

**ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED**

**5<sup>th</sup> Taskforce Meeting for APES 350 Due Diligence Committees – 2014/2015 Annual Review**

**MINUTES**

**16 July 2015, Thursday  
10 a.m. – 11 a.m.**

**Teleconference**

**1. Present and Apologies**

Present:

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

In Attendance:

Mr. Kevin Osborn (Board Member), Ms. Surita Sharma (EY – Executive Director, Professional Practice Group), Ms. Claudia Ganora (PwC – Director, Senior Legal Counsel), Ms. Sally Morony (PwC – Senior Legal Counsel) and Ms. Saras Shanmugam.

Apologies:

Mr Stephen Lomas and Dr. John Purcell.

**2. Minutes of previous meeting**

The minutes of the 4<sup>th</sup> APES 350 *Due Diligence Committees* – 2014/2015 Annual Review taskforce meeting held by teleconference on the 11<sup>th</sup> February 2015 was accepted with no amendments.

**3. General comments analysis**

The taskforce noted and agreed to the comments made by Technical Staff in respect of APES 350 general comments analysis.

**4. Specific comments analysis**

The taskforce noted and generally agreed to the comments made by Technical Staff in respect of APES 350 specific comments table and discussed the following matters:

Item no. 3 Low Doc Offerings

The Chairman informed the taskforce that this matter was previously brought to APESB's attention by Craig Andrade of Baker and Mackenzie and at the time the Board has determined to monitor the need to develop specific guidance for low doc offerings.

A taskforce member noted that low doc offerings occurrence increased towards the tail end of finalising APES 350 (2011) and there is a growing market expectation for an APES 350 sign-off in the low doc context. The taskforce member requested that further guidance should be developed to provide a consistent approach in dealing with issues faced by DDC Members in providing these sign-offs.

The taskforce was of the view that the decision to provide an APES 350 sign-off in a low doc scenario must be made on a case-by-case basis following a consideration of its specific circumstances, and will require lengthy discussions with the various parties involved in the process.

The taskforce contemplated on whether to develop the guidance in the current exposure draft, the next version of the revised standard or as a separate pronouncement. The Chairman informed the taskforce that a guidance note that is linked to APES 350 can be developed in a similar manner to APES GN 20 *Scope and Extent of Work for Valuation Services* that is linked to APES 225 *Valuation Services*. Another taskforce member noted that may be too early to determine the structure of the pronouncement.

The taskforce agreed to address the issue of a low doc offerings as a separate project subsequent to the release of the revised APES 350.

#### Item no. 9 Responsibilities as a DDC Observer

A taskforce member raised concerns that a wide range of new circumstances exist and it is difficult to provide a specific New Circumstances Statement as it is likely to vary in form and content between DDC Observers, the nature of the engagements and the scope of work performed. The taskforce member explained that section 3 'Statement' in Appendix 3 *New Circumstances Statement* should clarify that the procedures set out in section 1 'Scope of Work' excludes a review and proposed that there should be some additional flexibility available when providing a New Circumstances Statement.

The other taskforce members were supportive of the inclusion of Appendix 3 as it:

- provides a consistent and standardized template for Members in Public Practice;
- can be tailored to provide flexibility in section 1 'Scope of Work';
- differentiates the obligations of a DDC Member and DDC Observer; and
- remits the scope of work performed to a Member's financial skills and expertise.

The Chairman explained to the taskforce member that similar to the subsequent event procedures performed by auditors prior to the issuance of an audit report; there should not be an expectation by the market that a New Circumstances Statement is provided by a DDC Observer subsequent to substantive re-performance of work.

Since there were minimal amendments proposed, the taskforce member agreed to:

- identify improvements to the New Circumstances Statement which would allow for additional flexibility; and
- update the New Circumstances Statement for further consideration by the other taskforce members.

## **5. Way forward**

APESB Technical Staff will:

- update the APES 350 exposure draft by incorporating taskforce's comments and circulate a revised APES 350 for the taskforce's consideration;
- present the revised APES 350 at the August 2015 Board Meeting for the Board's review; and
- bring to the Board's attention the taskforce's interest in developing a separate pronouncement in respect of low doc offerings.

## **6. Close of Meeting**

The meeting was closed at 11 a.m.