

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED
MINUTES OF THE 3rd MEETING OF THE MANAGEMENT REPRESENTATIONS PROJECT
TASKFORCE

11 May 2015 3.30 p.m. – 5.00 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, Mr. Geoff Harris, Ms. Kristi Bromley (delegate of Mr. Michael Ford), Dr. 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 2nd APES GN 41 *Management Representations* taskforce meeting held by teleconference on 27th November 2014 was accepted with minor editorial amendments.

3. Introduction

The Chairman informed the taskforce that Mr. Michael Ford (Deputy CFO of Commonwealth Bank) is the taskforce member who replaces Mr. Michael Venter due to his relocation to Hong Kong. However as Mr. Michael Ford was unavailable to attend the meeting, he has nominated Ms. Kristi Bromley (Executive Manager of Accounting Policy, Commonwealth Bank) to be his delegate.

4. Discussion drafting of the proposed APES GN 41

The Chairman explained to the taskforce that the proposed APES GN 41 circulated to the taskforce is a preliminary draft and has been drafted based on the Technical Briefing Paper that was presented to the Board at the 28th January 2015 Board Meeting.

A taskforce member queried whether the development of the proposed APES GN 41 was similar to the recent proposed changes to Part C of IESBA Code (proposed Part C of the Code). The Chairman explained that where relevant, some components of the proposed APES GN 41 have been drafted based on the proposed Part C of the Code that addresses presentation of information. The taskforce discussed and agreed that where possible the proposed APES GN 41 should be aligned with the proposed Part C of the Code.

Another taskforce member enquired about the expected timeline of IESBA's proposed changes to Part C of the Code project. The Chairman informed the taskforce that the project is scheduled to progress over the next 2-3 years and the stakeholders' comments period for the current exposure draft closed on 15th April 2015.

The Board member explained to the taskforce that the proposed APES GN 41 will facilitate Members by being able to access one specific document for key related guidance on the Management Representations process without having to refer to multiple APESB pronouncements. It will also remind Members of the Code's tenets since Members in Business (in particular) may not regularly access the Code.

Scope and application

The taskforce discussed paragraph 1.1 in respect of whether the scope and application of the Management Representations process should be expanded beyond a consolidated listed entity. The taskforce agreed that the scope and application of the Management Representations process should include:

- all entities (e.g. associates, joint ventures, stapled entities or single entities);
- all Management Representations reporting responsibilities (particularly Written Representations provided to Members in Public Practice); and
- to replace the term 'by convention' with 'by practice'.

The taskforce also noted the following:

- paragraph 1.3 should include Members' ethical responsibilities when preparing and signing Management Representations rather than solely when signing Management Representations;
- the guidance in paragraph 1.8 should be split into two separate components since it is a requirement for Members to adhere to the Code; and
- to include a reference to Auditing Standard ASA 580 *Written Representations* (ASA 580) in the proposed APES GN 41.

Definitions

A taskforce member enquired whether certain definitions should be aligned with the Australian Accounting Standards. The Chairman explained that for consistency purposes, Accounting Professional and Ethical Standards' definitions are normally aligned with the IESBA Code or the Australian Auditing Standards (ASAs). In addition, the International Auditing and Assurance Standards Board's definitions are more aligned with the International Ethics Standards Board for Accountants (IESBA's) definitions which is the basis of the Australian Code. These definitions may slightly differ from the International Accounting Standards.

Fundamental responsibilities

The Chairman explained that the introductory paragraph of the proposed APES GN 41 is similar to APES GN 40. A taskforce member noted that since the term 'professional behaviour' in paragraph 3.1 is a fundamental principle and thus another suitable term should be considered. The Chairman suggested that the term can be replaced with 'ethical behaviour'.

Professional obligations

The taskforce discussed paragraph 4.4 and agreed on the following:

- proposed APES GN 41 should distinguish between the internal and external management representations processes;
- paragraph 4.4(a):
 - to make references to ASA 580;
 - to check whether Management Representations are made on a voluntary basis for half-year financial statements; and
 - to use footnotes when references are made to legislations e.g. *Corporations Act 2001*;
- paragraph 4.4(b) – to state that the financial reporting certification includes internal control questionnaires; and
- paragraph 4.4(c) – to expand the declarations provided to board/audit committees to encapsulate all foreign jurisdictions rather than specifying US listed entities.

In addition the taskforce noted the following suggestions:

- paragraph 4.3 – to replace the term ‘relevant and faithfully represented’ with ‘fair and honest’;
- paragraph 4.5 – to find a substitute for the word ‘obtain’ as it gives the impression that the Member is still in the process of obtaining the necessary expertise, skills and experience; and
- paragraph 5.5 – consideration to remove the documentation process of an internal control questionnaire since the guidance in respect of documentation is included in section 8.

5. Other matters

The Chairman informed the taskforce that IESBA is expected to expedite the progress of their projects as several IESBA’s board members’ service terms will expire at the end of 2015. Accordingly, IESBA has determined to hold two additional board meetings during 2015.

The Chairman also informed the taskforce that subsequent to APESB’s Board Meeting on 25th May 2015, the current plan is to progress this project by:

- holding two taskforce meetings in June and July 2015; and
- presenting an initial draft of the proposed APES GN 41 for the board’s consideration at the August 2015 Board Meeting.

6. Way Forward

APESB Technical Staff will address taskforce members’ comments and continue drafting the proposed APES GN 41 subsequent to the May 2015 Board Meeting.

7. Other Matters

Taskforce member David Castle informed the taskforce that he has been appointed as a Board Member of the Companies Auditors and Liquidators Disciplinary Board (CALDB). It was noted that due to this project’s focus on the Members in Business community, that there is less likelihood of there being a conflict with David’s role on the CALDB. This issue would also be discussed when APES GN 41 is next tabled at the APESB Board Meeting.

8. Closing of Meeting

The meeting was closed at 5.00 p.m.