

16 April 2019

The Chairman
Accounting Professional Standards & Ethical Standards Board
Level 11
99 William Street
Melbourne, Victoria 3000

Dear Ms Milne,

Exposure Drafts 01/2019 –Revision of APESB pronouncements

Ernst & Young Australia welcomes the opportunity to comment on the Exposure Draft. We fully support the revisions to the APESB pronouncements to include updated references and provisions from the restructured *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) and other amendments.

Outlined below are our specific observations and recommendations on the proposed revisions to APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document*:

- ▶ Paragraph 1.1 on scope and application of APES 350 include roles for a Member in Public Practice to be a DDC Member or DDC Observer without any corresponding reporting person role. Whilst we believe that there may be certain circumstances where a Member may be asked to attend a meeting as a DDC Observer with no other specific scope relating to the DDC process, a DDC Member would need to be involved in and have specific scope relating to the DDC process in order to provide the required sign offs. We therefore believe that a Member in Public Practice would be engaged as a DDC Member only in conjunction with a Reporting Person role and hence, recommend deletion of the reference in paragraph 1.1 to the reference to a role of solely being a DDC Member.
- ▶ We note that there are inconsistencies with the proposed changes between the wordings in the Materiality Letter included in Appendix 2 to APES 350, and the underlying relevant accounting standards issued by the Australian Accounting Standards Board (AASB). We believe the Materiality letter should be consistent with the amendments to the *Framework for the Preparation and Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and recommend the edits below be reflected in Appendix 2 (Materiality Letter).

“The Framework states that:

*“Information is material if omitting, ~~it or~~ misstating or obscuring it could **reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide** financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity’s financial report. Consequently, **the Board cannot** ~~it is not possible to~~ specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.”*

Similarly AASB 108 states that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of ~~the~~ those reports, which provide financial information about a specific reporting entity.”

We would be pleased to discuss our comments with APESB and its staff. Should you wish to do so, please contact Kathy Parsons (Kathy.Parsons@au.ey.com or on (02) 8295 6882).

Yours sincerely



Kathy Parsons
Partner