

## AGENDA PAPER

**Item Number:** 3

**Date of Meeting:** 28 January 2015

**Subject:** Annual Review and Proposed Exposure Draft 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

In accordance with Accounting Professional & Ethical Standards Board's (APESB) constitution, Technical Staff have performed an annual review of APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* (APES 350) to identify and resolve any issues identified by stakeholders.

### Background

APESB issued a revised APES 350 in March 2011 with an effective date of 1 May 2011. The revised APES 350 included additional considerations for Members in Public Practice providing a Due Diligence Sign-Off as well as a template for a Materiality Letter.

### Consideration of Issues

APESB Technical Staff have completed the following procedures to identify any issues associated with APES 350:

- Consulted with the Professional Bodies to identify whether Members in Public Practice or other stakeholders have raised any issues with the Professional Bodies in respect of APES 350;
- Communicated with the APES 350 taskforce members to inquire whether they have identified any issues in practice in respect of APES 350;
- Reviewed the APESB Issues Register to identify whether stakeholders have reported any matters in relation to APES 350;
- Invited comments from interested stakeholders; and
- Performed an internal technical review of APES 350.

The issues identified as a result of completion of the above procedures have been addressed in the attached Annual Review Report.

## January 2015 Update

The APES 350 Taskforce has held three meetings since October 2014 to discuss the proposed revised APES 350 Exposure Draft. The taskforce considered the following key matters:

### **Matters noted in the Issues Register**

- 1) Definitional changes due to revisions of APES 110 and other APES standards; and
- 2) Changes to the Materiality Letter template due to the withdrawal of AASB 1031 *Materiality*, AGS 1062 *Reporting in Connection with Proposed Fundraisings* and AUS 804 *The Audit of Prospective Financial Information* and updated references to materiality made in respect of ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document* and ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*;

Definitional changes have been addressed by revising section 2 *Definitions* of APES 350 and the cross references to AASB and AUASB standards have been addressed by updating Appendix 2 *Materiality Letter*. Refer to Agenda Item 3 (d) Proposed APES 350 Exposure Draft (marked-up) which incorporates these changes.

### **Matters raised by Taskforce members**

- 3) Application of paragraphs 5.7 and 5.9 in APES 350; and
- 4) Developing guidance to clarify a Member in Public Practice's professional obligations in respect of new circumstances.

Some taskforce members have noted that in certain instances stakeholders are interpreting paragraph 5.9 of APES 350 to mean that even if nothing comes to a Member in Public Practice's attention in relation to the matters noted in paragraph 5.7, the Member must provide a sign-off to the Client. It was noted that this is not the original intention of paragraph 5.9 and Members must also be mindful of US SEC auditor independence requirements when they act as a DDC Observer. A majority of the taskforce was of the view that these provisions may require clarification.

The taskforce members are also supportive of developing guidance on new circumstances in order to enhance the existing APES 350.

At the third taskforce meeting held on 19 January 2015, the taskforce considered these matters and agreed to explore these matters and to develop proposals for further consideration. Subsequent to the development of these taskforce proposals, a proposed Exposure Draft of APES 350 will be presented at a future meeting of the Board.

### **Staff Recommendation**

1. The Board note the Annual Review of APES 350.
2. Subject to the Board's review comments and editorials, the Board note the editorials processed to date in respect of matters 1 and 2 noted above.

**Materials Presented**

Agenda Item 3 (a) Minutes of 1<sup>st</sup> taskforce meeting for APES 350 Annual Review 2014/2015 held on 30 October 2014;

Agenda Item 3 (b) Minutes of 2<sup>nd</sup> taskforce meeting for APES 350 Annual Review 2014/2015 held on 24 November 2014;

Agenda Item 3 (c) APES 350 Annual Review; and

Agenda Item 3 (d) Proposed APES 350 Exposure Draft (marked-up).

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**Date:** 19 January 2015