

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED
MINUTES OF THE 7th MEETING OF THE MANAGEMENT REPRESENTATIONS PROJECT
TASKFORCE

13 April 2016
11.00 a.m. – 12.25 p.m.

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

1. Present and Apologies

Present

Mr. Channa Wijesinghe (Chairman), Mr. David Castle, Ms. Lucy Caixeiro (delegate of Mr. Michael Ford), Ms. Liz Stamford, Dr. Eva Tsahuridu and Mr. Justin Reid.

In Attendance

Mr. John Cahill (APESB Board member) and Ms. Saras Shanmugam.

Apologies

Mr. Geoff Harris, Mr. Alan Lee and Mr. Peter Day (APESB Board member).

2. Minutes of Previous Meeting

The minutes of the 6th APES GN 41 *Management Representations* taskforce meeting held by teleconference on 15th October 2015 was accepted with no amendments.

3. Introduction

The Chairman informed the taskforce that Mr. Peter Day will soon be retiring from the APESB Board and welcomed Mr. John Cahill as the Board Member allocated to the taskforce. The Chairman informed the taskforce that Ms. Kerry Hicks has been recently appointed as a senior policy advisor of the Australian Institute of Company Directors.

4. General comments analysis

The taskforce noted Technical Staff's proposed recommendations in respect of the respondents' general comments and considered the following matters:

Clarity of APES GN 41's structure

The taskforce agreed to:

- retain the proposed paragraph 4.3 and to delete proposed paragraphs 4.2 and 4.4 as APES GN 41 should be focussed on providing guidance on assisting Members in Business to discharge their professional and ethical obligations but should not address matters in respect of how to perform their roles;
- delete the proposed footnote reference (paragraph AUS A26.1 of ASA 580 *Written Representations*) in paragraph 4.5 to ensure that it is stated in general terms rather than being specific to audit engagements; and

- incorporate the taskforce's editorials to enhance the proposed paragraph 4.5.

Use of the word 'should'

The taskforce agreed with a respondent's proposal to provide a description of the term 'should' in either paragraph 1.3 or 1.4 as it will assist Members in Business to understand APESB's drafting conventions. In addition, the taskforce suggested that a specific cross-reference should be provided to paragraph 5.2 (f) in APESB *Due process and working procedures for the development and review of APESB pronouncements* (Due Process document).

A taskforce member was of the view that the existing description of the term 'should' in the Due Process Document appears to be strong and maybe unsuitable for application material. The taskforce member suggested that this term may need to be amended to provide more flexibility to the term. The Chairman noted that this term is used across APESB pronouncements and can be considered when the Due Process document is next revised. Technical Staff will review the proposed APES GN 41 and if required will introduce additional flexibility.

5. Specific comments analysis

Scope of APES GN 41

The taskforce agreed that the updated list of external and internal Management Representations in paragraph 4.1 will support the importance of Management Representations provided to Those Charged with Governance or an external party.

A taskforce member proposed to remove the examples of stakeholders provided in paragraph 5.2 as the existing paragraph is sufficient. Another taskforce member recommended that the term 'professional advice' in paragraph 5.3 should be deleted as the term may imply Professional Services provided by Members in Public Practice and not Professional Activities performed by Members in Business.

Using the work of others

The taskforce agreed to the proposed paragraph 5.4 as Members in Business should consider assessing the significance of suspected or potentially misleading Management Representations when relying on the work of others.

Communication of significant matters

A taskforce member suggested enhancing proposed paragraph 5.7 as follows:

- link the obligation to Management Representations; and
- delete the requirement for a Member in Business to comply specifically with section 300 of Part C of the Code and instead provide a cross reference to the Code in general.

Management Representation considerations at the entity level

Taskforce members agreed to delete paragraph 6.1(a) as:

- it is a requirement provided in section 320 *Preparation and Reporting of Information* of the Code; and
- the cross-reference to section 320 of the Code is already included in paragraph 5.2.

A taskforce member suggested editorial amendments to paragraph 6.2(e) by clarifying the circumstances that may create threats to compliance with the fundamental principles of the Code in respect of participation in compensation and incentive arrangements.

Financial Reporting Certification considerations (controlling entity and board/audit committee level)

Taskforce members agreed to the proposed amendments in paragraphs 7.5 and 8.5.

6. Way Forward

Mr. Cahill (Board member) expressed APESB's gratitude to Mr. Day (former Board member) and the taskforce for their contributions to the development of the APES GN 41. The Chairman also acknowledged Mr. Day's valuable contributions during his term as he was the driving force in the development of APES GN 41 as well as APES GN 40 *Ethical Conflicts in the Workplace-Considerations for Members in Business*.

APESB Technical Staff will:

- consider the taskforce's feedback;
- update the proposed APES GN 41 by incorporating the taskforce's review comments; and
- circulate a marked-up version of APES GN 41 for the taskforce's final review comments.

7. Closing of Meeting

The meeting was closed at 12.25 p.m.

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