

Review of Submissions – Specific Comments Table

Exposure Draft 01/19: Revision of APESB pronouncements in respect of proposed revisions to APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document*

Note: General comments relating to ED 01/19, and specific comments for other pronouncements in this ED are addressed in separate tables. This table excludes minor editorial changes.

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?
1	1.1	EY	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.	Yes, Paragraph 1.1
2	3.8	IPA	The IPA believes APES 350 should address the circumstances in which an AFSL is required to report on prospective financial information, as in the IPA experience this is a recurring issue for practitioners.	Yes, Para 3.8 (d) Refer Agenda Item 2(j)
3	5.4	IPA	The IPA believes it would be useful for section 5.4 in relation to NOCLAR to be expanded to specifically consider the reporting obligations arising from the Corporations Act and continuous disclosure requirements. In particular, members' responsibilities to due diligence committees and the appropriate regulator(s) should be addressed.	No
4	Appendix 2	EY	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 <i>Framework for the Preparation and Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> and recommend the edits below be reflected in Appendix 2 (Materiality Letter). <i>"The Framework states that: "Information is material if omitting, it or misstating or obscuring it could <u>reasonably be expected to</u> influence decisions that <u>the primary</u> users of <u>general purpose financial reports</u> make on the basis of <u>those reports, which provide</u> 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, <u>the Board cannot it is not possible to</u> specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation."</i>	Yes, Appendix 2 Refer Agenda Item 2(j)

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			<i>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."</i>	
5	Appendix 2	IPA	The IPA suggests the example materiality letter in Appendix 2 should include reference to AASB Practice Statement 2 <i>Making Materiality Judgements</i> .	Yes, Appendix 2 Refer Agenda Item 2(j)
6	Appendix 2	IPA	The IPA notes the example materiality letter in Appendix 2 includes guidance stating that amounts in excess of 10% of the appropriate base is considered material and less than 5% of the appropriate base is considered immaterial. With the withdrawal of AASB 1031 <i>Materiality</i> there is currently no authoritative Australian guidance setting out quantitative benchmarks for materiality. The IPA is concerned the wording in the example materiality letter could be construed to indicate that there is such a quantitative benchmark and recommends that the APES Board should consider revisiting the wording of example materiality letters in this context.	No

RESPONDENTS

1	EY	Ernst & Young Australia
2	IPA	Institute of Public Accountants