

## AGENDA PAPER

**Item Number:** 14  
**Date of Meeting:** 29 August 2016  
**Subject:** Project progress & Annual review for APES 350  
*Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document*

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**Action required**     **For discussion**     **For noting**     **For information**

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### Purpose

- 1) To obtain Board approval to continue with a project to further develop a Technical Staff publication on due diligence sign-offs for low doc offerings; and
- 2) In accordance with Accounting Professional & Ethical Standards Board's (APESB) constitution, an annual review of APESB pronouncements must be performed to identify and resolve any issues identified by stakeholders.

### Background

During the 2015 annual review of APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* (APES 350), an issue was noted in respect of the application of APES 350 for low doc offerings and the circumstances in which it is appropriate to provide an APES 350 Due Diligence Sign-Off. This matter has also been raised in a number of prior year annual reviews for APES 350.

The Board considered this issue at both their [August 2015](#) and [February 2016](#) Meetings. The Board agreed at the February 2016 meeting that the development of a separate guidance note or amendments to APES 350 in relation to low doc offerings are not required.

The Board asked Technical Staff to prepare a draft Technical Staff publication which considered low doc scenarios and APES 350.

APES 350 is also due to have an annual review completed for 2016.

### Consideration of Issues

#### Draft Staff Technical Publication - APES 350 and Low Doc Offerings

APESB Technical Staff, in conjunction with the APES 350 Taskforce, have drafted a document relating to due-diligence sign-offs for Low Doc Offerings (refer to Agenda paper 14(a)) for the

Board's consideration. The document is in the format of a Technical Staff publication and would not be an authoritative or official pronouncement of APESB.

The publication outlines ethical considerations and necessary features to enable a APES 350 due-diligence sign-off to be provided on a low doc offering. The publication also contains examples of various scenarios of low-doc offerings and considers when it might be appropriate to issue a due diligence sign-off having regard to paragraph 1.10 of APES 350.

APESB Technical Staff have prepared this based on the IESBA's Staff publication on Audit fees. Taskforce Members believe that the guidance contained in the draft publication would be of assistance to the accounting profession. APESB Technical Staff also believe the existence of such a publication will provide useful guidance to Members and other stakeholders who are involved in the due diligence process.

### 2016 Annual Review

APESB Technical Staff have completed the annual review of APES 350 in line with the procedures set out Agenda item 14(b). Whilst the review did highlight two matters, Technical Staff believe APES 350 does not require immediate revision. The issues related to Low Doc scenarios, being addressed in the project discussed above, and the identified definitional changes are unlikely to significantly impact the scope and application of the pronouncements.

Therefore, Technical Staff are of the view that the matters noted in the annual review of APES 350 should be addressed in its next revision.

Minutes from the APES 350 Taskforce meeting held on 9 August 2016 are included at Agenda items 14(c).

### **Staff Recommendations**

The Board to:

- approve the continuation of a project to develop further a Staff Technical publication on due diligence sign-offs for low doc offerings; and
- note the Annual Review of APES 350.

### **Material presented**

Agenda item 14(a) Draft Technical Staff Publication: *Professional & Ethical Considerations relating to due-diligence sign-offs for Low Doc offerings*;  
Agenda item 14(b) Annual Review of APES 350; and  
Agenda item 14(c) Minutes of APES 350 Taskforce meeting – 9 August 2016.

**Authors:** Channa Wijesinghe  
Jacinta Hanrahan

**Date:** 15 August 2016