



The Chairman
Accounting Professional & Ethical Standards Board Limited
Level 7, 600 Bourke Street
MELBOURNE VIC 3000
AUSTRALIA

24 July 2017

Attention: Ms Nicola Roxon

Dear Chairman

**Exposure Draft ED 02/17 Proposed Guidance Note: APES GN 31
Professional and Ethical Considerations relating to Low Doc Offering
Sign-offs**

We refer to Exposure Draft 02/17 proposed Guidance Note APES GN 31 *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs* (the **ED**) issued by the Board and the Board's request for comments. Terms used in the ED have the same meaning in this letter.

We support the intention of the proposed Guidance Note dealing with Low Doc Offering Sign-offs and set out our detailed comments below.

Members and market participants have been seeking further guidance on the considerations that Members should look to in deciding whether it might be appropriate to provide a sign-off, to the extent practicable, equivalent to that envisaged in APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* (**APES 350**). The ED aims to provide this additional guidance.

In our view:

1. Engagement circumstances that may enable the issue of a Low Doc Offering Sign-off (paragraphs 5.6 -5.7)

- (a) The facts and circumstances which lead to a Low Doc Offering vary widely. They can be as simple as an equity raise to repay debt which is undertaken in a short time frame to an equity raise to fund a major acquisition which has taken months to come to fruition and involved a high level of due diligence. A Member In Public Practice's involvement will also vary widely because issuers have a choice as to what involvement they request from a Member in Public Practice in a Low Doc Offering and also because the nature of the transaction will influence what is possible and/or reasonable in the circumstances.
- (b) Having noted the above we agree that the circumstances set out in paragraph 5.6 would generally need to be present for a Member in Public Practice to be in a position to provide of Low Doc Offering Sign-off. What constitutes a sufficient due diligence process (paragraph 5.6 (b)) and sufficient time, resources and expertise

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(paragraph 5.6 (c)) will be dictated by the facts and circumstances of the Low Doc Offering and would therefore require the professional judgement of the Member in Public Practice in forming a view.

- (c) It also requires professional judgement to decide whether a review opinion on Financial Information in accordance with ASAE 3450 can be provided, however, we note that it is possible that the client may not request this review opinion even though it might be possible. In this case, notwithstanding whatever other circumstances exist, including the Member in Public Practice being engaged in other aspects of the transaction, in our opinion it would not be possible for a Low Doc Offering Sign-off to be provided. This is illustrated in example 5 of Appendix A to the ED.

2. Engagement circumstances that may preclude the issue of a Low Doc Offering Sign-off (paragraphs 5.8-5.9)

- (a) Consideration of the facts and circumstances of the particular Low Doc Offering will also be a factor when assessing whether the Member in Public Practice is precluded from issuing a Low Doc Offering Sign-off. Having noted this we agree with the particular circumstances outlined in paragraph 5.8. In particular we note that an engagement under ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings* is not an assurance engagement. Therefore, in our opinion, it would never place a Member in Public practice in a position to express a view equivalent to the Due Diligence Sign-off included in APES 350.
- (b) We agree with the inclusion of Paragraph 5.9 in the ED as it is more than possible that there will be further circumstances for the Member in Public Practice to consider. We further note and agree with the overarching principle outlined in Paragraph 5.4 that a Member in Public Practice should exercise professional judgement in any assessment in this area.

Our comments on illustrative examples in Appendix 1 of the ED are set out below.

| EXAMPLE | COMMENTS |
|------------------|--|
| Example 1 | We agree with the analysis and conclusion in this example. |
| Example 2 | We agree with the analysis and conclusion in this example. |

| EXAMPLE | COMMENTS |
|------------------|---|
| Example 3 | <p>We agree with the conclusion in the example however we note the following in terms of the facts and analysis:</p> <ul style="list-style-type: none"> • If the acquisition was only an immaterial aspect of a broader capital raising and the Member in Public Practice had access to the acquisition Due Diligence and could, if deemed necessary access additional information and answers from the Target the conclusion could be different. In these circumstances the Member in Public Practice could be in a position to accept that there is a reasonable basis for a pro-forma adjustment and hence, if requested, provide an ASAE 3450 review opinion on the pro-forma financial information and thus be in a position, given the other facts outlined in Example 3, to provide a Low Doc Offering Sign-off. • If the acquisition was material to the merged group's pro forma financial information access to an acquisition Due Diligence report would generally be of assistance to the Member in Public Practice if they were requested to provide an ASAE 3450 review opinion on the pro-forma financial information • We further note that, to the extent that the generally accepted accounting principles of the Target's jurisdiction were not aligned to those of the client, if the client is able via due diligence to obtain sufficient information to restate and align the target financial information then this may not prevent an unmodified ASAE 3450 review opinion being provided. |
| Example 4 | We agree with the analysis and conclusion in this example. |
| Example 5 | We agree with the analysis and conclusion in this example. |

Yours sincerely



Andrew J Parker
Partner