

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED

Meeting of the Taskforce for APES 350 Due Diligence Committees (2012 Annual Review)

MINUTES

**Meeting held on 18th April 2012
3.30 pm – 5.00 pm**

1. Present and Apologies

Present:

Mr Channa Wijesinghe (Chairman), Mr Amir Ghandar, Mr Jock O'Callaghan, Mr Jeff Cook, Mr Paul Meredith, Ms Claire Cardno, Mr David McGlinchey, Mr Stephen Lomas, Mr Jeffrey Luckins and Mr Reece Agland

In Attendance:

Mr Harley McHutchison (Board Member), Mr Robert Nickel and Ms Margareth Lioe

Apologies:

Ms Marina Stuart

2. Introductory Comments

This Taskforce meeting is to discuss issues identified in the past year and is to be a forum to discuss the APES 350 2012 Annual Review.

3. Discussion on specific issues

General Matters

The Taskforce discussed the issue of persons not on the Due Diligence Committee (DDC) requesting APES 350 sign-offs and noted that the Standard was not the cause of the issue. Instead it is a legal and commercial matter where Members determine who has rights to access their reports. The Taskforce discussed a number of suggested methods to address this issue including development of a "grey letter" guidance paragraph to be added to the existing Standard and the use of restrictions on the recipients of sign-offs. The Taskforce noted that this issue had been raised in the prior year's annual review and during the original standard development process. Further it was noted that it may be not within APESB's mandate to stipulate in pronouncements parties to whom Members can provide sign-offs.

The general consensus of the Taskforce was that the Standard has been working in practice and that this is a commercial consideration between the Member and their clients

The Taskforce also noted that as there have been a limited number of significant IPOs and complex transactions that have occurred since the issuance of the Standard and there may be further challenges ahead once complex transactions occur in the market.

"Low doc" transactions

The Taskforce discussed the matter of "low doc" transactions in the context of the e-mail provided by Mr C. Andrade of Baker & McKenzie law firm outlining some concerns he has with APES 350.

Mr. Harley McHutchison queried the firm representatives of their experience in the past year in respect of APES 350 and “low Doc” offers. The firm representatives on the taskforce noted that they have all been engaged in some “low docs” offers in the past year and have been able to provide APES 350 sign-offs in cases where sufficient time and access to information has been provided to accomplish the level of work that is required to provide an APES 350 sign-off.

A Taskforce member noted that he was involved with the specific example provided in the body of the e-mail and provided some additional details absent from the e-mail. The example raised by the external stakeholder related to an engagement where the Firm had clearly stated from the outset that it was not in a position to provide an APES 350 sign-off. Further, it was noted by the Taskforce that there were a range of other factors relating to this transaction which had not been included in the external stakeholder’s submission. The Taskforce was provided with further details, within confidentiality constraints, to understand how APES 350 had been applied and was satisfied that the standard in its current form was equipped to deal with such situations.

The Taskforce went on to discuss a related “low doc” matter that Members were being requested to attest to other investor documentation along with the financial information, which Taskforce Members determined was outside the scope of an APES 350 sign-off.

The Taskforce noted that Members should use their professional judgment to decide what level of sign-offs and to whom to provide sign-offs and that the sign-offs should be relevant to the scope of the engagement. The consensus was that APES 350 was working for “low doc” offers and that no amendments are required for the Standard to work in respect to “low doc” issues.

4. Way forward

A Taskforce Member to consider whether a guidance paragraph is required for Members in circumstances where they are requested to provide sign-offs to parties that are external to the Due Diligence Committee of the Client.

5. Action List

Subsequent to the consideration of the APES 350 Annual Review by the Board, Mr Wijesinghe will communicate with Mr C. Andrade.

6. Close of Meeting

The meeting closed at 4:45pm.