

**ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED**

**Meeting of the Taskforce for APES 350 Due Diligence Committees – 2014/15 Annual Review**

**MINUTES**

**30 October 2014 11 am – 12 pm**

**Teleconference**

**1. Present and Apologies**

Present:

Mr Channa Wijesinghe (Chairman), Mr Jeff Cook, Mr Mark Haberlin, Ms Claire Cardno, Ms Marina Stuart, Ms Kristen Wydell, Mr Amir Ghandar, and Mr Colin Parker.

In Attendance:

Mr Harley McHutchison (Board Member), Mr Andrew Vickery (PwC - Partner Corporate Tax), Ms Surita Sharma (EY – Executive Director, Professional Practice Group), Mr Nick Rowley (PwC - Tax), Mr Richard Savage (PwC – Director, Risk & Quality) and Ms Sally Morony (PwC – Senior Legal Counsel) and Ms Saras Shanmugam.

Apologies:

Mr Jeffrey Luckins and Mr Stephen Lomas.

**2. Review of 2014 Annual Review Report**

The Chairman informed the taskforce that he has requested Craig Andrade of Baker and McKenzie to provide comments (if any) by 17 November 2014. Other than the matters noted below, there were no other issues raised by the taskforce in respect of the 2014 Annual Review Report.

**3. Discussion on Materiality Letter template**

The taskforce discussed the impact of the withdrawal of AASB 1031 *Materiality* on the Materiality Letter template in APES 350. Some taskforce members noted that they have changed the references from AASB 1031 to AASB Framework - *Framework for the Preparation and Presentation of Financial Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB 1048 *Interpretation of Standards*. The taskforce agreed to update the materiality letter template with the appropriate amendments. A taskforce member will provide a revised template with amended references to the AASB's framework and standards for the taskforce's consideration.

**4. Discussion on Due Diligence Sign-Off template**

A taskforce member suggested that the lead in to section 2 *Scope of Work* in the DDC Sign-off template should only pertain to the Financial Information and other information which is specified in the Engagement Letter or which relates to the Due Diligence Sign-Off Letter. The taskforce member was of the view that the scope of work should be focused on the services provided in accordance with APES 350 rather than a statement which encompasses the entire prospectus.

The taskforce discussed circumstances in which removal of subsections 2 (f) and 2 (d) in conjunction with section 3 Findings – Agreed Upon Procedures was considered appropriate. However, the taskforce agreed to retain them since the current illustrative scope of work is flexible to cater for different circumstances.

## **5. Discussion on DDC engagements on tax matters and formal sign-offs when not a DDC Member**

A taskforce member queried whether there should be a separate formal DDC sign-off for tax matters. The taskforce considered the consequences of a formal DDC sign-off when a non-DDC member was involved and the complexities of having two DDC Members. The taskforce preferred that when the Member in Public Practice is not on the DDC then engagements such as tax services should be performed as a Reporting Person as envisaged by APES 350. The Taskforce was of the view that a separate tax DDC Sign-off letter is not required.

## **6. Discussion on the use of the other letters**

A taskforce member raised the issue of the use of '*Completion letters*' i.e. DDC Observer Reports where a Member acted as an observer of and reporting person to the DDC. The taskforce member suggested that APESB should consider developing a template and agreed to circulate a template for the taskforce's consideration.

The Chairman reminded the taskforce that this is one of the key matters that Craig Andrade of Baker and McKenzie continues to raise as when the Client is a US SEC registrant Members in Public Practice are prohibited from serving on the Due Diligence Committee as a DDC Member.

The taskforce briefly discussed matters pertaining to '*New circumstances letters*'. The taskforce also discussed '*Shareholder reliance letters*' and noted the consequential exposure as these letters are gradually creeping into the Due Diligence Planning Memorandum.

## **7. Way forward**

APESB Technical Staff will circulate the following documents for the taskforce's consideration:

- Marked-up Materiality Advice Letter template;
- DDC Observer Report template; and
- Comments from Craig Andrade.

The next taskforce meeting will be scheduled either in late November or early December to ensure that both the APES 350 Annual Review and Exposure Draft can be considered at the January 2015 Board meeting.

## **8. Close of Meeting**

The meeting was closed at 12 pm.