

AGENDA PAPER

Item Number: 3
Date of Meeting: 29 November 2016
Subject: Project progress APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* and Low Doc Offerings

Action required **For discussion** **For noting** **For information**

Purpose

To obtain the Board's approval on the format of a publication on due diligence sign-offs for low doc offerings.

Background

During the 2015 annual review of APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* (APES 350), an issue was noted in respect of the application of APES 350 for low doc offerings and the circumstances in which it is appropriate to provide an APES 350 Due Diligence Sign-Off. This matter had also been raised in a number of prior year annual reviews for APES 350.

The Board have considered this issue at their [August 2015](#), [February 2016](#) and [August 2016](#) Meetings. The Board agreed at the February 2016 meeting that the development of a separate guidance note or amendments to APES 350 in relation to low doc offerings was not required at this point in time. It was acknowledged however that professional accountants have requested assistance with this matter. The Board therefore requested Technical Staff draft an alternative publication on this topic.

At the August 2016 the Board considered a [draft Technical Staff publication](#) which considered low doc scenarios and their interaction with APES 350. The Board were concerned about releasing a Technical Staff Publication, and requested APESB staff consider the preferred format for this guidance.

Consideration of Issues

In determining the preferred format for guidance on low doc offerings APESB Technical Staff have considered the previous Board decision about not issuing a guidance note and a comparison of the two key publication formats – guidance note or an APESB publication (e.g. Technical Staff publication, Bulletin). Staff also consulted with the APES 350 Taskforce to obtain their views.

Comparison of Publication Formats

Technical Staff have considered the differences between a Guidance Note and an APESB publication, in particular whether there are any advantages or disadvantages to releasing the content on low docs in a specific format. These are noted in Table 1 below.

Table 1: Comparison of Formats

	Guidance Note	APESB publication (e.g. Technical Staff paper)
Objective of Document	<ul style="list-style-type: none"> • Provide guidance to members in relation to due diligence sign-offs for low doc offering engagements. 	<ul style="list-style-type: none"> • Provide reference point for members in relation to due diligence sign-offs for low doc offering engagements.
Authority of Document	<ul style="list-style-type: none"> • Official pronouncement of the APESB. • Would be authoritative guidance. 	<ul style="list-style-type: none"> • Not authoritative guidance. • In absence of other guidance could be used as a key reference. • Potential Issue to consider: Would this document be considered authoritative guidance by other parties (e.g. Courts, regulators, etc.).
Development Process	<ul style="list-style-type: none"> • Existing due process for issue of APESB pronouncements would be followed which leads to a more robust pronouncement. • Consultation process would include issuing an exposure draft and inviting public comment. This provides the opportunity to gather a broad range of views on content. Managing and addressing these views may pose difficulties if there are parties opposed to the proposed content. • Timing: will take at least 6 -12 months for a pronouncement to be developed, go through the due process and to be finalised. 	<ul style="list-style-type: none"> • A similar publication has not been previously issued by APESB. • Document would be issued after approval by the APESB Board. • Will not be subjected to a public consultation. • Timing: will depend on board approval but timeframe may be shorter than for guidance note.
Format/ Structure	<ul style="list-style-type: none"> • Will need to follow existing APESB format and drafting conventions. • Content will need to be relevant to specific professional and ethical obligations. • Case studies included as an appendix. 	<ul style="list-style-type: none"> • New type of release so no required or established structure/ format. However, formats of similar international publications will be used as guidance. • Ability to include additional information that would not be included in a guidance note (i.e. Context of Low Doc Offerings in Australia). • Case studies included as an appendix.
Review	<ul style="list-style-type: none"> • APESB has a formal review process for pronouncements – a six month review after issue, followed by reviews each year. 	<ul style="list-style-type: none"> • No established review process. • Frequency of the review could be in line with the existing cycle for the APES 350 Annual Review or when a stakeholder raises an issue.

APES 350 Taskforce views

Technical Staff have consulted with the APES 350 Taskforce on their preferred format for this information/ guidance based on the draft Technical Staff publication and a working draft of a guidance note (prepared only to assist the taskforce discussion).

The majority of the responses from the taskforce members indicated a preference for a guidance note. It was noted that the process of developing a guidance note will take more time but it also allows for public consultation. This was considered to be an important part of the process to ensure the proposed content is relevant for current market practices and will create a more robust and stronger document. The authority of the document will also be clear as guidance notes are recognised pronouncements of the APESB.

The Taskforce noted that if the guidance note is clear that a Member must exercise their professional judgement and provides illustrative examples for members to refer to, Members will be able to look to the facts and circumstances of each case and exercise their professional judgement in determining whether to provide a due diligence sign-off in line with APES 350. This would resolve the issue of whether a guidance note could provide assistance across the wide variety of low doc engagements.

Staff Recommendations

The Board approve the continuation of a project to develop a Guidance Note on due diligence sign-offs for low doc offerings.

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Date: 17 November 2016