case studies in proposed APES GN 40:

- General comments and taskforce decisions on structure of section:
 - The sequence of case studies needs to be improved to make it easier for the user to find the example that may be relevant to dilemmas they are facing.
 - Boundaries between case studies need to be clearer so the user can easily see where one case study ends and the next begins.
 - A contents table is required at the start of the case study section to make it easier to identify and find relevant case studies.
 - Case study solutions need to clearly state where the Member should initiate discussions with other parties including (but not limited to) the auditors, lawyers, independent chair of the audit committee, the taxation office and the police. Solutions should also encourage Members to use judgement to assess the scale and severity of the issue.
 - Well-known examples of ethical dilemmas would enhance understanding of issues addressed by the proposed APES GN 40. It was suggested that a bibliography with references to these cases be included in the Case Study section of proposed APES GN 40.
 - Specific reminder needs to be inserted to alert Members that copying and keeping company documents may incur legal ramifications, where defence may only be available in a criminal trial and not in a civil trial.

Action Item 5

- The following points were agreed in relation to specific case studies:
 - The possible course of action suggested in Case study 1 is not realistic in terms of the Member taking all of these steps on their own. Other parties in the company need to be involved in the resolution of this issue.
 - Case study 2 should not refer to councils naming and shaming as doing such would breach the *Privacy Act*.
 - Case study 4 requires reference to the *Income Tax Assessment Act* and Research and Development provisions.
 - Case study 10 should refer to confidential bids to highlight the issue of breach of confidentiality.
 - Case study 16 would be enhanced by including detail about Medicare fraud in the Australian context.
 - Case study 17 requires fraud implications that arise from deceitful billing by the contractor to be incorporated.

Action Item 5

5. Way forward

It was agreed that APESB technical staff will provide an update to the Board at the January 2011 Board meeting. A revised draft guidance note will be prepared by APESB staff and presented to the taskforce with a view to presenting it to the Board at the May 2011 Board meeting.

6. Close of meeting

The next meeting of the taskforce will be convened at a future date to be determined. The meeting was closed at 12pm.

8. Action List:

Item 1: Reword Paragraph 4.3 to make reference to reassessment of issues affecting materiality.

Item 2: Reword 12.4(h) to increase clarity.

Item 3: Create new paragraph titled 'Roles and Responsibilities' that deals with Finance Function Links.

Item 4: replace the word 'Mentor' in paragraph 5.5 with 'Independent Functional Advisor'.

Item 5: Case Study section to be redrafted based on the suggestions made by the taskforce noted above.

DRAFT