

Updated Project Proposal – APES GN 41 *Members in Business in Senior Finance Roles*

Introduction

To develop guidance that assists Members in Business in performance of senior finance roles.

Background

APESB initiated a project in late 2008 to replace the existing GN 1 *Members in Business Guidance Statement* with the proposed APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business*. This project was completed in March 2012.

APESB's engagement with Members in Business to date indicates that awareness of APESB Standards could be raised within the business community. This is partly due to the focus of the majority of APESB's professional standards being on Members in Public Practice rather than on Members in Business. APESB has included Members in Business where applicable in the development process of the APES 200 series of standards (i.e. APES 215 *Forensic Accounting Services*, APES 220 *Taxation Services* and APES 225 *Valuation Services*). However, as historically there were very few professional standards applicable to Members in Business, the level of awareness of Members in Business of professional standards has continued to be low.

The release of APES GN 40 intended to raise awareness of APESB standards with Members in Business and to provide a greater understanding of Part C of APES 110 *Code of Ethics for Professional Accountants* (the Code) which governs the conduct of professional relationships by Members in Business. During development of APES GN 40, the Taskforce considered the difficulties that may arise where there is no direct reporting link between finance personnel in an organisation and senior finance roles such as the CFO. For example, where divisional accountants are hired by and report to the divisional manager with no real reporting or other links to the head office CFO.

The Board considered this issue raised by the Taskforce and determined that senior executive roles are critical for organisations and that it is better addressed by developing a separate guidance note rather than incorporating it in the proposed APES GN 40. This project was proposed to commence in late 2012 but was delayed by the Board due to other higher priority projects.

Joint G100/APESB Taskforce

Since late 2012 APESB has been engaged with the G100 National Executive in a joint Taskforce to refresh the G100 CFO Code of Conduct. This project is now nearing completion.

If the Board approves this project proposal, as a key stakeholder where Members in Business are represented, the G100 will be one of the stakeholders that the APESB Secretariat will contact to request appropriate representation on this proposed Taskforce.

Project Objective: To develop a pronouncement that provides guidance to Members in Business performing senior finance roles. The pronouncement will be based on the requirements of APES 110 *Code of Ethics for Professional Accountants*.

Project Steps:

- Invite APES GN 40 Taskforce members and G100 members to participate in the project. Also invite Members to participate in the project via the APESB website. The Taskforce should consist of the APESB Technical Director, 1 representative from each of the professional bodies and at least 3 members with demonstrated expertise in commercial organisations and/or corporate codes of conduct.
- APESB Board Member Peter Day will function as an observer on the Taskforce.
- Conduct Taskforce meetings between October 2013 and April 2014 to identify and discuss the approach to be taken in developing the exposure draft.
- Develop an exposure draft for the Board review that addresses key issues and provides sufficient guidance on the application of the Code for Members in Business performing senior finance roles.
- Present the first draft of the exposure draft to the APES Board for consideration at the May 2014 Board meeting.
- Release the guidance note for exposure requesting comments on both specific issues highlighted and also general comments on the document as a whole.
- Consider respondents' comments and their impact on the exposure draft and amend as required.
- Prepare a basis of conclusions document detailing key issues that were identified and considered during the development of the pronouncement.
- Present the final pronouncement and basis of conclusions document to the Board for approval at the November 2014 Board meeting.
- Release the pronouncement in November 2014 and upload the pronouncement and basis of conclusions document onto the APESB website.

Project Structure:

- Board – provide feedback and oversee development of the pronouncement
- APESB Technical Director – assemble Taskforce, provide technical support, role of principal drafting editor of the pronouncement, provide guidance to the Taskforce on APESB policies and procedures
- Taskforce – provide APESB with advice on development and review of pronouncement
- APESB Secretariat – provide administrative support to the Taskforce

Project Risk Assessment

- Risk area 1: Risk of costs rising significantly during the project
 - Probability: Low
 - Impact: Low
 - Effect on Project: Minimal
 - Risk reduction actions: Monitoring of costs on a regular basis

- Risk area 2: Risk of introducing provisions that are not aligned with the Code or making the guidance more complex than necessary
 - Probability: Medium
 - Impact: Medium
 - Effect on Project: It may increase the duration of the project and the complexity of the final guidance note. It may also be of further interest to Members in Business who are company officers with respect to their Officers Liability.
 - Risk reduction actions:
 - Liaise with the Members in Business committees of the professional bodies and obtain feedback prior to the commencement of the project;
 - Select taskforce members who have extensive experience as CFOs.

Resource Requirements:

- Teleconference facilities, Travel of APESB staff (as required) and Taskforce members (by invitation only), printing and stationary.
- It is estimated that the staff time on this project will be approximately 6- 8 weeks.

- Budgeted Taskforce costs for 8 Taskforce meetings:

Conference calls \$300 per unit (8)	\$2,400
Travel & accommodation \$1,000 per unit (5)	\$5,000
Sundry expenses \$200 per unit (5)	\$1,000
Total Budgeted Costs	<u>\$8,400</u>

Timeline:

August 2013	Approve revised scope and updated project proposal
October 2013	Assemble Taskforce
Oct-Nov 2013	Conduct initial Taskforce meeting
Oct 2013 – Apr 2014	Develop exposure draft
May 2014	Present exposure draft to Board for approval
June 2014	Release exposure draft for a 60 day comment period
September 2014	Collate feedback received

October 2014	Revise pronouncement taking into consideration feedback received and prepare basis of conclusions
November 2014	Present final pronouncement and basis of conclusions to the Board for approval
November 2014	Issue pronouncement

Impact on other APESB pronouncements

Part C Members in Business of the APES 110 *Code of Ethics for Professional Accountants* and APES GN 40 *Ethical Conflicts in the Workplace – Considerations for Members in Business* will be complemented by the issue of this guidance note.

Impact on accounting, auditing or other relevant standards

No impact on accounting, auditing or other standards.

Related legislative developments

None noted

Related international developments

The IFAC Professional Accountants in Business Committee has published three papers that should be considered during the development of the proposed pronouncement:

1. *The Crucial Roles of Professional Accountants in Business in Mid-Sized Enterprises (2008)*
This paper features interviews with 10 senior-level professional accountants in business and explores their experiences in mid-sized enterprises. This document explores the unique challenges faced by mid-sized enterprises and how professional accountants in business address these challenges.
2. *The Roles and Domain of the Professional Accountant in Business (2005)*
This paper highlights many roles professional accountants perform in business and facilitates an understanding of such roles.
3. *Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success (2011)*
This paper aims to explain the many roles professional accountants perform in business – exploring roles that go beyond the stereotypical perceptions of accountants. This document aims to provide a deeper understanding of how professional accountants drive sustainable organisational success, encompassing the public and non-profit sectors.

Also refer to the Revised Scope of APES GN 41 for details of further IFAC resources and topics of interest.

The American Institute of CPAs has published a series of Audit Committee Toolkits for public companies, private companies, not-for-profit organisations and government organisations. These toolkits contain information on the roles and responsibilities of Audit Committee members and may provide useful insight during development of the proposed pronouncement.

Benefits of developing the pronouncement

Development of a pronouncement will expand on the guidance provided to Members in Business in the Code and specifically assist Members in senior finance roles.