

Proposed Guidance Note: APES GN 41 Management Representations

Prepared and issued by
Accounting Professional & Ethical Standards Board Limited

EXPOSURE DRAFT **XX/15**
ISSUED: (XXXX 2015)

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Commenting on this Exposure Draft

This Exposure Draft, APES GN 41 *Management Representations* was developed and approved by the Accounting Professional & Ethical Standards Board Limited (APESB).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by XX XXXX 2015.**

Comments should be addressed to:

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APESB would prefer that respondents express a clear overall opinion on whether the proposed Guidance Note, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed Guidance Note.

Respondents are asked to submit their comments electronically through the APESB website, using the link www.apesb.org.au/apesb-exposure-drafts-open-for-comment.

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website www.apesb.org.au.

APESB prefers that comments are submitted via its website. However, if there are practical difficulties, comments can also be sent to sub@apesb.org.au or mailed to the address noted above.

Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: www.apesb.org.au. Alternatively, any individual or organisation may obtain one printed copy of this Exposure Draft without charge until **XX XXXX 2015** by contacting:

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Reasons for issuing Exposure Draft xx/15 [To be updated]

Accounting Professional & Ethical Standards Board Limited (APESB) proposes to issue the Guidance Note APES GN 41 *Management Representations* (APES GN 41) to provide guidance for Members in Business, particularly chief financial officers or senior finance personnel, in understanding the fundamental professional obligations & ethical requirements associated with preparing and/or signing Management Representations to Those Charged with Governance or an external party.

Key requirements and guidance in ED xx/15

The proposed APES GN 41 provides guidance in respect of making Management Representations to Those Charged with Governance or an external party. The proposed Guidance Note includes guidance in respect of:

- Fundamental responsibilities of Members in Business;
- Professional obligations of a Member in Business in respect of Management Representations;
- Management Representations considerations at the entity level;
- Management Representations considerations at the controlling entity level;
- Management Representations considerations at the board or audit committee level; and
- Documentation.

Proposed operative date

It is intended that this Guidance Note will be operative when issued.

APES GN 41 Management Representations

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Accounting Professional & Ethical Standards Board Limited

ISSUED: xxx 2015

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1. Scope and application

1.1 The primary objectives of APES GN 41 *Management Representations* are to provide guidance to a Member in Business who prepares and/or signs Management Representations in respect of:

- the application of the fundamental professional obligations and ethical requirements of the Code;
- Management Representations considerations at the entity level, controlling entity level and board or audit committee level;
- professional obligations (due to regulatory practice or other conventions) in relation to Written Representations and Financial Reporting Certifications.

APES GN 41 does not set out the procedures or processes to be followed by a Member in order to comply with applicable regulatory or other obligations associated with Management Representations.

1.2 Accounting Professional & Ethical Standards Board Limited (APESB) issues APES GN 41 *Management Representations* (the Guidance Note) which is effective from the date of issue.

1.3 APES GN 41 provides guidance to Members in Business, particularly chief financial officers or senior finance personnel, in understanding the fundamental professional obligations and ethical requirements associated with preparing and/or signing Management Representations to Those Charged with Governance or an external party. This Guidance Note does not prescribe or create any mandatory requirements.

1.4 Members in Business using this Guidance Note should refer to APESB's *Due process and working procedures for the development and review of APESB pronouncements*.

1.5 Members in Business working outside of Australia should follow the guidance in APES GN 41 to the extent to which they are not prevented from doing so by specific requirements of local laws and/or regulations.

1.6 The Guidance Note is not intended to detract from any responsibilities which may be imposed by law or regulation.

1.7 All references to Professional Standards and Guidance Notes are references to those provisions as amended from time to time.

1.8 Members in Business need to be familiar with relevant Professional Standards and Guidance Notes when performing Professional Activities to Employers.

1.9 In applying the guidance outlined in APES GN 41, Members in Business should be guided not merely by the words but also by the spirit of this Guidance Note and the Member's professional obligation to comply with the requirements of the Code.

1.10 In this Guidance Note, unless the contrary intention appears, words importing the singular include the plural and vice versa, words importing any gender include the other gender, and words importing persons include corporations or organisations, whether incorporated or not.

2. Definitions

For the purpose of this Guidance Note:

Applicable Financial Reporting Framework means the financial reporting framework adopted by management and, where appropriate, Those Charged with Governance in the preparation of the financial report that is acceptable in view of the nature of the entity and the objective of the financial report, or that is required by law or regulation.

The term *fair presentation framework* means a financial reporting framework that requires compliance with the requirements of the framework and:

- (a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial report, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (b) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial report. Such departures are expected to be necessary only in extremely rare circumstances.

In the context of financial reporting, the term *Compliance Framework* means a financial reporting framework that requires compliance with the requirements of the applicable framework, but does not contain the acknowledgements in (a) or (b) above.
(refer to APES 315)

Assignment means an instruction, whether written or otherwise, by an Employer to a Member in Business relating to the provision of services by a Member in Business. However, consultations with the Employer prior to such instruction are not part of an Assignment.

Code means APES 110 *Code of Ethics for Professional Accountants*.
(refer to APES GN 40)

Employer within the context of this Guidance Note means an entity or person that employs, engages or contracts a Member in Business.
(refer to APES GN 40)

Fraud means an intentional act by one or more individuals among management, Those Charged with Governance, employees or third parties, involving the use of deception to obtain an unjust or illegal advantage. (refer to AUASB Glossary)

Financial Statements mean a structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of Financial Statements, but it can also refer to a single Financial Statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes. The requirements of the financial reporting framework determine the form and content of the Financial Statements and what constitutes a complete set of Financial Statements. For the purposes of this Guidance Note, Financial Report is considered to be an equivalent term to Financial Statements.
(refer to the Code)

Financial Reporting Certification means 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.
(refer to s295A of the Corporations Act 2001 and Principle 4.2-Corporate Governance page 22)

Group Financial Report means a financial report that includes the financial information of more than one component (*often a legal entity in corporate form*). The term 'Group Financial Report' also refers to combined financial reports aggregating the financial information prepared by components that have no parent but are under common control. (refer to AUASB Glossary)

Group Management means management, or Those Charged with Governance, responsible for the preparation of the Group Financial Report. (refer to AUASB Glossary)

Internal Control means the process designed, implemented and maintained by Those Charged with Governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term "controls" refers to any aspects of one or more of the components of Internal Control. (refer to AUASB Glossary)

Management's Expert means an individual or organisation possessing skills, knowledge and experience in a field other than accounting, whose work in that field is used by management of the entity to assist the entity in preparing the Financial Report. (refer to AUASB Glossary)

Management Representations means a written statement by Management provided to Those Charged with Governance or external parties to confirm certain matters or to support evidence. Written Representations in this context do not include the Financial Report, the assertions therein, or supporting books and records.
(refer to AUASB Glossary)

Member means a Member of a Professional Body that has adopted this Guidance Note as applicable to their membership as defined by that Professional Body.
(refer to the Code)

Member in Business means a Member employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or Professional Bodies, or a Member contracted by such entities.
(refer to the Code)

Member in Public Practice means a Member, irrespective of functional classification (e.g., audit, tax or consulting) in a firm that provides Professional Activities. This term is also used to refer to a firm of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable professional body.
(refer to the Code)

Misstatement means a difference between the amount, classification, presentation, or disclosure of a reported item in financial information, and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the Applicable Financial Reporting Framework. Misstatements can arise from error or Fraud.

Where the financial information is prepared in accordance with a fair presentation framework, Misstatements also include those adjustments of amounts, classifications, presentation, or disclosures that, in the Member in Business' judgement, are necessary for the financial information to be presented fairly, in all material respects.
(refer to APES 315)

Outsourcing means an activity where an entity engages a party, on a continuing basis, to perform a business activity that is being, has been, or could be performed by that entity.
(refer to APES GN 30)

Outsourced Service Provider means an entity including a person that is providing services in accordance with an Outsourcing agreement. The Outsourced Service Provider may not be located in the same country as the Member in Business and may not even be a Member.
(refer to APES GN 30)

Professional Activity means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.
(refer to the Code)

Professional Bodies means Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.
(refer to APES GN 40)

Professional Standards means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable Professional Body.

(refer to APES GN 40)

Risk means the means the effect of uncertainty on objectives.

(refer to APES 325)

Risk Management Framework means the foundations¹ and organisational arrangements² for designing, implementing, monitoring, reviewing and continually improving risk management throughout the entity.

(refer to APES 325)

Those Charged with Governance means the persons or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, Those Charged with Governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

(refer to the Code)

Written Representations means a written statement by management or Those Charged with Governance, provided to an external party, the auditor or audit committee to confirm certain matters or to support other evidence. (refer to AUASB Glossary)

3. Fundamental responsibilities of Members in Business

- 3.1 The Code is the conceptual framework and foundation on which all APESB pronouncements are based. Compliance with and application of the Code is fundamental to the ethical behaviour of Members in Business. Non-compliance with the Code can lead to disciplinary proceedings being initiated by the Professional Body to which the Member belongs.
- 3.2 Members in Business are required to comply with professional obligations and ethical requirements that are based on the five fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour in the Code.
- 3.3 A Member in Business who performs a Professional Activity for the Member's Employer is required to comply with *Part A – General Application of the Code* and *Part C – Members in Business* including Section 100 *Introduction and Fundamental Principles* and applicable laws or regulations. Part C is specific to Members in Business and describes the application of the fundamental principles to some of the more commonly encountered situations that may create threats to a Member's ability to comply with the fundamental principles.

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

- 4.1 A Member in Business who provides Management Representations to Those Charged with Governance or external parties on various matters is required to comply with the fundamental principles of the Code.
- 4.2 Members in Business should prepare or present the Management Representations in a manner that is fair and honest, and where applicable in accordance with the Applicable Financial Reporting Framework. This includes:

¹ The foundations include the policy, objectives, mandate and commitment to manage Risk.

² The organisational arrangements include plans, relationships, accountabilities, resources, processes and activities.

- (a) preparing or presenting the Management Representations in accordance with applicable Professional Standards.
 - (b) preparing or presenting Management Representations in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately;
 - (c) not omitting information with the intention of rendering the Management Representations to be misleading; and
- 4.3 When presenting information, Members in Business are required to comply with section 320 *Presentation of Information* of the Code. Members should consider the purpose of the Management Representations, the context and its users.
- 4.4 Management Representations provided by Members in Business to Those Charged with Governance or external parties include, but are not limited to:

External Management Representations

- (a) Written Representations provided to Members in Public Practice (e.g. external auditors) in respect of annual Financial Statements and half-year Financial Statements^{3 4};
- (b) Management Representations provided to Members in Public Practice in respect of a compilation engagement;
- (c) Management Representations provided to an Employer or Members in Public Practice in respect of a valuation service;
- (d) Management Representations provided to an Employer or Members in Public Practice in respect of a due diligence committees e.g. acquisitions, divestments, restructuring or raising finance from capital and debt markets;
- (e) Management Representations provided to rating agencies or similar organisations who are performing evaluations of the organisation's financial capacity and stability or governance arrangements;
- (f) Management Representations provided to an organisation's financiers or lenders when obtaining finance or in respect of ongoing compliance with loan covenants;

Internal Management Representations

- (g) Financial Reporting Certifications including Internal Control questionnaires; or
 - (h) declarations provided to the board/audit committee of a local or foreign jurisdiction in accordance with the respective jurisdiction's regulations.
- 4.5 Where a Member in Business prepares and/or signs Management Representations, the Member is required to comply with section 330 *Acting with Sufficient Expertise* of the Code. The Member is required to maintain professional knowledge and skill at the level required to ensure the Member's Employers receive competent professional advice. The Member is required to have, or can obtain, sufficient specific training or experience and possess the sufficient time and adequate resources to complete the Management Representations within the reporting deadline. The Member should be knowledgeable of the entity's industry and other subject matters on which they are presenting Management Representations.

³ *Corporations Act 2001*: sections 295A,300A and 312.

⁴ Auditing and Assurance Standards Board. Auditing Standard ASA 580 *Written Representations*: Amended and compiled July 2013: Paragraph Aus 0.1, A26 and Aus A26.1

- 4.6 Where a Member in Business relies on the work of others (e.g. Management's Expert, Outsourced Service Provider or internal personnel) to provide Management Representations, the Member should take reasonable steps to be satisfied that such work enables the Member to fulfil the obligations set out in paragraph 4.2. Where the work of others forms a material part or has a significant impact on the Management Representations, the Member should perform an assessment of the work of others and their expertise including qualifications, competence, integrity, objectivity and capacity to perform the allocated tasks.
- 4.7 Where a Member in Business has determined that the work of others may include a Misstatement or that the Management Representations with which the Member is associated with is misleading, the Member shall take qualitative as well as quantitative factors into consideration when evaluating the significance of the suspected Misstatement or the potential misleading Management Representations. The Member should consider the following:
- (a) making inquiries of the work of others to assess the reliability, accuracy and completeness of Management Representations provided; or
 - (b) performing verification procedures on the relevant matter; and
 - (c) being alert to the fact that reassessment of the suspected Misstatement or potential misleading Management Representations may need to occur on an ongoing basis.
- 4.8 Where a Member in Business is considering disclosing confidential information acquired in the course of providing Professional Activities to an Employer, the Member is required to refer to Section 140 *Confidentiality* of the Code. The Member should also refer to the guidance in section 12 *Disclosure of information and whistleblowing* of APES GN 40.
- 4.9 Where a Member in Business provides confidential information in accordance with a legal obligation of disclosure, the Member should notify the Employer or the relevant third party as soon as practicable, provided that there is no legal prohibition against such notification.
- 4.10 Where an Employer has given a Member in Business permission to disclose confidential information to a third party, it is preferable that this permission is in writing. Where oral permission is obtained, a contemporaneous note should be made and kept on file by the Member recording the relevant details of the Employer's approval.

5. Management Representations considerations at the entity level

- 5.1 A Member in Business who prepares or who is responsible for Management Representations at the entity level should:
- (a) take reasonable steps to maintain information in a manner that:
 - (i) describes clearly the true nature of business transactions, assets or liabilities;
 - (ii) classifies and records information in a timely and proper manner; and
 - (iii) represents the facts accurately and completely in all material respects.
 - (b) communicate the group policies and procedures (including any changes) in respect of financial reporting to the entity's management in a timely manner.
 - (c) oversee or obtain comfort regarding the recruitment and selection process of finance personnel who possess the necessary skills, expertise, competence and knowledge that enables them to perform their tasks with integrity and objectivity.

- (d) implement systems or processes to develop competence of personnel who complete the Management Representations checklist through a variety of methods, including:
 - (i) continuing professional development on Professional Standards, legal obligations and other regulations (e.g. insider trading, corporate governance, applicable accounting, and auditing and assurance standards);
 - (ii) providing work experience in a manner to continuously develop their skills, and
 - (iii) coaching of junior personnel by more experienced personnel.
- 5.2 A Member in Business should encourage personnel to be alert for circumstances and relationships that may be encountered by personnel during the Management Representations process that create or may create threats to compliance with the fundamental principles of the Code that include but are not limited to:
- (a) not knowingly engage in any business transaction or activity that impairs or might impair the entity's and group's good reputation as a responsible corporate citizen;
 - (b) being aware of potential accounting and tax schemes or arrangements which may not be in accordance with applicable legal and regulatory requirements;
 - (c) not knowingly associate with any arrangement which involves documents or accounting entries that are intended to misrepresent a transaction or which is dependent upon its lack of disclosure for its effectiveness; and
 - (d) being aware of ethical issues, legal obligations and other regulations regarding potential insider trading.
- 5.3 A Member in Business should take reasonable steps to create a working environment where personnel are able to make Management Representations with integrity and objectivity regardless of whether the organisational impact/outcome of the Management Representations process is positive or negative.
- 5.4 A Member in Business should report actual or potential Internal Control weaknesses in the entity's Internal Control environment to management or Those Charged with Governance, as appropriate.

6. Management Representations considerations at the controlling entity level

- 6.1 A Member in Business who prepares and/or reviews the group Management Representations at the controlling entity level should establish policies and procedures designed to provide Those Charged with Governance with reasonable confidence that the group Management Representations are appropriate including:
- (a) promoting consistency in the group Management Representations process;
 - (b) assisting and/or supervising the group Management Representations process that comprises among other considerations, the following:
 - (i) monitoring its progress;
 - (ii) considering the ability of the personnel to apply the professional and ethical requirements of the Code;
 - (iii) considering the skills, competency, capabilities and knowledge of the personnel involved and whether they understand group reporting instructions;
 - (iv) guiding personnel to complete the Management Representations;
 - (v) assessing whether it is carried out in accordance with the group policies and procedures;
 - (vi) addressing significant matters or discrepancies arising; and
 - (vii) assessing the completeness of group Management Representations.

- (c) reviewing the group Management Representations process that comprises among other considerations, the following:
 - (i) ensuring personnel with the relevant skills, knowledge and abilities are overseeing the group Management Representations;
 - (ii) performing sufficient enquiries and reviews to ensure that entities (notwithstanding the complex group structures) are in compliance with the group accounting policies and group Management Representations processes;
 - (iii) obtaining reasonable confidence of the validity and reliability of the Management Representations (e.g. sample reviews by internal audit or the Member in Business); and
 - (iv) determining if discrepancies exist between Internal Control matters reported by the internal auditor, external auditor and the entity's Management Representations.
- (d) taking reasonable steps to create an organisational culture and environment of compliance with the applicable group reporting requirements;
- (e) Where a Member in Business identifies Internal Control weaknesses, Fraud, irregularities, suspected non-compliance with laws and regulations or potential issues that may have not been dealt with by management previously, the Member should consider:
 - (i) providing appropriate guidance for personnel to communicate internally within the group in respect of potential next steps including reporting such matters, where material, to Those Charged with Governance;
 - (ii) taking reasonable steps to ensure that the identified issues are being dealt with appropriately by the relevant personnel;
 - (iii) taking reasonable steps to ensure appropriate remedial action is being taken to resolve issues identified by the external auditors and internal auditors (noting issues which may be pervasive in particular); and
 - (iv) documenting and reporting to Those Charged with Governance on how material contentious matters are being resolved such as non-compliance with laws and regulations or risk management issues.

Financial Reporting Certification considerations

- 6.2 A Member in Business should perform an assessment of how the organisation's Internal Control environment and the financial reporting framework support the group's Financial Reporting Certification.
- 6.3 A Member in Business who uses an Internal Control questionnaire or equivalent process as a confirmation process to obtain evidence and reasonable confidence regarding the integrity of the Group Financial Report or to test the operating effectiveness of the Internal Control environment, should consider:
 - (a) tailoring the Internal Control questionnaire so that it is appropriate, relevant and directed at the most significant areas of each entity; and
 - (b) requesting feedback on significant Risks that impact the Group Financial Report.
- 6.4 A Member in Business should consider the roles and responsibilities of all stakeholders in the group financial reporting process or in the group Financial Reporting Certification and where applicable the stakeholders should include Group Management and the audit committee by:
 - (a) regularly performing an assessment of the group Financial Reporting Certification ;

- (b) communicating and explaining to personnel, the requirements and importance of the group Financial Reporting Certification and the role the group Internal Control environment plays; and
 - (c) reviewing the evidence provided by entities' management to support the group Financial Reporting Certification and ensuring its consistency with the overall view of the entity and its operations
- 6.5 A Member in Business who is required to provide a group Financial Reporting Certification to Those Charged with Governance should:
- (a) review Internal Control questionnaires and obtain any necessary clarifications or additional information from entity's management; and
 - (b) be satisfied that the requirements of the relevant laws and regulations^{5 6} are met.
- 6.6 Where the Member in Business who is at controlling entity level is unable to resolve matters that have a material impact on the group Management Representations, the Member should refer those matters to Those Charged with Governance.
- 6.7 Where a Member in Business who is at controlling entity level is implementing a group Risk Management Framework, the Member should take reasonable steps to ensure the group Risk Management Framework:
- (a) identifies and manages Fraud Risk factors, financial reporting Risks and corruption Risks; and
 - (b) considers non-financial reporting processes that will have an impact on the Group Financial Reports, either now or in future e.g. greenhouse gas disclosures, environmental and sustainability reports and information technology matters.

7. Management Representations considerations at the board or audit committee level

- 7.1 A Member in Business who is at the board or audit committee level should assess the entity's or the group's Management Representations process by considering whether the Group Management possesses the requisite:
- (a) leadership capabilities;
 - (b) expertise, experience, training and/or education;
 - (c) adherence and commitment to the fundamental principles of the Code and other applicable Professional Standards;
 - (d) historical performance and any issues of an ethical nature has been reported previously;
 - (e) monitoring of controls and review processes; and
 - (f) documentation and communication of policies and procedures.
- 7.2 A Member in Business who is at the board or audit committee level should evaluate whether the entity's or the group's policies and procedures:
- (a) support a strong ethical culture;
 - (b) establish clearly defined channels for personnel to raise any concerns to management or Those Charged with Governance in a manner that enables personnel to come forward without fear of reprisals;
 - (c) maintain a Risk Management Framework in respect of the provision of quality and ethical Professional Activities that identifies, assesses and addresses material Risks (e.g. governance Risks, business Risks, financial Risks and regulatory Risks); and

⁵ *Corporations Act 2001*: Section 295A.

⁶ ASX Corporate Governance Council. *Corporate Governance Principles and Recommendations*: Recommendation 4.2, Page 22

- (d) implement safeguards in the work environment (e.g. systems of corporate oversight, ethics and conduct programs, recruitment procedures, strong group-wide controls, appropriate disciplinary processes and quality of employee performance) to eliminate or reduce threats of non-compliance with the fundamental principles of the Code.
- 7.3 Where a Member in Business who is at the board or audit committee level is assessing the adequacy, efficiency and effectiveness of the Management Representations process, the Member should consider whether management has adequate processes to monitor the entity's or the group's Internal Control environment and information systems.
- 7.4 Where a Member in Business who is at the board or audit committee level is unable to resolve matters that have a material impact on the Management Representations process, the Member should assess the impact of any deficiencies noted on the entity or the group's Internal Control environment, business processes and the resulting impact on the Group Financial Report.

Financial Reporting Certification considerations

- 7.5 A Member in Business who is at the board or audit committee level that relies on the Financial Reporting Certification to meet the Member's responsibility for the Financial Report, should perform an assessment to determine the quality, reliability and effectiveness of Management Representations.
- 7.6 Where a Member in Business is part of Those Charged with Governance and has received declarations from management that the Financial Reporting Certification process is in accordance with section 295A of the *Corporations Act 2001* or voluntary equivalent, the Member should consider its reasonableness and whether:
- (a) management has reported to the board/audit committee as to the effectiveness of the entity's or the group's strategies to manage material business Risks and the entity's or the group's overall framework and processes adopted to support the Financial Reporting Certification;
 - (b) The entity or the group has developed channels or direct reporting lines for internal auditors and external auditors to provide feedback to the board or audit committee on these business Risks and organisational processes to address these Risks; and
 - (c) corroborated information from other processes and sources to evaluate whether the responses from the Financial Reporting Certification are aligned with the actual circumstances of the group's operations.

8. Documentation

- 8.1 A Member in Business who is preparing and/or signing Management Representations, should prepare working papers that appropriately document the work performed, including the basis, method, calculations, determinations or estimates used in the provision of this Professional Activity to the Member's Employer.
- 8.2 A Member in Business who is at the board or audit committee level should take reasonable steps to ensure that:
- (a) the entity retains relevant documentation in respect of the key matters considered and discussed at the board or audit committee meeting; and
 - (b) the key decisions made at those meetings are appropriately reflected in the minutes of the applicable meeting.

Conformity with International Pronouncements

The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES GN 41.