

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED

4th Taskforce Meeting for APES 350 Due Diligence Committees – 2014/2015 Annual Review

MINUTES

**11 February 2015
9.30 a.m. – 10.45 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, Mr. Amir Ghandar and Mr. Colin Parker.

In Attendance:

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

Apologies:

Mr Stephen Lomas.

2. Minutes of Previous Meeting

The minutes of the 3rd APES 350 *Due Diligence Committees* – 2014/2015 Annual Review taskforce meeting held by teleconference on 19th January 2015 was accepted with no amendments.

3. Introduction

The Chairman welcomed Mr. Kevin Osborn as the Board Member allocated to the taskforce who replaces Mr. Harley McHutchison upon Mr. McHutchison's retirement from the Board. The Chairman informed the taskforce that the Board has accepted Mr. McHutchison's offer to continue with the taskforce by invitation given his long association with the development of this standard. Mr. Osborn expressed the Board's appreciation for Mr. McHutchison's service to the Board and this taskforce.

4. Objectives of APES 350: Paragraph 1.1

The Chairman informed the taskforce that the objectives paragraph had been amended due to consequential amendments to paragraphs 7.9 and 7.10. Some taskforce members noted that a Member in Public Practice's professional obligations in respect of professional fees was not a primary objective and the taskforce agreed to remove it from the objectives paragraph. Most taskforce members also commented that they preferred to retain only the first statement in the objectives paragraph and to provide a generic statement in respect of a Member's reporting obligations. It was proposed that Technical Staff develop a more concise objectives paragraph for the Board's consideration.

5. Application of paragraphs 5.7 and 5.9 to the DDC Observer role

The taskforce members agreed with the proposed amendment to paragraph 5.9 as it clarifies that a Member in Public Practice can only report collectively with the other Due Diligence Committee members. The Chairman explained that all stakeholders will get an opportunity to consider these proposals and comment on them at the time the Exposure Draft is issued.

6. New circumstances sign-off

Some taskforce members noted that the proposed paragraph 7.9 may cause some confusion as there are 2 different new circumstances sign-off reports issued by Members in Public Practice subsequent to the issue of a Due Diligence Sign-Off. The taskforce discussed the following two reports:

- a 'new circumstances statement' provided by a DDC Observer when requested by a Client; and
- a Due Diligence Committee's collective sign off in respect of new circumstances.

The taskforce agreed to focus the guidance on when a DDC Observer issues a new circumstances statement.

7. Appendix 2: Materiality Letter

A taskforce member raised an issue in respect of materiality guidance and reclassifications between Balance Sheet asset classes. The taskforce discussed the interpretation of materiality guidelines by DDC Members and queried the reason for not issuing one materiality threshold. A taskforce member explained that in these kinds of engagements when pro-forma adjustments are processed into one financial statement (i.e. Profit and Loss) and not to the other (i.e. Balance Sheet), it is sometimes difficult to use one materiality threshold for both financial statements.

The Chairman explained that the definition of Misstatement that exists in auditing and professional standards include classification differences. The Chairman requested the taskforce to provide any additional comments in respect of this issue for further consideration.

8. Consequential amendments

The taskforce agreed with the minor consequential amendments in the proposed APES 350 ED.

9. Way forward

Taskforce members will provide editorial suggestions and comments on the following matters:

- definition, development of additional guidance and development of an example pro-forma statement in respect of the 'new circumstances statement'; and
- provide any additional feedback in respect of materiality guidance.

APESB Technical Staff will:

- develop an alternative objectives paragraph for the Board's consideration;
- finalise paragraph 5.9 as currently drafted; and
- update the proposed APES 350 exposure draft by incorporating the taskforce's comments and circulate a revised version of APES 350 for the taskforce's consideration.

10. Close of Meeting

The meeting was closed at 10.45 am.