

September 2022



Exposure Draft 06/22 Revision of APESB pronouncements

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A. Explanatory Memorandum to Exposure Draft 06/22 Revision of APESB pronouncements

Introduction

APESB reissued APES 320 *Quality Control for Firms* as APES 320 *Quality Management for Firms that provide Non-Assurance Services* (reissued APES 320) in February 2022, that becomes effective from 1 January 2023.

The Auditing and Assurance Standards Board (AUASB) issued the following quality management standards in March 2021, operative for financial reporting periods commencing on or after 15 December 2022 (AUASB Quality Management Standards):

- ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* (ASQM 1);
- ASQM 2 *Engagement Quality Reviews*; and
- ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*.

The AUASB Quality Management Standards are the Australian equivalents of the new quality management standards issued by the International Auditing and Assurance Standards Board in December 2020.

The reissued APES 320 has changed scope to only apply to non-assurance services provided by firms and includes high-level alignment of APES 320's elements to the components of ASQM 1.

The pronouncements listed below have been revised to align with the reissued APES 320 and include cross-references to ASQM 1 where relevant to ensure consistency of definitions and terminology. The proposed revisions also address other matters noted on the APESB's Issues Register.

The aim of this Explanatory Memorandum is to provide stakeholders with the background, development process and rationale for Exposure Draft 06/22 *Revision of APESB pronouncements* (the Exposure Draft) issued in September 2022.

The Explanatory Memorandum has been prepared by APESB Technical Staff and approved by the Board of Directors of APESB. The Explanatory Memorandum **does not** form part of the Exposure Draft and is not a substitute for reading it in full.

Summary of APESB Pronouncements

This Exposure Draft comprises proposed amendments to the following pronouncements:

Pronouncement	Name of pronouncement
APES 315	<i>Compilation of Financial Information</i>
APES 325	<i>Risk Management for Firms</i>
APES 345	<i>Reporting on Prospective Financial Information prepared in connection with a Public Document</i>
APES 350	<i>Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document</i>

Pronouncement	Name of pronouncement
APES GN 31	<i>Professional and Ethical Considerations relating to Low Doc Offering Sign-Offs</i>

Stakeholders are welcome to respond to one or more of the proposed revised pronouncements.

Key proposed amendments

The marked-up version of each pronouncement in the Exposure Draft (refer to **Appendix 1**) reflects the proposed changes for the following key matters:

- (i) Revisions to reflect the terminology, concepts and principles used in the reissued APES 320 and AUASB Quality Management Standards;
- (ii) Matters noted on the APESB's Issues Register;
- (iii) Matters noted through a review of the pronouncements by APESB Technical Staff; and
- (iv) Minor editorials.

The specific details of the proposed changes for each pronouncement are set out in Part C of this Explanatory Memorandum.

Effective Date

Given the timeline to consider the stakeholder feedback, the effective date for all of the revised standards will be 1 April 2023, with early adoption permitted. This effective date is marked up in paragraph 1.2 in each standard.

Guidance Notes are effective from the date of issue.

B. Request for comments on Exposure Draft

Commenting on this Exposure Draft

APESB invites stakeholders to provide comments on these proposed revisions to the pronouncements identified in ED 06/22.

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by 15 November 2022.**

Comments should be addressed to:

Chief Executive Officer
Accounting Professional & Ethical Standards Board Limited
Level 11, 99 William Street
Melbourne, Victoria 3000
Australia

APESB would prefer that respondents express a clear overall opinion on whether the revisions to a proposed pronouncement or the pronouncements (refer to the marked-up version of each pronouncement in Appendix 1 of the Exposure Draft) are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed pronouncements.

APESB also invites comments regarding these proposed amendments from small and medium-sized firms.

Request for Specific Comments

APESB is seeking respondents' specific comments and feedback on proposed conforming amendments to APES 315 resulting from recent changes to APES 205 *Conformity with Accounting Standards* (APES 205) to change references to 'significant accounting policies' to 'material accounting policies'. The changes made to APES 205 resulted from aligning to changes in the following amending standards issued by the Australian Accounting Standards Board (AASB), which become effective 1 January 2023:

- Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies and Definition of Accounting Estimates* ([AASB 2021-2](#)); and
- Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards* ([AASB 2021-6](#)).

In summary, the AASB amendments require entities to disclose 'material accounting policies' or 'material accounting policy information' instead of 'significant accounting policies' stemming from changes made by the International Accounting Standards Board due to potential other uses of 'significant' in IFRS Standards and because 'material' is defined in those Standards and well understood.

Request for Specific Comment 1: Do you agree with APESB's proposals to change 'significant accounting policies' to 'material accounting policies' in the definitions of Financial Statements and Special Purpose Financial Statements, the example engagement letter in Appendix 3 and the example compilation reports in Appendix 4 of APES 315? Please provide reasons and justification for your response.

Respondents are asked to submit their comments electronically through the APESB website, using the link <https://apesb.org.au/current-projects/>.

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website www.apesb.org.au.

APESB prefers that comments are submitted via its website. However, if there are technical difficulties, comments can also be sent to sub@apesb.org.au or mailed to the address noted above. Whilst APESB prefers formal submissions, we also encourage opinions and comments to be sent via e-mail to sub@apesb.org.au.

Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: www.apesb.org.au.

Accounting Professional & Ethical Standards Board Limited
Level 11, 99 William Street
Melbourne Victoria 3000
Australia

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C. Revisions

This part of the explanatory memorandum focuses on the following five pronouncements:

Pronouncement	Name of pronouncement
APES 315	<i>Compilation of Financial Information</i>
APES 325	<i>Risk Management for Firms</i>
APES 345	<i>Reporting on Prospective Financial Information prepared in connection with a Public Document</i>
APES 350	<i>Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document</i>
APES GN 31	<i>Professional and Ethical Considerations relating to Low Doc Offering Sign-offs</i>

C.1 Key proposed amendments

The marked-up version of each pronouncement in the Exposure Draft (refer to **Appendix 1**) reflects the proposed changes incorporated into the existing pronouncement and addresses the following key matters:

(i) **Revisions to reflect the terminology, concepts and principles used in the reissued APES 320 and AUASB Quality Management Standards**

As a result of the reissued APES 320 and the new AUASB Quality Management Standards, APESB has commenced a project to revise its current pronouncements where relevant, including APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) to align with the reissued APES 320 and include cross-references to ASQM 1 where relevant to ensure consistency of definitions and terminology.

An amending standard *Quality Management-related Conforming Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* was issued in **October 2022**. This Exposure Draft **06/22** is the first to address quality management related amendments to other APESB pronouncements.

Refer to **Section C.2** for a table that summarises the revisions to the pronouncements.

(ii) **Matters noted on the APESB's Issues Register**

APESB has also taken the opportunity to address matters noted on APESB's Issues Register in respect of the Standards and Guidance Note in this Exposure Draft. These matters include:

- Align wording with Section 114 *Confidentiality* of APES 110 regarding a legal, regulatory, or professional duty or right to disclose (APES 345 and APES 350).
- Align the requirement in paragraph 3.15 of APES 345 to notify the client or a third party if confidential information is provided, with the intent of the Whistleblower protection legislation and the approach in the non-compliance with laws and regulations (NOCLAR) provisions of APES 110 about using professional judgement in determining whether to notify.

(iii) **Matters noted through review of pronouncements by APESB Technical Staff**

In reviewing these pronouncements, APESB Technical Staff noted the following matters to be addressed in this revision:

- conforming amendments to APES 315 resulting from recent changes to APES 205 to amend 'significant accounting policies' to 'material accounting policies';
- alignment of the following definitions with the updated definitions in the amending standard *Amendments to Part 4B of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*:
 - Assurance Client (APES 350);
 - Assurance Engagement (APES 315, APES 345 and APES 350);
 - Subject Matter Information (APES 350);
- Updated cross-references in paragraphs 5.1 and 6.3 of APES 345 to paragraph 120.5 A6 of APES 110 resulting from the amending standard *Amendments to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) to Promote the Role and Mindset Expected of Professional Accountants*;
- Inclusion in APES 315 Appendix 3 *Example Engagement Letter for a Compilation Engagement* of reference to paragraphs 6.1 and 6.2 of APES 315 and cross-reference to APES 305 *Terms of Engagement* (APES 305); and
- Inclusion of disclaimers at the start of Appendices 4 and 5 of APES 315.

(iv) Minor editorials

Minor editorials are highlighted in the proposed revisions in this Exposure Draft.

Section C.3 sets out a table summarising the proposed revisions to the pronouncements in Exposure Draft 06/22 not addressed in Section C.2.

C.2 Table of proposed revisions to align to reissued APES 320 and ASQM 1

The table below provides a summary of the proposed revisions to the Standards and Guidance Note in this Exposure Draft to align the definitions, terminology and relevant cross-references to the reissued APES 320 and ASQM 1.

Revisions to reflect the new quality management standards	Pronouncement				
	APES 315	APES 325	APES 345	APES 350	APES GN 31
Amendments to definitions to align with the reissued APES 320					
Engagement Team			✓	✓	
Network		✓	✓	✓	
Partner			✓	✓	
New definitions added to align with the reissued APES 320					
APES 320	✓		✓		
Assurance Practice	✓	✓			
New definition added to align with ASQM 1					
ASQM 1	✓		✓		
Amendments to align with the reissued APES 320 and ASQM 1					
Paragraph 1.1	✓				
Paragraph 3.3		✓			
Paragraph 4.4		✓			
Paragraph 5.3	✓				
Paragraph 6.1				✓	
Paragraph 7.1			✓		✓
Paragraph 7.4	✓				
Paragraph 8.1	✓				
Paragraph 8.4	✓				
Paragraph 8.5			✓		
Paragraph 11.1			✓		
Paragraph 11.6	✓				
Paragraph 12.6	✓				
<i>Conformity with International Pronouncements</i>	✓				

C.3 Table of other proposed revisions to the pronouncements

The table below provides a summary of the proposed revisions to the Standards and Guidance Note in the Exposure Draft. Note that this summary does not include the revisions noted in Section C.2.

Summary of proposed amendments	Pronouncements				
	APES 315	APES 325	APES 345	APES 350	APES GN 31
Effective date (paragraph 1.2)	✓	✓	✓	✓	✓
Engagement Document internal references and cross-reference to APES 305	Appendix 3				
Update cross-reference to paragraph 120.5 A6 of APES 110 resulting from <i>Amendments to APES 110 to Promote the Role and Mindset Expected of Professional Accountants</i>			5.1 & 6.3		
Inclusion of disclaimer to Appendices 4 and 5	✓				
Conforming amendments for changes to APES 205 for 'material accounting policies'					
Definition of Financial Statements	✓				
Definition of Special Purpose Financial Statements	✓				
Appendix 3 – Example Engagement Letter	✓				
Appendix 4 – Example compilation reports	✓				
Amendments to definitions to align with <i>Amendments to Part 4B of APES 110</i>					
Assurance Client				✓	
Assurance Engagement	✓		✓	✓	
Subject Matter Information				✓	
Matters on the Issues Register					
Align wording with Section 114 <i>Confidentiality</i> of APES 110			3.13 & 3.15	3.19	
Align the requirement to inform the client or third party when confidential information is disclosed with the intent of the Whistleblower protection legislation and the approach in NOCLAR provisions of APES 110			3.15		
Minor editorials					
Paragraph 1.6				✓	

Summary of proposed amendments	Pronouncements				
	APES 315	APES 325	APES 345	APES 350	APES GN 31
Paragraph 1.11	✓				
Definition of Independence			✓	✓	
Definition of Misstatement	✓				
Paragraph 5.8					✓
Appendix 1		✓		✓	✓
Appendix 3	✓				
Appendix 4	✓				
Appendix 5	✓				

Appendix 1

APESB Standards and Guidance Note in ED 06/22

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APES 315 Compilation of Financial Information

[Supersedes APES 315 Compilation of Financial Information issued in ~~December 2019~~ ~~March 2017~~]

REVISED: ~~XXX~~ ~~December 2021~~ ~~2019~~

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APES 315 *Compilation of Financial Information* contains material from *International Standard on Related Services (ISRS) 4410 Compilation Engagements* (2012) of the International Auditing and Assurance Standards Board (IAASB), as issued in the *Handbook of the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2020+8 edition*, published by the International Federation of Accountants (IFAC) in ~~September~~ ~~December 2021~~ ~~2018~~, and is used with permission of IFAC.

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1. Scope and application

- 1.1 The objectives of APES 315 *Compilation of Financial Information* are:
- to specify that, when performing an **Engagement to Compile Financial Information**, a **Member in Public Practice** is required to apply the **Member's** expertise in accounting and/or financial reporting and, in contrast to an **Engagement** to perform an audit or review, the **Member** is not required to verify the accuracy or completeness of the information provided by a **Client**;
 - to mandate that a **Member in Public Practice** plans a **Compilation Engagement** but recognises that planning procedures depend upon the context of the **Compilation Engagement** and the specific circumstances of the **Client**;
 - to provide guidance to **Members in Public Practice** when undertaking a **Compilation Engagement** in respect of **General Purpose Financial Statements** or **Special Purpose Financial Statements**;
 - to specify matters to be considered for inclusion in an **Engagement Document**;
 - to specify the professional obligations of a **Member in Public Practice** in respect of procedures;
 - to specify the documentation and quality ~~management~~ **control** obligations of a **Member in Public Practice** who performs a **Compilation Engagement**;
 - to specify the obligations of a **Member in Public Practice** to obtain an acknowledgement from the **Client** in respect of the **Client's** responsibilities for the financial information or **Financial Statements**;
 - to specify the reporting requirements of a **Member in Public Practice** who undertakes **Engagements to Compile Financial Information**; and
 - to mandate that a **Member** communicates to **Those Charged with Governance** any significant matters arising from the **Compilation Engagement** and the impact of subsequent discovery of facts on the **Compilation Engagement**.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 315 *Compilation of Financial Information* (**the Standard**), which is effective for **Engagements to Compile Financial Information** commencing on or after 1 ~~April~~ **January 2023** and supersedes APES 315 issued in ~~December 2019~~ **March 2017**. Earlier adoption of this Standard is permitted.
- 1.3 APES 315 sets the standards for the provision of quality and ethical **Professional Services** for **Members in Public Practice** who undertake **Engagements to Compile Financial Information**. The mandatory requirements of this Standard are in **bold-type**, preceded or followed by discussion or explanations in normal type. APES 315 should be read in conjunction with other professional duties of **Members**, and any legal obligations that may apply.
- 1.4 **Members in Public Practice in Australia shall follow the mandatory requirements of APES 315 when they undertake Engagements to Compile Financial Information.**
- 1.5 **Members in Public Practice practising outside of Australia shall follow the requirements of APES 315 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.**
- 1.6 **Members in Public Practice shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when performing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.**

APES 315 Compilation of Financial Information

- 1.7 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.8 All references to [Professional Standards](#), guidance notes and legislation are references to those provisions as amended from time to time.
- 1.9 In applying the requirements outlined in APES 315, [Members in Public Practice](#) should be guided not merely by the words but also by the spirit of this Standard and the [Code](#).
- 1.10 This Standard is directed towards [Engagements](#) to prepare historical or prospective financial information. However, the Standard should also be applied to the extent practicable for [Engagements](#) to prepare non-financial information.
- 1.11 This Standard is directed towards [Members in Public Practice](#). However, [Members in Business](#) should apply this Standard and its principles to the extent practicable when they compile information for their employers, especially in respect of regulatory reporting requirements and [Compilation Reports](#) prepared under ASIC Corporations (Audit Relief) Instrument 2016/784.¹
- 1.12 In this Standard, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.

2. Definitions

Defined terms are shown in the body of the Standard in title case.

For the purpose of this Standard:

AASB means the Australian statutory body called the Australian Accounting Standards Board that was established under section 226 of the *Australian Securities and Investments Commission Act 1989* and is continued in existence by section 261 of the *Australian Securities and Investments Commission Act 2001*.

APES 320 means [APES 320 Quality Management for Firms that provide Non-Assurance Services issued by Accounting Professional & Ethical Standards Board Limited](#).

Applicable Financial Reporting Framework means the financial reporting framework adopted by management and, where appropriate, [Those Charged with Governance](#) in the preparation of the financial report that is acceptable in view of the nature of the entity and the objective of the financial report, or that is required by law or regulation.

The term *fair presentation* framework means a financial reporting framework that requires compliance with the requirements of the framework and:

- (a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial report, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (b) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial report. Such departures are expected to be necessary only in extremely rare circumstances.

In the context of financial reporting, the term [Compliance Framework](#) means a financial reporting framework that requires compliance with the requirements of the applicable framework, but does not contain the acknowledgements in (a) or (b) above.

¹ ASIC Corporations (Audit Relief) Instrument 2016/784 supersedes ASIC Class Order CO 98/1417 *Audit relief for proprietary companies*.

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ASQM 1 means Auditing Standard ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements issued by the AUASB.

Assurance Engagement means an **Engagement** in which a **Member in Public Practice** aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (~~that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria~~).

This includes an **Engagement** in accordance with the *Framework for Assurance Engagements* issued by the **AUASB** or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.

(For guidance on Assurance Engagements, see the *Framework for Assurance Engagements* issued by the **AUASB**. The *Framework for Assurance Engagements* describes the elements and objectives of an Assurance Engagement and identifies **Engagements** to which *Australian Auditing Standards* (ASAs), *Standards on Review Engagements* (ASREs) and *Standards on Assurance Engagements* (SAEs) apply.)

Assurance Practice means the assurance division or section of a Firm, encompassing every Assurance Engagement and agreed-upon procedures Engagement² conducted by the Firm, whether or not required to be conducted by a Registered Company Auditor and whether or not conducted by an individual auditor, an audit Firm or an audit company.

AUASB means the Australian statutory body called the Auditing and Assurance Standards Board established under section 227A of the *Australian Securities and Investments Commission Act 2001*.

Auditing and Assurance Standards means the **AUASB** standards, as described in *ASA 100 Preamble to AUASB Standards*, *ASA 101 Preamble to Australian Auditing Standards* and the *Foreword to AUASB Pronouncements*, issued by the **AUASB**, and operative from the date specified in each standard.

Australian Accounting Standards means the Accounting Standards (including Australian Accounting Interpretations) promulgated by the **AASB**.

Client means an individual, firm, entity or organisation to whom or to which **Professional Activities** are provided by a **Member in Public Practice** in respect of **Engagements** of either a recurring or demand nature.

Code means APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Compilation Engagement means an **Engagement to Compile Financial Information** in which a **Member in Public Practice** applies professional expertise in accounting and financial reporting to assist **Those Charged with Governance** in the preparation and presentation of financial information in accordance with an **Applicable Financial Reporting Framework**, without undertaking to express any assurance on the information. A Compilation Engagement may involve preparation of **Financial Statements** or compilation of other financial information.

Excluded activities which fall outside the scope of a Compilation Engagement include:

- (a) preparation of a taxation return and financial information prepared solely for inclusion in the taxation return;
- (b) analysis of figures provided by a **Client**, in order to report to the **Client**. For example, providing advice on a **Client's** proposed purchase of another entity, using the other entity's **Financial Statements**;

² As described in ASRS 4400 *Agreed-Upon Procedures Engagements*.

- (c) relaying information to a **Client**, without collection, classification or summarisation of the information; and
- (d) **Assurance Engagements**.

Where a **Member in Public Practice** performs activities which are excluded from the scope of a Compilation Engagement, such as the preparation of **Financial Statements** which are to be used as a basis to prepare an entity's taxation return, the **Member** should issue an Accountant's Report Disclaimer.

*A decision tree schematic to assist **Members** determine whether an **Engagement** is a **Compilation Engagement** is included in Appendix 1.*

Compilation Report means a report prepared in accordance with this Standard.

Compile(d) Financial Information means a presentation of historical or prospective financial information. For the purposes of this Standard, Compiled Financial Information includes **Financial Statements**.

Compliance Framework means:

- (a) a financial reporting framework that requires compliance with the requirements of the applicable framework, but does not contain the acknowledgements in respect of a fair presentation framework (refer **Applicable Financial Reporting Framework**); or
- (b) a framework (not related to financial reporting) adopted by the entity, which is designed to ensure that the entity achieves compliance, and includes governance structures, programs, processes, systems, controls and procedures.

Engagement means an agreement, whether in **Writing** or otherwise, between a **Member in Public Practice** and a **Client** relating to the provision of **Professional Services** by a **Member in Public Practice**. However, consultations with a prospective **Client** prior to such agreement are not part of an Engagement.

Engagement Document means the document (i.e. letter, agreement or any other appropriate means) in which the **Terms of Engagement** are specified in **Writing**.

Financial Statements means a structured representation of historical or prospective financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of ~~material~~**significant** accounting policies and other explanatory information. The term can relate to a complete set of Financial Statements, but it can also refer to a single Financial Statement, for example, a statement of financial position or a statement of profit or loss and other comprehensive income and related explanatory notes. The requirements of the financial reporting framework determine the form and content of the Financial Statements and what constitutes a complete set of Financial Statements. For the purposes of this Standard, financial report is considered to be an equivalent term to Financial Statements.

Firm means:

- (a) A sole practitioner, partnership, corporation or other entity of professional accountants;
- (b) An entity that controls such parties, through ownership, management or other means;
- (c) An entity controlled by such parties, through ownership, management or other means; or
- (d) An Auditor-General's office or department.

General Purpose Financial Statements means a financial report prepared in accordance with a **General Purpose Framework**.

General Purpose Framework means a financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a [Compliance Framework](#).

Independence comprises:

- (a) Independence of mind - the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.
- (b) Independence in appearance - the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a [Firm's](#), or an [Engagement](#) team member's, integrity, objectivity or professional scepticism has been compromised.

Member means a member of a [Professional Body](#) that has adopted this Standard as applicable to their membership, as defined by that [Professional Body](#).

Member in Business means a [Member](#) working in areas such as commerce, industry, service, the public sector, education, the not-for-profit sector, or in regulatory or professional bodies, who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer.

Member in Public Practice means a [Member](#), irrespective of functional classification (for example, audit, tax or consulting) in a [Firm](#) that provides [Professional Services](#). This term is also used to refer to a [Firm](#) of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable [Professional Body](#).

Misstatement means a difference between the amount, classification, presentation or disclosure of a reported item in financial information, and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the [Applicable Financial Reporting Framework](#). Misstatements can arise from error or fraud.

Where the financial information is prepared in accordance with a fair presentation framework, Misstatements also include those adjustments of amounts, classifications, presentation or disclosures that, in the [Member in Public Practice's](#) judgement, are necessary for the financial information to be presented fairly, in all material respects, or to give a true and fair view.

Professional Activity means an activity requiring accountancy or related skills undertaken by a [Member](#), including accounting, auditing, tax, management consulting, and financial management.

Professional Bodies means Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.

Professional Services means [Professional Activities](#) performed for [Clients](#).

Professional Standards means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable [Professional Body](#).

Special Purpose Financial Statements means a complete set of [Financial Statements](#), including the related notes, and an assertion statement by those responsible for the financial report, prepared in accordance with a [Special Purpose Framework](#). The related notes ordinarily comprise a summary of [material/significant](#) accounting policies and other explanatory information. The requirements of the [Applicable Financial Reporting Framework](#) determine the format and content of a financial report prepared in accordance with a [Special Purpose Framework](#).

Special Purpose Framework means a financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a [Compliance Framework](#).

Terms of Engagement means the terms and conditions that are agreed between the **Client** and the **Member in Public Practice** for the **Engagement**.

Those Charged with Governance means the person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, Those Charged with Governance might include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

Writing means a mode of representing or reproducing words in a visible form and includes words in an electronic format capable of being converted to printed text.

3. Fundamental responsibilities of Members in Public Practice

3.1 **Members in Public Practice** undertaking **Engagements to Compile Financial Information** shall comply with Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* of the **Code** and relevant laws and regulations.

Public interest

3.2 In accordance with Section 100 *Complying with the Code* of the **Code**, **Members in Public Practice** shall observe and comply with the **Member's** public interest obligations when they undertake **Engagements to Compile Financial Information**.

Professional competence and due care

3.3 **Members in Public Practice** undertaking **Engagements to Compile Financial Information** shall maintain professional competence and take due care in the performance of the **Member's** work in accordance with Subsection 113 *Professional Competence and Due Care* of the **Code**.

Professional Independence

3.4 **Independence** is not a requirement for a **Compilation Engagement**.

3.5 Where a **Member in Public Practice** is not independent, the **Member** shall make an explanatory statement to that effect in the **Compilation Report**.

Confidentiality

3.6 A **Member in Public Practice** who acquires confidential information in the course of an **Engagement to Compile Financial Information** for a **Client** shall comply with Subsection 114 *Confidentiality* of the **Code**.

4. Planning

4.1 A **Member in Public Practice** shall plan the **Compilation Engagement** to ensure that the **Engagement** is conducted in accordance with this **Standard** and all applicable **Professional Standards**, laws and regulations.

4.2 Appropriate planning depends on the nature of the **Compilation Engagement** and the particular circumstances of the **Client**. This can vary from a standard list of limited procedures used in generating a pro forma set of **Financial Statements** to a complex plan to understand particular

events or transactions of a larger entity that requires the application of a **Member in Public Practice's** professional judgement.

5. Applicable Financial Reporting Framework

- 5.1 Subject to the **Terms of Engagement**, a **Member in Public Practice** may provide advice to assist a **Client** to determine the **Applicable Financial Reporting Framework**. However, the **Member** should ensure that the **Client** is aware that it is the **Client's** responsibility to determine the **Applicable Financial Reporting Framework** to be adopted, taking into consideration the intended use of the financial information as described in the agreed **Terms of Engagement** and the requirements of any applicable law or regulation.
- 5.2 A **Member in Public Practice** should consider the following factors that indicate whether the **Applicable Financial Reporting Framework** adopted by a **Client** is appropriate:
- the nature of the **Client** and the regulations that apply to the entity;
 - the intended use of the financial information as described in the agreed **Terms of Engagement** and the requirements of any applicable law or regulation;
 - the intended users;
 - whether the **Applicable Financial Reporting Framework** is prescribed or specified, either in applicable law or regulation, or in a contract or other form of agreement with a third party, or as part of governance or accountability arrangements adopted voluntarily by the **Client**; and
 - the nature and form of the financial information that is to be prepared and presented under the **Applicable Financial Reporting Framework**.
- 5.3 If a **Member in Public Practice** is of the view that the **Applicable Financial Reporting Framework** selected by a **Client** is not appropriate and the **Client** is not willing to adopt an appropriate framework, the **Member** shall consider the **Firm's** policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements of APES 320-Quality Control for Firms³* in determining whether to continue acting for the **Client** in a professional capacity.
- 5.4 When undertaking a **Compilation Engagement** in respect of **General Purpose Financial Statements** or **Special Purpose Financial Statements**, a **Member in Public Practice** shall comply with the requirements of APES 205 *Conformity with Accounting Standards*.
- 5.5 Where a **Member in Public Practice** assists the **Client** with significant judgements regarding amounts or disclosures when undertaking a **Compilation Engagement** in respect of **General Purpose Financial Statements** or **Special Purpose Financial Statements**, the **Member** shall discuss those judgements with the **Client** and **Those Charged with Governance** (if applicable) to ensure that they understand the significant judgements reflected in the **Financial Statements** and accept their responsibility for those judgements.

³ Where the **Compilation Engagement** is undertaken by a **Member in Public Practice** in an **Assurance Practice**, the **Member** may determine that the **Assurance Practice's** responses (policies or procedures) designed and implemented in accordance with *Acceptance and Continuance of Client Relationships and Specific Engagements of ASQM 1* are at least as demanding as APES 320.

6. Defining the Terms of Engagement

6.1 A **Member in Public Practice** shall document and communicate the **Terms of Engagement** in accordance with APES 305 *Terms of Engagement*.

6.2 A **Member in Public Practice** who is engaged to perform a **Compilation Engagement** should consider the following matters for inclusion in the **Engagement Document** in addition to the *General contents of an Engagement Document* of APES 305 *Terms of Engagement*:

- (a) the nature of the **Engagement** including the fact that neither an audit nor a review will be carried out by the **Member** and that accordingly no assurance will be expressed;
- (b) the fact that the **Engagement** cannot be relied upon to disclose errors, illegal acts or other irregularities, for example, fraud or defalcations that may exist;
- (c) the nature of the information to be supplied by the **Client**;
- (d) in respect of prospective financial information, the basis of forecasting and key assumptions provided by the **Client**;
- (e) where the **Member** makes assumptions in forecasts, that these assumptions will be brought to the **Client's** attention;
- (f) when undertaking a **Compilation Engagement** in respect of **General Purpose Financial Statements** or **Special Purpose Financial Statements**, a statement that the **Client** is responsible for:
 - (i) the form and content of the financial information in accordance with an **Applicable Financial Reporting Framework** that is acceptable in view of the intended use and users of the financial information;
 - (ii) the reliability, accuracy and completeness of the accounting records and disclosures provided to the **Member**; and
 - (iii) the judgements needed in the preparation and presentation of the financial information, including those for which the **Member** may provide assistance in the course of the **Compilation Engagement**;
- (g) the basis of accounting set out in the **Applicable Financial Reporting Framework** on which the financial information is to be compiled and the fact that it, and any known departures from it, will be disclosed to **Those Charged with Governance** of the **Client**;
- (h) the requirement for **General Purpose Financial Statements** to be prepared in accordance with **Australian Accounting Standards**;
- (i) the form and content of any **Compilation Report** to be issued;
- (j) the intended use and distribution of the **Compiled Financial Information** and any restrictions on either its use or its distribution;
- (k) the nature of any disclaimer or limitation of liability clause between the **Member** and the **Client** or the **Member** and any user of the **Compiled Financial Information**; and
- (l) the **Member's** obligation to comply with relevant **Professional Standards**.

An example **Engagement Letter** is set out in *Appendix 3*.

7. Procedures

7.1 Depending on the **Terms of Engagement** and the nature of the **Engagement**, a **Member in Public Practice** who undertakes a **Compilation Engagement** should obtain a sufficient understanding of the **Client's** business, its operations and be familiar with the accounting principles and practices of the industry in which the **Client** operates.

- 7.2 A **Member in Public Practice** shall assess whether the **Compiled Financial Information** in respect of the **Compilation Engagement** is appropriate in form and content and free from **Misstatements**.
- 7.3 Where a **Member in Public Practice** forms the view that the information supplied by a **Client** includes a **Misstatement**, the **Member** shall consider performing the following procedures or other alternative procedures:
- (a) making inquiries of management to assess the reliability, accuracy and completeness of the information provided;
 - (b) assessing internal controls; or
 - (c) verifying any relevant matters or information.
- In the absence of forming the view that the information supplied by the **Client** includes a **Misstatement**, the **Member** is not required to consider performing these procedures.
- 7.4 If the **Client** refuses to provide additional information or process appropriate amendments requested by the **Member in Public Practice** in the circumstances referred to in paragraph 7.3, the **Member** shall consider the **Firm's** policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements of APES 320-Quality Control for Firms* in determining whether to continue acting for the **Client** in a professional capacity.
- 7.5 A **Member in Public Practice** should consider the guidance in APES GN 30 *Outsourced Services* if the **Member** engages or outsources to a third party, either components or all aspects of, the **Compilation Engagement**. If work in the **Compilation Engagement** is outsourced, the **Member's** obligations under this Standard remain the same as if the **Member** or the **Member's** staff had performed the work.

8. Documentation and quality ~~management~~control

- 8.1 A **Member in Public Practice** shall prepare working papers in accordance with this Standard that appropriately document the work performed, including aspects of the **Compilation Engagement** that have been provided in **Writing**. The documentation prepared by the **Member** shall:
- (a) provide a sufficient and appropriate record of the procedures performed for the **Engagement**;
 - (b) identify the sources of significant information the **Member** has used in the **Compiled Financial Information**; and
 - (c) demonstrate that the **Engagement** was carried out in accordance with this Standard and all other **Professional Standards** applicable to the **Engagement**, including policies and procedures established in accordance with *APES 320-Quality Control for Firms*⁴ and any applicable ethical, legal and regulatory requirements.
- 8.2 A **Member in Public Practice** who performs a **Compilation Engagement** should consider including in the **Member's** working papers a copy of the **Client's** working papers that the **Member** used to perform the **Compilation Engagement**.

⁴ Where the **Compilation Engagement** is undertaken by a **Member in Public Practice** in an **Assurance Practice**, the **Member** may determine that the **Assurance Practice's** responses (policies or procedures) designed and implemented in accordance with **ASQM 1** are at least as demanding as **APES 320**.

- 8.3 A **Member in Public Practice** who performs a **Compilation Engagement** should document how the **Compiled Financial Information** reconciles with the underlying records, documents, explanations and other information provided by the **Client**.
- 8.4 A **Member in Public Practice** shall perform sufficient reviews of the **Compilation Engagement** in accordance with the **Firm's** policies and procedures established in accordance with **Engagement performance of APES 320** ~~Quality Control for Firms~~⁵ prior to issuing the **Compilation Report**.

9. Responsibility of the Client

- 9.1 A **Member in Public Practice** who undertakes a **Compilation Engagement** in respect of **General Purpose Financial Statements** or **Special Purpose Financial Statements** shall obtain an acknowledgment in **Writing** from the **Client** of the **Client's** responsibility for the reliability, accuracy and completeness of the accounting records and disclosures to the **Member** of all material and relevant information.
- 9.2 The **Member in Public Practice** should inform the **Client** that the **Client** retains responsibility for the financial information in respect of the **Compilation Engagement** and the basis on which it is prepared and presented. That responsibility includes application by the **Client** of the judgement required for the preparation and presentation of the financial information, including the selection and application of appropriate accounting policies and, where needed, developing reasonable accounting estimates.
- 9.3 Where a **Member in Public Practice** undertakes a **Compilation Engagement** other than those referred to in paragraph 9.1, the **Member** should assess whether, due to the circumstances of the **Engagement**, the **Member** needs to obtain an acknowledgement in **Writing** from the **Client** of its responsibility for the reliability, accuracy and completeness of the accounting records and disclosures provided to the **Member**.
- 9.4 The acknowledgment referred to in paragraphs 9.1 and 9.3 may be included in other representations in **Writing** from the **Client**.

10. Reporting on a Compilation Engagement

- 10.1 A **Member in Public Practice** should clearly communicate in a **Compilation Report** the nature of the **Compilation Engagement** and the **Member's** role and responsibilities in respect of the **Engagement** without expressing an opinion or conclusion on the **Compiled Financial Information** in any form.
- 10.2 Where a **Member in Public Practice** prepares **Compiled Financial Information** in respect of a **Compilation Engagement**, the **Member** shall, except where paragraphs 10.3 or 10.4 apply, issue a **Compilation Report** in circumstances where:
- (a) the **Member's** or the **Firm's** name is identified with the **Compiled Financial Information**;
 - (b) external parties other than the intended users of the **Compiled Financial Information** are likely to associate the **Member** with the **Compiled Financial Information**, and there is a risk that the level of the **Member's** involvement with the information may be misunderstood;

⁵ Where the **Compilation Engagement** is undertaken by a **Member in Public Practice** in an **Assurance Practice**, the **Member** may determine that the **Assurance Practice's** responses (policies or procedures) designed and implemented in accordance with **Engagement Performance of ASQM 1** are at least as demanding as **APES 320**.

- (c) it is more likely than not that the intended users of the **Compiled Financial Information** may not understand the nature and scope of the **Member's** involvement with that information; or
- (d) the **Compiled Financial Information** is required under provisions of applicable law or regulation, or it is required to be publicly filed.

*A decision tree schematic to assist Members determine when a **Compilation Report** should be issued is included in Appendix 2.*

10.3 Where a **Member in Public Practice** compiles financial information for internal use only by a **Client**, the use of the **Compiled Financial Information** is restricted. In these circumstances the **Member** should:

- (a) issue an Accountant's Report Disclaimer; and
- (b) on each page of the **Compiled Financial Information** include a reference such as "*These financial statements are unaudited and are restricted for internal use only and should be read in conjunction with the attached Accountant's Report Disclaimer*".

An example Accountant's Report Disclaimer is included in Appendix 5.

10.4 Where the **Client** has engaged another practitioner to audit or review the **Compiled Financial Information** in accordance with **Auditing and Assurance Standards**, the **Member in Public Practice** undertaking the **Compilation Engagement** shall assess the need to issue a **Compilation Report**. Where the **Member** decides not to issue a **Compilation Report** the **Member** shall document the rationale for that decision.

10.5 In the circumstances described in paragraph 10.4, if an audit or review report has been issued by another practitioner, this overrides the need for the **Member in Public Practice** to issue a **Compilation Report**, except where paragraph 10.6 applies.

10.6 Where the circumstances described in paragraph 10.4 apply, but the scope of the **Compilation Engagement** extends to significant subject matter not covered under the **Assurance Engagement**, the **Member in Public Practice** shall issue a **Compilation Report** for the subject matter not covered under the **Assurance Engagement**.

10.7 Where a **Member in Public Practice** issues a **Compilation Report** in relation to **Financial Statements** which are prepared in accordance with a regulation or contract, the **Member** shall describe in the **Compilation Report** the purpose for which the **Financial Statements** are prepared or refer to a note in the **Financial Statements** that contains that information.

10.8 The information referred to in paragraph 10.7 is necessary to avoid misunderstandings when the **Financial Statements** are used for purposes other than those for which they were intended. The note to the **Financial Statements** may also describe any significant interpretations of the contract or regulation on which the **Financial Statements** are based.

10.9 Where **Financial Statements** purport to be prepared in accordance with a contract or a regulation and the **Member in Public Practice** forms the view that the **Financial Statements** do not adequately describe significant interpretations of the contract or the regulation on which the **Financial Statements** are based, the **Member** shall modify the **Compilation Report**.

10.10 Where a **Member in Public Practice** issues a **Compilation Report** in accordance with paragraph 10.2, 10.6 or 10.7, the **Compilation Report** shall contain the following:

- (a) the title of the report;
- (b) the addressee;

- (c) a statement that the **Compilation Engagement** was performed in accordance with this Standard and that the **Member** has complied with relevant ethical requirements;
- (d) an explanatory statement that the **Member** or the **Firm** is not independent of the **Client** (if applicable);
- (e) identification of the **Compiled Financial Information** noting that it is based on the financial information provided by the **Client** (if applicable);
- (f) the basis of any forecast information and key assumptions (applicable to prospective financial information only);
- (g) a statement that the **Client** is responsible for the financial information compiled by the **Member**;
- (h) a statement that neither an audit nor a review has been carried out by the **Member** and that accordingly no assurance is expressed on the **Compiled Financial Information**;
- (i) if the **Member** is reporting on the compilation of **Special Purpose Financial Statements**, a statement to that effect including:
 - (i) the specific purpose for which they have been prepared; and
 - (ii) that the **Special Purpose Financial Statements** are only suitable for the purpose they have been prepared and may not be suitable for any other purpose;
- (j) the date of the **Compilation Report**;
- (k) the **Member's** or **Firm's** name, address and signature;
- (l) an appropriate disclaimer of liability; and
- (m) a description of the responsibilities of management or **Those Charged with Governance** of the **Client**, as appropriate, in relation to the **Compilation Engagement** and in relation to the financial information.

Examples of Compilation Reports including Compilation Reports in respect of General Purpose Financial Statements and Special Purpose Financial Statements are contained in Appendix 4.

- 10.11 Where a **Member in Public Practice** issues a **Compilation Report** in accordance with paragraph 10.2, 10.6 or 10.7, the financial information compiled by the **Member** shall contain a reference such as 'Unaudited', 'Compiled without Audit or Review', or 'Refer to **Compilation Report**' on each page of the **Compiled Financial Information**.

11. Communication of significant matters

- 11.1 A **Member in Public Practice** shall communicate to **Those Charged with Governance** of the **Client** any significant matters arising from the **Compilation Engagement** on a timely basis.
- 11.2 Communication should ordinarily be in **Writing**. Where the communication occurs orally, a **Member in Public Practice** should record in the working papers a summary of the significant matters discussed.
- 11.3 A **Member in Public Practice** who becomes aware of instances of non-compliance or suspected non-compliance with laws and regulations during the performance of a **Compilation Engagement** shall comply with Section 360 *Responding to Non-Compliance with Laws and Regulations* of the **Code**.

- 11.4 If during the performance of a **Compilation Engagement**, the **Member in Public Practice** obtains information that indicates that a fraud, **Misstatement** or illegal act has occurred, the **Member** shall communicate these matters as soon as practicable to **Those Charged with Governance** of the **Client**.
- 11.5 Matters which the **Member in Public Practice** should communicate include:
- (a) **Misstatements** identified during the **Compilation Engagement** and the appropriate amendments agreed with the **Client** in respect of the **Misstatements**;
 - (b) additional information sought by the **Member** as a result of information supplied which contained **Misstatements** or was otherwise unsatisfactory;
 - (c) if additional information sought by the **Member** is not supplied:
 - (i) the effect that the lack of additional information may have on the **Compiled Financial Information**;
 - (ii) the effect of the lack of additional information on the **Member's** report; and
 - (iii) if appropriate, the fact that the **Member** proposes to withdraw from the **Compilation Engagement** as a result of the lack of additional information; and/or
 - (d) any other matters that, in the **Member's** opinion, are significant in the context of the **Compilation Engagement**.
- 11.6 Where during the performance of a **Compilation Engagement** a **Member in Public Practice** obtains information that a fraud, **Misstatement** or illegal act has occurred and the **Member** has reason to believe that such an act is the result of actions of **Those Charged with Governance** of the **Client**, the **Member** shall consider the **Firm's** policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements of APES 320-Quality Control for Firms* in determining whether to continue acting for the **Client** in a professional capacity.

12. Subsequent discovery of facts

- 12.1 Subsequent to the completion of a **Compilation Engagement**, a **Member in Public Practice** may become aware of facts that existed at the date of completion of the **Compilation Engagement** which may have caused the **Member** to believe that information supplied was false or misleading, had the **Member** been aware of such facts.
- 12.2 A **Member in Public Practice** who has performed a **Compilation Engagement** shall assess the impact on the **Compiled Financial Information** of facts discovered subsequent to the date of the **Compilation Report**, discuss the matter with the **Client** and take action appropriate in the circumstances. The **Member** shall document the reasons for the action taken by the **Member**.
- 12.3 If the **Member in Public Practice** believes that the **Compiled Financial Information** referred to in paragraph 12.2 needs to be revised, the **Member** shall take all reasonable steps to advise the **Client** to take the necessary steps to inform anyone who received the previously issued **Compiled Financial Information** of the situation.
- 12.4 When determining whether the **Compiled Financial Information** needs to be revised pursuant to paragraph 12.3, the **Member in Public Practice** should consider, among other things, the duration of time between the issue of the **Compiled Financial Information** and the subsequent discovery of facts referred to in paragraph 12.1, and the extent to which important decisions based on the **Compiled Financial Information** are still to be made.

- 12.5 If, in the view of the **Member in Public Practice**, the **Client** has not taken appropriate action in terms of paragraph 12.3, the **Member** shall notify **Those Charged with Governance** of the **Client**.
- 12.6 If, in the view of the **Member in Public Practice**, appropriate action is not taken by **Those Charged with Governance** of the **Client**, the **Member in Public Practice** shall consider the **Firm's** policies and procedures established in accordance with *Acceptance and continuance of Client relationships and specific Engagements* of **APES 320–Quality Control for Firms** in determining whether to continue acting for the **Client** in a professional capacity.

Conformity with International Pronouncements

APES 315 and ISRS 4410

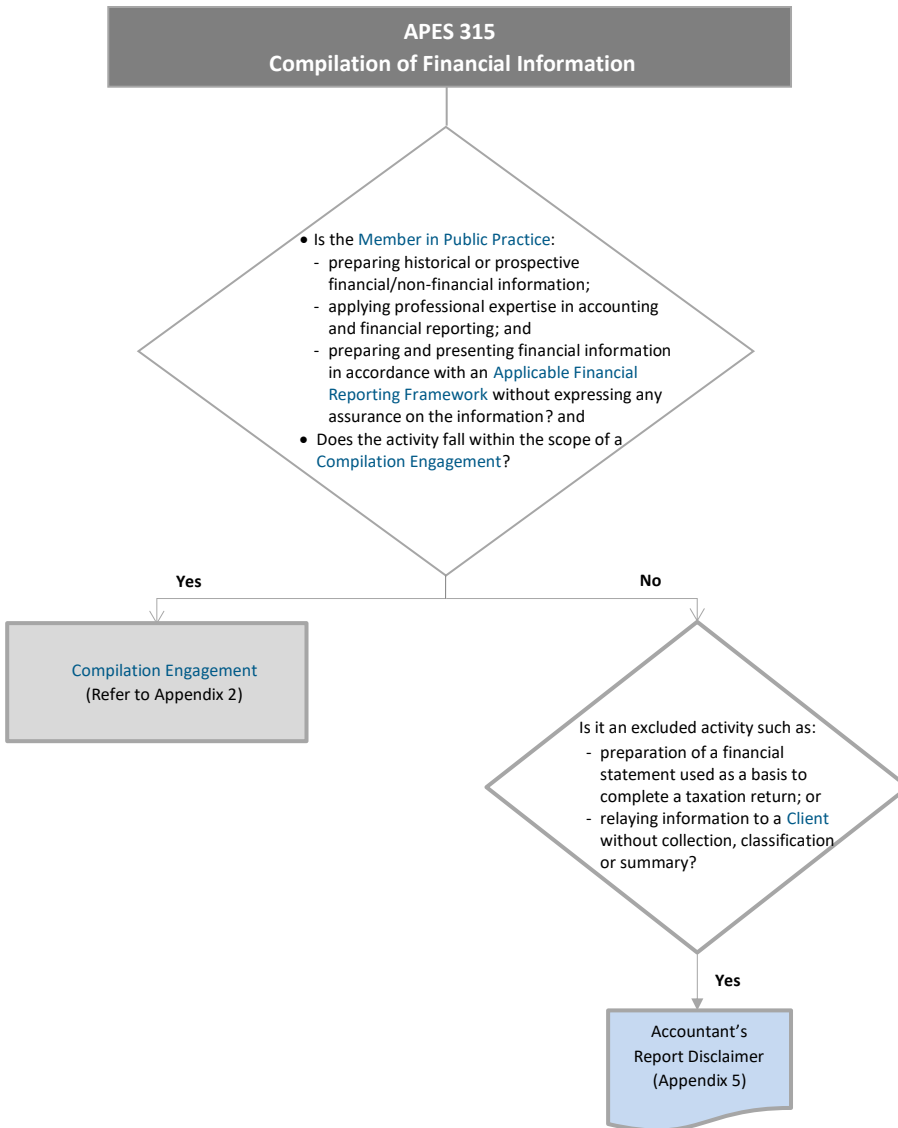
The basic principles and essential procedures of APES 315 and of ISRS 4410 (Revised) *Compilation Engagements* issued by the International Auditing and Assurance Standards Board (IAASB) are consistent except for the matters noted below:

- The scope, application and definitions in APES 315 are tailored to the Australian environment;
- APES 315 is more stringent whereby a **Member in Public Practice** must follow the mandatory requirements of APES 315 when the **Member** undertakes **Engagements** to **Compile Financial Information**, whereas ISRS 4410's scope is flexible and limited to a practitioner who assists management with a compilation and applies only in circumstances where the practitioner is reporting in accordance with the revised ISRS 4410;
- In respect of relevant ethical requirements, APES 315 makes references to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*;
- APES 315 prescribes that the **Compilation Report** must state the following, if applicable:
 - an explanatory statement that the **Member** is not independent of the **Client**;
 - the basis of any forecast information and key assumptions (applicable to prospective financial information);
 - where **Special Purpose Financial Statements** are prepared, a statement drawing attention to the basis of accounting;
 - an appropriate disclaimer of liability;
- When undertaking a **Compilation Engagement** in respect of **General Purpose Financial Statements** or **Special Purpose Financial Statements**, APES 315 mandates that a **Member in Public Practice** shall comply with APES 205 *Conformity with Accounting Standards*. The professional obligation for the **Member** to comply with APES 205 includes consideration of the going concern basis of preparation of **Financial Statements**;
- APES 315 requires that the **Terms of Engagement** be documented in accordance with APES 305 *Terms of Engagement*;
- In relation to quality **management control** matters, APES 315 refers to **APES 320-Quality Control for Firms, and where applicable ASQM 1**;
- APES 315 refers **Members in Public Practice** to guidance in APES GN 30 *Outsourced Services* where the **Member** engages or outsources to a third party;
- Where a **Member in Public Practice** has **Compiled Financial Information** which is not within the scope of a **Compilation Engagement**, APES 315 recommends that the **Member** consider issuing an Accountant's Report Disclaimer (refer Appendix 5);
- APES 315 provides additional guidance on planning procedures which is dependent upon the context of the **Compilation Engagement** and the specific circumstances of the **Client**;
- Where the **Compiled Financial Information** is audited or reviewed by another practitioner, APES 315 permits a **Member in Public Practice** not to issue a **Compilation Report**. However, the **Member** is required to issue a **Compilation Report** if the scope of the **Compilation Engagement** extends to significant subject matter not covered in the audit or review;
- APES 315 provides additional requirements and guidance where the **Compilation Report** is prepared in accordance with a regulation or contract;
- APES 315 mandates that a **Member in Public Practice** includes the words 'Unaudited', 'Compiled without Audit or Review' or 'Refer to Compilation Report' on each page of the **Compiled Financial Information**;

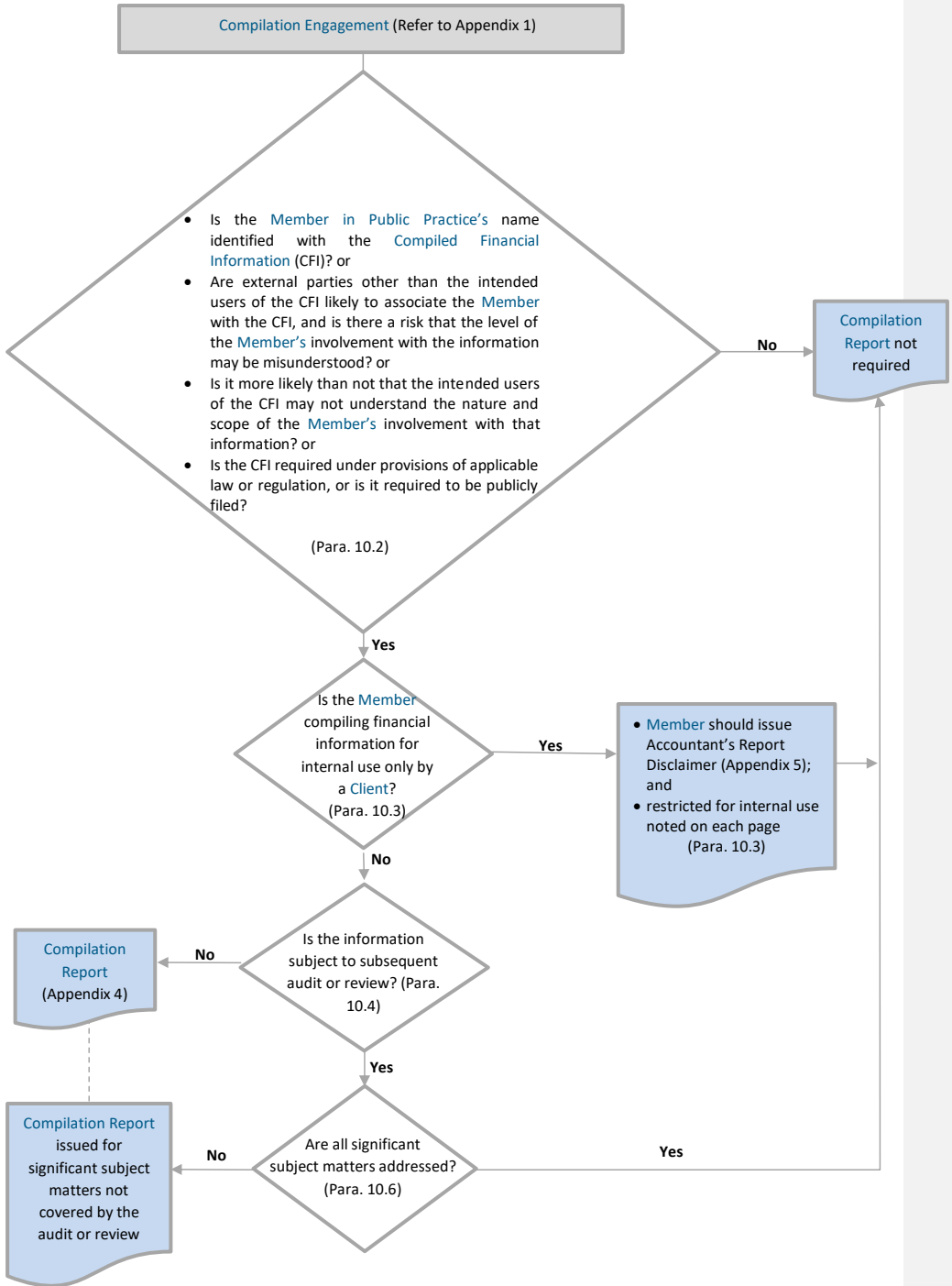
APES 315 Compilation of Financial Information

- APES 315 incorporates additional professional obligations in respect of communication of significant matters to [Those Charged with Governance](#) of the [Client](#);
- APES 315 incorporates additional professional obligations in respect of responding to Non-Compliance with Laws and Regulations (NOCLAR);
- APES 315 incorporates additional professional obligations in respect of subsequent discovery of facts;
- Appendix 1 of APES 315 provides guidance to determine whether an [Engagement](#) is a [Compilation Engagement](#);
- Appendix 2 provides guidance to determine when a [Compilation Report](#) should be issued;
- The [Engagement Letter](#) in Appendix 3 is tailored to the Australian environment;
- The [Compilation Reports](#) in Appendix 4 are tailored to the Australian environment and include an additional example (Example 2) of a [Compilation Report](#) for an [Engagement](#) to compile [Special Purpose Financial Statements](#); and
- Appendix 5 provides an example of an Accountant's Report Disclaimer that can be issued when a [Member in Public Practice](#) performs an excluded activity. Excluded activities are referred to in the definition of a [Compilation Engagement](#).

Appendix 1 – Decision tree to determine whether an Engagement is a Compilation Engagement



Appendix 2 – Decision tree to determine when a Compilation Report should be issued



Appendix 3 – Example Engagement Letter for a Compilation Engagement

*The following is an example of an **Engagement** letter for a **Compilation Engagement** that illustrates the relevant requirements and guidance contained in this Standard. This letter is not authoritative but is intended only to be a guide that may be used in conjunction with the considerations outlined in this Standard. It will need to be adapted according to the requirements and circumstances of individual **Compilation Engagements**. It is drafted to refer to the compilation of **Financial Statements** for a single reporting period and would require adaptation if intended or expected to apply to a recurring **Engagement** as described in this Standard. It may be appropriate to seek legal advice that any proposed letter is suitable.*

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*This **Engagement** letter illustrates the following circumstances:*

- The **Financial Statements** are to be compiled for sole use by the management of [name of entity] (the **Client**) and use of the **Financial Statements** will be restricted to management. Use and distribution of the **Member in Public Practice's** report is also restricted to management.*
- The compiled **Financial Statements** will comprise only the statement of financial position as at [30 June 20XX], the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of **material/significant** accounting policies and other explanatory notes. These will be prepared in accordance with the [the financial reporting framework/basis of accounting] which will be described in Note 1 to the **Financial Statements**.*

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.....
To [name of entity]:⁶

[The objective and scope of the compilation engagement]

You have requested that we provide the following services:

On the basis of information that you will provide, we will assist you in the preparation and presentation of the following financial statements for [name of entity]: the statement of financial position as at [30 June 20XX], the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of **material/significant** accounting policies and other explanatory notes. These will be prepared in accordance with the [the financial reporting framework/basis of accounting] described in Note 1 to the financial statements.

The purpose for which the financial statements will be used is to provide financial information showing the client's financial position at the financial reporting date of [30 June, 20XX] and financial performance for the year then ended. The financial statements will be solely for your use and will not be distributed to other parties.

Our Responsibilities

A compilation engagement involves applying expertise in accounting and financial reporting to assist you in the preparation and presentation of financial information. Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information you provide to us for the compilation engagement, or otherwise to gather evidence to express an audit opinion or a review conclusion.⁷ Accordingly, we will not express an audit opinion or a review conclusion on whether the financial statements are prepared in accordance with the basis of accounting you have specified, as described above.

⁶ Throughout this illustrative **Engagement** letter, references to 'you', 'we', 'us', 'management', '**Those Charged with Governance**' and '**Member**' should be used or amended as appropriate in the circumstances.
⁷ Refer to **AUASB** standards for the issuance of audit opinions and review conclusions.

APES 315 Compilation of Financial Information

We will perform the compilation engagement in accordance with APES 315 *Compilation of Financial Information*. APES 315 requires that, in undertaking this engagement, we comply with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Your Responsibilities

The compilation engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to assist you in the preparation and presentation of the financial statements in accordance with the financial reporting framework you have adopted for the financial statements. Accordingly, you have the following overall responsibilities that are fundamental to our undertaking the compilation engagement in accordance with APES 315:

- (a) Responsibility for the form and content of the financial information in accordance with an applicable financial reporting framework that is acceptable in view of the intended use of the financial statements and the intended users.
- (b) Responsibility for the reliability, accuracy and completeness of the accounting records and disclosures you provide to us for the purpose of compiling the financial statements.
- (c) Responsibility for the judgements needed in the preparation and presentation of the financial statements, including those for which we may provide assistance in the course of the compilation engagement.

Our Compilation Report

As part of our engagement, we will issue our report attached to the financial statements compiled by us, which will describe the financial statements, and the work we performed for the compilation engagement [see pro forma attached]. The report will also note that the use of the financial statements is restricted to the purpose set out in this engagement letter and that use and distribution of our report is restricted to you, as the management of [name of entity].

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to compile the financial statements described herein, and our respective responsibilities.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate – refer paragraphs 6.1 and 6.2 and General contents of an Engagement Document of APES 305 Terms of Engagement.]

Address [Member or Firm]

Date

Acknowledgement

[name of entity]

Acknowledged and agreed on behalf of the management of [name of entity] by:

(signed)

.....
[Name and Title]

Date

Appendix 4 – Examples of Compilation Reports

This Appendix includes example Compilation Reports for Compilation Engagements that illustrate the relevant requirements and guidance contained in this Standard. The example Compilation Reports are not authoritative and are intended to be a guide of what may be included. The example Compilation Reports will need to be adapted according to the requirements and circumstances of individual Compilation Engagements. It may be appropriate to seek legal advice that any proposed Compilation Report is suitable.

Compilation Engagement for General Purpose Financial Statements

- Example 1: Member in Public Practice's report for an Engagement to compile Financial Statements using a General Purpose Framework.

Compilation Engagement for Special Purpose Financial Statements

- Example 2: Member in Public Practice's report for an Engagement to compile Financial Statements using a Special Purpose Framework.
- Example 3: Member in Public Practice's report for an Engagement to compile Financial Statements using a Special Purpose Framework with an additional paragraph that draws attention to the basis of accounting.

Compilation Engagements for financial information prepared for a special purpose where use or distribution of the financial information is restricted to the intended users

- Example 4: Member in Public Practice's report for an Engagement to compile Special Purpose Financial Statements using the basis of accounting specified in a contract.
- Example 5: Member in Public Practice's report for an Engagement to compile Special Purpose Financial Statements using a basis of accounting selected by the management of a Client for financial information required for management's own purposes.
- Example 6: Member in Public Practice's report for an Engagement to compile Special Purpose Financial Statements for regulatory compliance purposes.

Example 1: Example Compilation Report on an Engagement to compile General Purpose Financial Statements.

COMPILATION REPORT TO [name of entity] ('the Client')

We have compiled the accompanying general purpose financial statements of [name of entity], which comprise the statement of financial position as at [30 June 20XX], the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of **material/significant** accounting policies and other explanatory notes. These have been prepared in accordance with Australian Accounting Standards.⁸

The Responsibility of [Those Charged with Governance]

[Those Charged with Governance] of [name of entity] are solely responsible for the information contained in the general purpose financial statements and the reliability, accuracy and completeness of the information.

Our Responsibility

On the basis of information provided by [Those Charged with Governance] we have compiled the accompanying general purpose financial statements in accordance with the *(financial reporting framework/basis of accounting)* and APES 315 *Compilation of Financial Information*.

We have applied our expertise in accounting and financial reporting to compile these financial statements in accordance with Australian Accounting Standards.¹¹⁴ We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion⁹ on these financial statements.

The general purpose financial statements were compiled for the benefit of [Those Charged with Governance] who are responsible for the reliability, accuracy and completeness of the information used to compile them. We do not accept responsibility for the contents of the general purpose financial statements.

Independence (if required)

We are not independent of [name of entity] because [reasons why not independent, for example, the **Member** is a close relative of a director or proprietor of the entity].

Address [Member or Firm]

Date

⁸. Alternatively identify the fair presentation framework that has been adopted for the preparation of the **General Purpose Financial Statements**, for example, IFRS.

⁹. Refer to **AUASB** standards for the issuance of audit opinions and review conclusions.

Example 2: Example Compilation Report on an Engagement to compile Special Purpose Financial Statements.

COMPILATION REPORT TO [name of entity] ('the Client')

We have compiled the accompanying special purpose financial statements of [name of entity], which comprise the [statement of financial position] as at [30 June 20XX], the [statement of profit or loss and other comprehensive income], [statement of changes in equity] and [statement of cash flows] for the year then ended, a [summary of **material/significant** accounting policies] and [other explanatory notes]. The specific purpose for which the special purpose financial statements have been prepared is set out in Note [...].

The Responsibility of [Those Charged with Governance]

[Those Charged with Governance] of [name of entity] are solely responsible for the information contained in the special purpose financial statements, the reliability, accuracy and completeness of the information and for the determination that the [financial reporting framework/basis of accounting] used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by [Those Charged with Governance] we have compiled the accompanying special purpose financial statements in accordance with the (financial reporting framework/basis of accounting) as described in Note 1 to the financial statements and APES 315 *Compilation of Financial Information*.

We have applied our expertise in accounting and financial reporting to compile these financial statements in accordance with the [financial reporting framework/basis of accounting] described in Note 1 to the financial statements. We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion¹⁰ on these financial statements.

The special purpose financial statements were compiled exclusively for the benefit of [Those Charged with Governance] who are responsible for the reliability, accuracy and completeness of the information used to compile them. Accordingly, these special purpose financial statements may not be suitable for other purposes. We do not accept responsibility for the contents of the special purpose financial statements.

Independence (if required)

We are not independent of [name of entity] because [reasons why not independent, for example, the **Member** is a close relative of a director or proprietor of the entity].

Address [Member or Firm]

Date

¹⁰ Refer to AUASB standards for the issuance of audit opinions and review conclusions.

Example 3: Example Compilation Report on an Engagement to compile Special Purpose Financial Statements with an additional paragraph that draws attention to the basis of accounting.

COMPILATION REPORT TO [name of entity] ('the Client')

We have compiled the accompanying special purpose financial statements of [name of entity], which comprise the statement of financial position as at [30 June 20XX], the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of **materially significant** accounting policies and other explanatory notes. These have been prepared in accordance with the [*the financial reporting framework/basis of accounting*] described in Note 1 to the financial statements. The specific purpose for which the special purpose financial statements have been prepared is set out in Note [...].

The Responsibility of [Those Charged with Governance]

[Those Charged with Governance] of [name of entity] are solely responsible for the information contained in the special purpose financial statements, the reliability, accuracy and completeness of the information and for the determination that the [*financial reporting framework/basis of accounting*] used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by [Those Charged with Governance] we have compiled the accompanying special purpose financial statements in accordance with the [*financial reporting framework/basis of accounting*] and APES 315 *Compilation of Financial Information*.

We have applied our expertise in accounting and financial reporting to compile these financial statements in accordance with the [*financial reporting framework/basis of accounting*] described in Note 1 to the financial statements. We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion¹¹ on these financial statements.

The special purpose financial statements were compiled exclusively for the benefit of [Those Charged with Governance] who are responsible for the reliability, accuracy and completeness of the information used to compile them. Accordingly, these special purpose financial statements may not be suitable for other purposes. We do not accept responsibility for the contents of the special purpose financial statements.

Note Regarding Basis of Accounting

We draw attention to Note [XX] to the financial statements. [Those Charged with Governance] of [name of entity] have determined not to (e.g. capitalise leases in accordance with Australian Accounting Standard AASB 16 *Leases*).

Address [Member or Firm]

Date

¹¹ Refer to AUASB standards for the issuance of audit opinions and review conclusions.

Example 4: Example Compilation Report on an Engagement to compile Special Purpose Financial Statements using the basis of accounting specified in a contract.

COMPILATION REPORT TO [name of entity] ('the Client')

We have compiled the accompanying financial statements of [name of entity] based on information provided by the management of [name of entity] ('management'). These financial statements comprise [name all the elements of the financial statements prepared under the basis of accounting specified in the contract and the period/date to which they relate].

The Responsibility of [Those Charged with Governance]

[Those Charged with Governance] of [name of entity] are solely responsible for the information contained in the special purpose financial statements, the reliability, accuracy and completeness of the information and for the determination that the [financial reporting framework/basis of accounting] used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by [Those Charged with Governance] we have compiled the accompanying special purpose financial statements in accordance with the [financial reporting framework/basis of accounting] and APES 315 *Compilation of Financial Information*.

We have applied our professional expertise in accounting and financial reporting to assist management in the preparation and presentation of these financial statements on the basis of accounting described in Note 1 to the financial statements. We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

These financial statements and the reliability, accuracy and completeness of the information used to compile them are management's responsibility.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion¹² on these financial statements.

As stated in Note 1, the financial statements are prepared and presented on the basis described in clause [Z] of the provisions of the [name of entity]'s contract with [XYZ Limited] dated [insert date of the relevant contract/agreement] ('the Contract'), and for the purpose described in Note [Y] to the financial statements. Accordingly, these financial statements are intended for use only by the parties specified in the Contract and may not be suitable for other purposes.

Our compilation report is intended solely for the parties specified in the Contract and should not be distributed to other parties without our prior written consent.

Address [Member or Firm]

Date

¹² Refer to AUASB standards for the issuance of audit opinions and review conclusions.

Example 5: Example Compilation Report on an Engagement to compile Special Purpose Financial Statements using the basis of accounting specified by management of the Client for management's own purposes.

COMPILATION REPORT TO [name of entity] ('the Client')

We have compiled the accompanying financial statements of [name of entity] based on information you have provided. These financial statements comprise the [statement of financial position] as at [30 June 20XX], the [statement of profit or loss and other comprehensive income], [statement of changes in equity] and [statement of cash flows] for the year then ended, a [summary of material/significant accounting policies] and [other explanatory notes]. The specific purpose for which the special purpose financial statements have been prepared is set out in Note [...].

The Responsibility of [Those Charged with Governance]

[Those Charged with Governance] of [name of entity] are solely responsible for the information contained in the special purpose financial statements, the reliability, accuracy and completeness of the information and for the determination that the [financial reporting framework/basis of accounting] used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by [Those Charged with Governance] we have compiled the accompanying special purpose financial statements in accordance with the [financial reporting framework/basis of accounting] and APES 315 *Compilation of Financial Information*.

We have applied our professional expertise in accounting and financial reporting to assist management in the preparation and presentation of these financial statements on the basis of accounting described in Note 1 to the financial statements. We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

These financial statements and the reliability, accuracy and completeness of the information used to compile them are management's responsibility.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion¹³ on these financial statements.

Note [X] states the basis on which these financial statements are prepared, and their purpose is described in Note [Y]. Accordingly, these financial statements are for your use only and may not be suitable for other purposes.

Our compilation report is intended solely for your use in your capacity as management of [name of entity] and should not be distributed to other parties without our prior written consent.

Address [Member or Firm]

Date

¹³ Refer to AUASB standards for the issuance of audit opinions and review conclusions.

Example 6: Example Compilation Report on an Engagement to compile Special Purpose Financial Statements for regulatory compliance purposes.

COMPILATION REPORT TO [name of entity] ('the Client')

We have compiled the accompanying schedule of [*identify the compiled financial information*] of [name of entity] as at [30 June 20XX] ('the Schedule') based on information you have provided.

The Responsibility of [Those Charged with Governance]

[Those Charged with Governance] of [name of entity] are solely responsible for the information contained in the special purpose financial statements, the reliability, accuracy and completeness of the information and for the determination that the [*financial reporting framework/basis of accounting*] used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

This Schedule and the reliability, accuracy and completeness of the information used to compile it are your responsibility.

Our Responsibility

On the basis of information provided by [Those Charged with Governance] we have compiled the accompanying special purpose financial statements in accordance with the (*financial reporting framework/basis of accounting*) and APES 315 *Compilation of Financial Information*.

We have applied our professional expertise in accounting and financial reporting to assist management in the preparation and presentation of these financial statements on the basis of accounting described in Note 1 to the financial statements. We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information you provided to us to compile the Schedule. Accordingly, we do not express an audit opinion or a review conclusion¹⁴ on whether the Schedule is prepared in accordance with [*insert name of or reference to Applicable Financial Reporting Framework as specified in the relevant regulation*].

As stated in Note [X], the Schedule is prepared and presented on the basis prescribed by [*insert name of or reference to the Applicable Financial Reporting Framework as specified in the relevant regulation*], for the purpose of [name of entity]'s compliance with [insert name of or reference to the relevant regulation]. Accordingly, the Schedule is for use only in connection with that purpose and may not be suitable for any other purpose.

Our compilation report is intended solely for the use of [name of entity] and [name of regulator] and should not be distributed to parties other than [name of entity] or [name of regulator] without our prior written consent.

Address [Member or Firm]

Date

¹⁴ Refer to AUASB standards for the issuance of audit opinions and review conclusions.

Appendix 5 – Example of an Accountant’s Report Disclaimer

The following is an example Accountant’s Report Disclaimer that illustrates the relevant requirements and guidance contained in this Standard. This Accountant’s Report Disclaimer is not authoritative and is intended to be a guide of what may be included. It will need to be adapted according to the requirements and circumstances of individual Compilation Engagement. It is drafted to refer to the compilation for an excluded activity being Special Purpose Financial Statements to be used as the basis to complete an income tax return. It may be appropriate to seek legal advice that any proposed Accountant’s Report Disclaimer is suitable.

Example Accountant’s Report Disclaimer on an excluded activity to prepare Special Purpose Financial Statements used as a basis to complete an income tax return.

ACCOUNTANT’S REPORT DISCLAIMER

Purpose and Scope

The attached unaudited special purpose financial statements of [name of entity], for the year ended [30 June 20XX], have been prepared for [Those Charged with Governance] solely for the purpose of the preparation of the entity’s income tax return and have not been prepared for use by third parties or any other purpose.

Responsibility of [Those Charged with Governance]

[Those Charged with Governance] of the entity are solely responsible for the information contained in the unaudited special purpose financial statements.

Our Procedures

The unaudited special purpose financial statements have been prepared in accordance with historical transactions provided to us by [Those Charged with Governance].

We have not conducted an audit or review in respect of this engagement. Accordingly, no opinion is expressed in respect of the accuracy or otherwise of the unaudited special purpose financial statements.

Disclaimer

The unaudited special purpose financial statements were prepared exclusively for the entity to use as a basis to complete its income tax return. We do not accept responsibility to any person for the contents of the unaudited special purpose financial statements.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than our client, may suffer arising from any negligence on our part. No person should rely on the unaudited special purpose financial statements without having an audit or review conducted.

Address [Member or Firm]

Date

Appendix 6 – Summary of revisions to the previous APES 315 (Issued in ~~December~~ March 2019)

APES 315 *Compilation of Financial Information* was originally issued in July 2008 and revised in November 2009, February 2015, ~~and~~ March 2017 and December 2019 (extant APES 315). APES 315 has been revised by APESB in ~~XXX~~ December 20~~X~~19. A summary of the revisions is given in the table below.

Table of revisions*

Paragraph affected	How affected
1.1	Amended
1.2	Amended
2 – Definition of APES 320	Added
2 – Definition of ASQM 1	Added
2 – Definition of Assurance Engagement	Amended
2 – Definition of Assurance Practice	Added
2 – Definition of Financial Statements	Amended
2 – Definition of Special Purpose Financial Statements	Amended
5.3	Amended
7.4	Amended
8.1	Amended
8.4	Amended
11.6	Amended
12.6	Amended
Conformity with International Pronouncements	Amended
Appendix 3	Amended
Appendix 4	Amended
Appendix 5	Amended

* Refer *Technical Update 20*~~X~~19/~~XX~~12

APES 325 Risk Management for Firms

[Supersedes APES 325 Risk Management for Firms issued ~~September~~December 2019]

REVISED: ~~XXX~~September 202X19

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1. Scope and application

- 1.1 The objectives of APES 325 *Risk Management for Firms* are to specify the mandatory obligations of a **Firm** to:
- establish and maintain a **Risk Management Framework** in order to identify, assess and manage key organisational **Risks**;
 - monitor the **Firm's Risk Management Framework** on an ongoing basis; and
 - document the **Firm's Risk Management Framework** and to communicate its **Risk Management** policies and procedures to its **Personnel**.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 325 *Risk Management for Firms* (**the Standard**). A **Risk Management Framework** in compliance with this Standard was required to be established by **Firms** by 1 January 2013. This Standard supersedes APES 325 issued in ~~September 2019~~ **December 2017**, and **Firms** are required to incorporate appropriate amendments to their **Risk Management Frameworks** by 1 ~~January-April 2023~~ **30**. Earlier adoption of this Standard is permitted.
- 1.3 APES 325 sets the standards for **Members in Public Practice** to establish and maintain a **Risk Management Framework** in their **Firms** in respect of the provision of quality and ethical **Professional Services**. **Members** have a responsibility, whether as owner, **Partner** or employee, to ensure that the **Firm** implements the requirements of the Standard. The level of responsibility will depend on the position held by each **Member** in the **Firm**, but as a minimum all **Members** should participate in the **Firm** achieving the objectives of the Standard. The Standard identifies the **Firm** as the overarching entity which must implement the requirements of the Standard, but it is the **Firm's Members in Public Practice** who have responsibility to ensure this occurs.
- 1.4 The mandatory requirements of this Standard are in **bold-type**, preceded or followed by discussion or explanations in normal type. APES 325 should be read in conjunction with other professional duties of **Members in Public Practice**, and any legal obligations that may apply.
- 1.5 **Members in Public Practice conducting the operations of a Firm in Australia shall follow the mandatory requirements of APES 325.**
- 1.6 **Members in Public Practice conducting the operations of a Firm outside Australia shall follow the provisions of APES 325 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.**
- 1.7 **Members in Public Practice shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.**
- 1.8 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.9 All references to **Professional Standards**, guidance notes and legislation are references to those provisions as amended from time to time.
- 1.10 In applying the requirements outlined in APES 325, **Members in Public Practice** should be guided not merely by the words but also by the spirit of this Standard and the **Code**.
- 1.11 In this Standard, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.

2. Definitions

Defined terms are shown in the body of the Standard in title case.

For the purpose of this Standard:

Assurance Practice means the assurance division or section of a Firm, encompassing every assurance engagement and agreed-upon procedures Engagement¹ conducted by the Firm, whether or not required to be conducted by a Registered Company Auditor and whether or not conducted by an individual auditor, an audit Firm or an audit company.

Client means an individual, firm, entity or organisation to whom or to which Professional Activities are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature.

Code means APES 110 Code of Ethics for Professional Accountants (including Independence Standards).

Engagement means an agreement, whether written or otherwise, between a Member in Public Practice and a Client relating to the provision of Professional Services by a Member in Public Practice. However, consultations with a prospective Client prior to such agreement are not part of an Engagement.

Firm means:

- (a) A sole practitioner, partnership, corporation or other entity of professional accountants;
- (b) An entity that controls such parties, through ownership, management or other means;
- (c) An entity controlled by such parties, through ownership, management or other means; or
- (d) An Auditor-General's office or department.

Member means a member of a Professional Body that has adopted this Standard as applicable to their membership, as defined by that Professional Body.

Member in Public Practice means a Member, irrespective of functional classification (for example, audit, tax or consulting) in a Firm that provides Professional Services. This term is also used to refer to a Firm of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable Professional Body.

Monitoring means a process comprising ongoing consideration and evaluation of the Firm's Risk Management Framework designed to provide reasonable confidence that the Firm's Risk Management Framework is operating effectively.

Network means a larger structure:

- (a) That is aimed at cooperation; and
- (b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality ~~management~~ control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.

Partner means any individual with authority to bind the Firm with respect to the performance of a Professional Services Engagement.

Personnel means Partners and Staff.

¹ As described in ASRS 4400 Agreed-Upon Procedures Engagements.

Professional Activity means an activity requiring accountancy or related skills undertaken by a **Member**, including accounting, auditing, tax, management consulting, and financial management.

Professional Bodies means Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.

Professional Services means **Professional Activities** performed for **Clients**.

Professional Standards means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable **Professional Body**.

Risk means the effect of uncertainty on objectives.

Risk Management means co-ordinated activities undertaken by a **Firm**, to direct and control the activities of the **Firm** with regard to **Risk**.

Risk Management Framework means the foundations² and organisational arrangements³ for designing, implementing, **Monitoring**, reviewing and continually improving **Risk Management** throughout the **Firm**.

Staff means professionals, other than **Partners**, including any experts the **Firm** engages.

3. Objectives of a Risk Management Framework

3.1 An effective **Risk Management Framework** should assist a **Firm** to meet its overarching public interest obligations as well as its business objectives by:

- (a) Facilitating business continuity;
- (b) Enabling quality and ethical **Professional Services** to be provided to **Clients**; and
- (c) Protecting the reputation and credibility of the **Firm**.

3.2 The **Risk Management Framework** should consist of policies designed to achieve the objectives set out in paragraph 3.1 and procedures necessary to implement and monitor compliance with those policies. The **Risk Management Framework** should be an integral part of the **Firm's** overall strategic and operational policies and procedures and should take account of the **Firm's** **Risk** appetite.

3.3 A **Firm's** that provides non-assurance services is required to develop quality management control policies and procedures, developed in accordance with APES 320 *Quality Management Control for Firms that provide Non-Assurance Services* (APES 320). Assurance Practices within Firms are required by ASQM 1⁴ to design and implement responses, which are policies or procedures to address one or more quality risk(s).⁵ Quality management policies and procedures or responses developed in accordance with APES 320 or ASQM 1 respectively, should be embedded within the **Risk Management Framework**. This will facilitate a **Firm** complying with this Standard and where applicable, APES 320 or ASQM 1, or APES 320 and ASQM 1, and ensure consistency within the **Firm's** policies and procedures.

3.4 The requirements of the Standard are designed to enable a **Firm** to achieve the objectives stated in paragraph 3.1. The proper application of the requirements is therefore expected to provide a

² The foundations include the policies, objectives, mandate and commitment to manage **Risk**.

³ The organisational arrangements include plans, relationships, accountabilities, resources, processes and activities.

⁴ Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* issued by the Auditing and Assurance Standards Board.

⁵ Refer paragraph 1.10 and Appendix 1 of APES 320 which explain the scope of APES 320 and ASQM 1.

sufficient basis for the achievement of the objectives. However, because circumstances vary widely and all such circumstances cannot be anticipated, the Firm should consider whether there are particular matters or circumstances that require the Firm to establish policies and procedures in addition to those required by this Standard to meet the stated objectives.

4. Establishing and maintaining a Risk Management Framework for a Firm

4.1 A Firm shall establish and maintain a Risk Management Framework taking into consideration its public interest obligations. The Firm shall periodically evaluate the design and effectiveness of the Risk Management Framework.

4.2 The Firm's Risk Management Framework shall include policies and procedures that identify, assess and manage key organisational Risks, which may include:

- (a) Governance Risks;**
- (b) Business continuity Risks (including succession planning);**
- (c) Business Risks;**
- (d) Financial Risks;**
- (e) Regulatory Risks;**
- (f) Technology Risks (including cyber security);**
- (g) Human resources Risks; and**
- (h) Stakeholder Risks.**

Additional Risks specific to the Firm can be identified through the use of other relevant standards or guidance. Firms shall comply with Section 360 *Responding to Non-Compliance with Laws and Regulations* of the Code.

4.3 The nature and extent of the policies and procedures developed by a Firm to comply with this Standard will depend on various factors such as the size and operating characteristics of the Firm and whether it is part of a Network.

4.4 The Firm's chief executive officer (or equivalent) or the Firm's managing Partner (or equivalent) or, if appropriate, the Firm's managing board of Partners (or equivalent), shall take ultimate responsibility for the Firm's Risk Management Framework.

4.5 The Firm's leadership and the examples it sets significantly influence the culture of the Firm. The adoption of an appropriate culture by a Firm is dependent on clear, consistent and frequent actions and messages from all levels within the Firm that emphasise the Firm's Risk Management policies and procedures.

4.6 A Firm shall ensure that the Personnel assigned responsibility for establishing and maintaining its Risk Management Framework in accordance with this Standard have the necessary skills, experience, commitment and authority.

4.7 Firms may refer to the following documents for guidance:

- *AS ISO 31000:2018 Risk Management – Guidelines* which provides useful guidance to develop a framework for Risk Management; and
- For sole practitioners and small Firms, Module 7: Risk Management and Module 8: Succession Planning in the *Guide to Practice Management for Small- and Medium-Sized Practices* issued by the Small and Medium Practices Committee of the International Federation of Accountants.

5. Monitoring a Firm's Risk Management policies and procedures

- 5.1 A Firm shall establish a **Monitoring** process designed to provide reasonable confidence that the **Risk Management** policies and procedures relating to the **Risk Management Framework** are relevant, adequate and operating effectively, and that instances of non-compliance with the **Firm's Risk Management** policies and procedures are detected.
- 5.2 A Firm shall establish a process whereby instances of non-compliance with the **Firm's Risk Management** policies and procedures are brought to the attention of the **Firm's leadership** who shall take appropriate corrective action.
- 5.3 A Firm's **Monitoring** process should include the requirements for the Firm:
- (a) to undertake a review of the **Firm's Risk Management Framework** on a regular basis; and
 - (b) to designate from within the **Firm's** leadership a person or persons with sufficient and appropriate experience and authority, the responsibility for ensuring that such regular reviews of the **Firm's Risk Management Framework** occurs.

6. Documentation

- 6.1 A Firm shall document its **Risk Management Framework**.
- 6.2 The form and content of documentation of the **Risk Management Framework** for a Firm is a matter of judgement and depends on a number of factors, including:
- the number of **Personnel** and offices of the Firm; and
 - the nature and complexity of the Firm's practice and the **Professional Services** provided.
- 6.3 A Firm shall document its **Risk Management** policies and procedures and communicate them to the **Firm's Personnel**.
- 6.4 Communication of **Risk Management** policies and procedures to a Firm's **Personnel** should include a description of the policies and procedures, the objectives they are designed to achieve, and a message that each individual has a personal responsibility for **Risk Management** and is required to comply with the policies and procedures. In recognition of the importance of obtaining feedback on the **Firm's Risk Management Framework** and policies and procedures, the **Firm's Personnel** should be encouraged to communicate their views and concerns on **Risk Management** matters.
- 6.5 The documentation of a **Firm's Risk Management Framework** should include:
- procedures for identifying potential **Risks**;
 - the **Firm's Risk** appetite;
 - **Risks** identified;
 - procedures for assessing and managing **Risks**;
 - treatment of identified **Risks**;
 - documentation processes;
 - procedures for dealing with non-compliance;
 - training of **Staff** in relation to **Risk Management**; and
 - procedures for regularly reviewing the **Risk Management Framework**.

- 6.6 A Firm shall document its succession plan as part of its Risk Management Framework.**
- 6.7 The succession plan should include specific actions that a Firm will undertake in order to enable the Firm to continue performing its professional obligations to its Clients.
- 6.8 A Firm shall retain all relevant documentation for a sufficient time to permit those performing the Firm's Monitoring process to evaluate its compliance with its Risk Management Framework and to comply with applicable legal or regulatory requirements for record retention.**
- 6.9 A Firm shall document all instances of non-compliance with the Firm's Risk Management policies and procedures detected through its Monitoring process and the actions taken by the Firm's leadership in respect of those instances of non-compliance.**

Conformity with International Pronouncements

The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES 325.

Appendix 1 – Summary of revisions to the previous APES 325 (Issued in ~~September~~December 2019)

APES 325 *Risk Management for Firms* originally was issued in December 2011 and revised in October 2015, ~~and~~ December 2017 and September 2019. APES 325 has been revised by APESB in ~~XX~~September 202X~~19~~. A summary of the revisions is given in the table below.

Table of revisions*

Paragraph affected	How affected
1.2	Amended
2 – Definition of Assurance Practice	Added
2 – Definition of Network	Amended
3.3	Amended
4.4	Amended

* Refer Technical Update 202X~~19~~/XX~~7~~

APES 345 Reporting on Prospective Financial Information prepared in connection with a Public Document

[Supersedes APES 345 Reporting on Prospective Financial Information prepared in connection with a Public Document issued in ~~November~~October 201~~2~~1~~2~~]

REVISED: ~~XXX~~November 20~~2~~X~~1~~9

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1. Scope and application

- 1.1 The objectives of APES 345 *Reporting on Prospective Financial Information prepared in connection with a Public Document* are to specify a **Member in Public Practice's** professional and ethical obligations in respect of:
- fundamental responsibilities of the **Member** who performs a **Reporting Service Engagement**;
 - compliance with applicable **Independence** requirements;
 - consideration of relationships and the provision of other **Professional Services** that create threats to the **Member's** ability to comply with the fundamental principles;
 - reporting and documentation;
 - communication with **Those Charged with Governance**; and
 - the impact of any litigation between the **Client** or its related entities and the **Firm**.
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 345 *Reporting on Prospective Financial Information prepared in connection with a Public Document (the Standard)*, which is effective for **Engagements** commencing on or after 1 ~~April~~~~January~~ 2023~~0~~ and supersedes APES 345 issued in ~~November 2019~~~~October 2015~~. Earlier adoption of this Standard is permitted.
- 1.3 APES 345 sets the standards for **Members in Public Practice** in the provision of quality and ethical **Professional Services** in respect of **Reporting Service Engagements**. The mandatory requirements of this Standard are in **bold-type**, preceded or followed by discussion or explanations in normal type. APES 345 should be read in conjunction with other professional duties of **Members**, and any legal obligations that may apply.
- 1.4 **Members in Public Practice in Australia shall follow the mandatory requirements of APES 345 when they undertake Reporting Service Engagements for Clients.**
- 1.5 **Members in Public Practice practising outside of Australia shall follow the mandatory requirements of APES 345 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.**
- 1.6 The compilation of **Prospective Financial Information** does not, in itself, constitute a **Reporting Service Engagement**. APES 315 *Compilation of Financial Information* applies in these circumstances.
- 1.7 **Members in Public Practice shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.**
- 1.8 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.9 All references to **Professional Standards**, guidance notes and legislation are references to those provisions as amended from time to time.
- 1.10 In applying the requirements outlined in APES 345, **Members in Public Practice** should be guided not merely by the words but also by the spirit of this Standard and the **Code**.
- 1.11 In this Standard, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.

2. Definitions

Defined terms are shown in the body of the Standard in title case.

For the purpose of this Standard:

Acceptable Level means a level at which a **Member in Public Practice** using the reasonable and informed third party test would likely conclude that the **Member** complies with the fundamental principles.

APES 320 means [APES 320 Quality Management for Firms that provide Non-Assurance Services issued by Accounting Professional & Ethical Standards Board Limited.](#)

ASQM 1 means [Auditing Standard ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements issued by the AUASB.](#)

Assurance Engagement means an **Engagement** in which a **Member in Public Practice** aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria).

This includes an **Engagement** in accordance with the *Framework for Assurance Engagements* issued by the **AUASB** or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.

(For guidance on Assurance Engagements, see the *Framework for Assurance Engagements* issued by the **AUASB**. The *Framework for Assurance Engagements* describes the elements and objectives of an Assurance Engagement and identifies **Engagements** to which *Australian Auditing Standards* (ASAs), *Standards on Review Engagements* (ASREs) and *Standards on Assurance Engagements* (ASAEs) apply.)

AUASB means the Australian statutory body called the Auditing and Assurance Standards Board established under section 227A of the *Australian Securities and Investments Commission Act 2001*.

Client means an individual, firm, entity or organisation to whom or to which **Professional Activities** are provided by a **Member in Public Practice** in respect of **Engagements** of either a recurring or demand nature.

Code means APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Contingent Fee means a fee calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the **Firm**. A fee that is established by a court or other public authority is not a Contingent Fee.

Disclosure Document means a disclosure document as defined in the *Corporations Act 2001*.

Engagement means an agreement, whether written or otherwise, between a **Member in Public Practice** and a **Client** relating to the provision of **Professional Services** by a **Member in Public Practice**. However, consultations with a prospective **Client** prior to such agreement are not part of an Engagement.

Engagement Document means the document (i.e. letter, agreement or any other appropriate means) in which the **Terms of Engagement** are specified in **Writing**.

Engagement Partner means the **Partner** or other person in the **Firm** who is responsible for the **Engagement** and its performance, and for the report that is issued on behalf of the **Firm**, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

Engagement Period starts when the Firm accepts the Reporting Service Engagement and ends on the day the securities are allotted.

Engagement Team means all Partners and staff performing the Engagement, and any other individuals engaged by the Firm or a Network Firm who perform procedures on the Engagement. ~~This excludes an External Expert engaged by the Firm or by a Network Firm.~~

Engagement Teams include any other individuals who perform procedures on the Engagement who are from a Network Firm or a service provider.

External Expert means an individual (who is not a Partner or a member of the professional staff, including temporary staff, of the Firm or a Network Firm) or organisation possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the Member in obtaining sufficient appropriate evidence.

Financial Interest means an interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.

Firm means:

- (a) A sole practitioner, partnership, corporation or other entity of professional accountants;
- (b) An entity that controls such parties, through ownership, management or other means;
- (c) An entity controlled by such parties, through ownership, management or other means; or
- (d) An Auditor-General's office or department.

Independence comprises:

- (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.
- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a Firm's, or an Engagement Team member's, integrity, objectivity or professional scepticism has been compromised.

Member means a member of a Professional Body that has adopted this Standard as applicable to their membership, as defined by that Professional Body.

Member in Public Practice means a Member, irrespective of functional classification (for example, audit, tax or consulting) in a Firm that provides Professional Services. This term is also used to refer to a Firm of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable Professional Body.

Network means a larger structure:

- (a) That is aimed at cooperation; and
- (b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality ~~management~~ control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.

Network Firm means a Firm or entity that belongs to a Network.

Partner means any individual with authority to bind the Firm with respect to the performance of an Professional Services Engagement.

Product Disclosure Statement means a statement as defined in Chapter 7 of the *Corporations Act 2001*.

Professional Activity means an activity requiring accountancy or related skills undertaken by a [Member](#), including accounting, auditing, tax, management consulting, and financial management.

Professional Bodies means Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.

Professional Services means [Professional Activities](#) performed for [Clients](#).

Professional Standards means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable [Professional Body](#).

Prospective Financial Information means financial information of a predictive character based on assumptions about events that may occur in the future and on possible actions by an entity.

Prospectus means a prospectus as defined in the *Corporations Act 2001*.

Public Document means a [Disclosure Document](#), [Product Disclosure Statement](#) or other documentation provided to shareholders, unit holders or holders of a relevant interest in an entity (or which is provided to management of an entity) in relation to a scheme of arrangement under Part 5.1 of the *Corporations Act 2001* or a takeover or compulsory acquisition under Chapter 6 of the *Corporations Act 2001*.

Reporting Service Engagement means an [Engagement](#) in which a [Member in Public Practice](#) prepares a report on or in connection with [Prospective Financial Information](#) where such [Prospective Financial Information](#) or part thereof and the related report are included in a [Public Document](#).

Terms of Engagement means the terms and conditions that are agreed between the [Client](#) and the [Member in Public Practice](#) for the [Engagement](#).

Those Charged with Governance means the person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, Those Charged with Governance might include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

Writing means a mode of representing or reproducing words in a visible form and includes words in an electronic format capable of being converted to printed text.

3. Fundamental responsibilities of Members in Public Practice

3.1 **A [Member in Public Practice](#) undertaking a [Reporting Service Engagement](#) shall comply with Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* of the [Code](#) and relevant laws and regulations.**

3.2 **[Members in Public Practice](#) shall comply with Section 310 *Conflicts of Interest* of the [Code](#).**

Public interest

- 3.3 In accordance with Section 100 *Complying with the Code* of the Code, a Member in Public Practice shall observe and comply with the Member's public interest obligations when providing a Professional Service in respect of a Reporting Service Engagement.

Professional Independence

- 3.4 When a Member in Public Practice is engaged to perform a Reporting Service Engagement which requires Independence or purports to be independent, the Member shall comply with Independence as defined in this Standard.
- 3.5 A Member in Public Practice shall consider whether the circumstances of the Reporting Service Engagement make the Engagement an Assurance Engagement under the Framework for Assurance Engagements issued by the AUASB.
- 3.6 Where a Reporting Service Engagement is an Assurance Engagement, the Member in Public Practice shall comply with Part 4A *Independence for Audit and Review Engagements* or Part 4B *Independence for Assurance Engagements Other than Audit and Review Engagements* of the Code, as applicable.
- 3.7 A Member in Public Practice shall not act as an advocate in respect of a Reporting Service Engagement which requires Independence or purports to be independent.

Professional competence and due care

- 3.8 A Member in Public Practice performing a Reporting Service Engagement shall maintain professional competence and take due care in the performance of the Member's work in accordance with Subsection 113 *Professional Competence and Due Care* of the Code.
- 3.9 Where a Reporting Service Engagement requires the consideration of matters that are outside the professional expertise of the Member in Public Practice, the Member shall seek expert assistance or advice from a suitably qualified third party or decline the Reporting Service Engagement. Where the Member relies upon the advice of a third party, the Member shall disclose in the Member's report the name and qualifications of the third party and the area in the report where the third party advice has been obtained.
- 3.10 When planning to use the work of a suitably qualified third party, a Member in Public Practice shall assess the professional competence and objectivity of the third party, the engagement terms of the third party, and on completion the appropriateness and adequacy of the work performed.
- 3.11 In undertaking a Reporting Service Engagement, a Member in Public Practice should consider any guidance in respect of such services issued by the Professional Bodies and appropriate regulatory authorities.

Confidentiality

- 3.12 A Member in Public Practice who acquires confidential information in the course of performing a Reporting Service Engagement for a Client shall comply with Subsection 114 *Confidentiality* of the Code.

3.13 Unless a Member in Public Practice has a legal, regulatory or professional duty or right to obligation of disclosure, the Member shall not convey any information relating to a Client's affairs to a third party without the Client's permission.

3.14 Where a Client has given a Member in Public Practice permission to disclose confidential information to a third party, it is preferable that this permission is in Writing. Where oral permission is obtained, a contemporaneous note should be made and kept on file by the Member recording the relevant details of the Client's approval.

3.15 Where a Member in Public Practice provides confidential information in accordance with a legal, regulatory or professional duty or right to obligation of disclosure, the Member shall consider whether it is appropriate to inform the Client or the relevant third party, either before disclosing the confidential information, or as soon as practicable thereafter, provided that there is no legal prohibition against such notification.

4. Professional Engagement and other matters

4.1 A Member in Public Practice shall document and communicate the Terms of Engagement to provide the Reporting Service Engagement to a Client in an Engagement Document in accordance with APES 305 Terms of Engagement.

4.2 A Member in Public Practice who is approached by a potential Client to undertake a Reporting Service Engagement shall comply with the requirements of Section 320 Professional Appointments of the Code.

4.3 A Member in Public Practice who utilises the services of a suitably qualified third party in connection with the performance of a Reporting Service Engagement shall not disclose the opinion or the name of the third party without the prior consent of that party unless the Member has a legal obligation of disclosure.

4.4 A Member in Public Practice shall gather sufficient and appropriate evidence by such means as inspection, inquiry, computation and analysis to ensure that the conclusions, for which the Member is responsible, are properly supported. When determining the extent and quality of evidence necessary, the Member shall exercise professional judgement, considering the nature of the Reporting Service Engagement, the Terms of Engagement and the use to which the Public Document will be put.

5. Relationships that create threats to the fundamental principles

5.1 This section describes specific circumstances arising out of relationships with the Client, which may create threats to the fundamental principles in the Code. Consideration should always be given to what a reasonable and informed third party¹ would reasonably conclude to be unacceptable. In situations where threats are not at an Acceptable Level, the only possible actions are to eliminate the circumstances, including interests or relationships that are creating the threat, apply safeguards, where available and capable of being applied, or refuse to accept or continue the Reporting Service Engagement.

5.2 Threats to the fundamental principles may be created by any of the following interests or relationships:

- Financial Interests;
- Loans and guarantees;

¹ The term 'reasonable and informed third party' is explained in paragraph 120.5 A64 of the Code.

- Close business relationships with the **Client**;
- Employment relationships with the **Client**; or
- Family and personal relationships.

6. The provision of other Professional Services

6.1 Where a **Member in Public Practice** is providing a **Reporting Service Engagement** to a **Client**, the provision of other **Professional Services** by the **Member** to the **Client** may create threats to compliance with the fundamental principles in the **Code**.

In this Standard “other **Professional Services**” comprise any **Engagement** in which a **Member** provides **Professional Services** to a **Client** other than pursuant to a **Reporting Service Engagement**.

6.2 **Prior to accepting an Engagement to provide other Professional Services, the Member in Public Practice shall consider and evaluate whether any threats to compliance with the fundamental principles in the Code are created. If the threats identified are not at an Acceptable Level, the Member shall eliminate or reduce the threats to an Acceptable Level by:**

- Eliminating the circumstances, including interests or relationships, that are creating the threats;**
- Applying safeguards, where available and capable of being applied, to reduce the threats to an Acceptable Level; or**
- Declining or ending the specific Professional Activity (for example, either the Reporting Service Engagement or the other Professional Services should not be carried out).**

6.3 **A Member in Public Practice shall refuse an Engagement to provide other Professional Services in circumstances where the Engagement Partner responsible for the Reporting Service Engagement considers it probable that a reasonable and informed third party² would regard the objectives of the Engagement to provide the other Professional Service, proposed to be undertaken during the Engagement Period, as being inconsistent with the objectives of the Reporting Service Engagement.**

7. Documentation

7.1 **A Member in Public Practice shall prepare working papers in accordance with this Standard that appropriately document the work performed, including aspects of the Engagement that have been provided in Writing. The documentation prepared by the Member shall:**

- provide a sufficient and appropriate record of the procedures performed for the Reporting Service Engagement;**
- identify the source of significant information the Member has used in the conduct of the Reporting Service Engagement; and**
- demonstrate that the Reporting Service Engagement was carried out in accordance with this Standard and all other Professional Standards applicable to the Reporting Service Engagement, including:**

² The term ‘reasonable and informed third party’ is explained in paragraph 120.5 A64 of the **Code**.

- (i) policies and procedures established in accordance with APES 320–Quality Control for Firms; or
- (ii) where the Engagement is determined to be an Assurance Engagement, responses, which are policies or procedures to address one or more quality risk(s), in accordance with ASQM 1-3; and
- (iii) any applicable ethical, legal and regulatory requirements.

8. Reporting

- 8.1 A Member in Public Practice shall take all reasonable steps in accordance with the Terms of Engagement to ensure that the Prospective Financial Information that is the subject of the Reporting Service Engagement does not contain false or misleading information, or omit material information.
- 8.2 A Member in Public Practice shall take all reasonable steps in accordance with the Terms of Engagement, to ensure that the Public Document clearly states the basis(es) and key assumptions used in forecasting the Prospective Financial Information.
- 8.3 If, subsequent to the issue of a Public Document, the Member in Public Practice finds that information on which the Reporting Service Engagement is based contains false or misleading information or omits material information, the Member shall take all reasonable steps to ensure that the Client takes appropriate action to inform anyone who received the previously issued Public Document of the situation.
- 8.4 If the Member in Public Practice becomes aware that the Client has not taken appropriate action in terms of paragraph 8.3, the Member shall notify Those Charged with Governance of the Client.
- 8.5 If the Member in Public Practice becomes aware that Those Charged with Governance have not taken appropriate action in relation to the circumstances described in paragraph 8.4, the Member shall consider the Firm's policies and procedures established in accordance with Acceptance and Continuance of Client Relationships and Specific Engagements of APES 320–Quality Control for Firms, or ASQM 1 where the Engagement is determined to be an Assurance Engagement in determining whether to continue acting for the Client in a professional capacity.
- 8.6 A Member in Public Practice shall not knowingly or recklessly make a statement or cause another to make a statement in or in connection with a Reporting Service Engagement that, by its content or by an omission, is false or misleading in a material manner.
- 8.7 A Member in Public Practice who becomes aware of instances of non-compliance or suspected non-compliance with laws and regulations when providing a Reporting Service Engagement shall comply with Section 360 Responding to Non-Compliance with Laws and Regulations of the Code.

9. Communication with Those Charged with Governance

- 9.1 The Member in Public Practice shall ensure that Those Charged with Governance of the Client, and any other persons or entities the Member is instructed to advise, are appropriately informed on a timely basis of all significant matters arising from the Reporting Service Engagement.

- 9.2 Matters communicated will generally include the key elements of the **Member in Public Practice's** consideration of significant matters such as:
- The principal threats, if any, to objectivity and **Independence** identified by the **Member**, including consideration of relationships between the **Firm** and the **Client**, its related entities and directors and any other entities directly involved in the transaction which is the subject of the **Public Document**;
 - The overall assessment of threats to compliance with the fundamental principles;
 - The approach adopted in ensuring threats, if any, are at an **Acceptable Level**; and
 - Information about the general policies and processes within the **Firm** for maintaining objectivity and **Independence**.

10. Professional fees

- 10.1 A **Member in Public Practice** undertaking a **Reporting Service Engagement** shall be remunerated for such **Professional Services** by way of professional fees computed in accordance with Section 330 *Fees and Other Types of Remuneration* of the **Code**.
- 10.2 A **Member in Public Practice** shall not enter into a **Contingent Fee** arrangement or receive a **Contingent Fee** for a **Reporting Service Engagement** which requires **Independence** or which purports to be independent.

11. Threatened and actual litigation

- 11.1 Where litigation between the **Client** or its related entities and the **Firm**, which is other than insignificant, is already in progress, or where the **Member in Public Practice** considers such litigation to be probable, the **Member** shall consider the **Firm's** policies and procedures established in accordance with *Acceptance and Continuance of Client Relationships and Specific Engagements* of **APES 320–Quality Control for Firms, or ASQM 1 where the Engagement is determined to be an Assurance Engagement** in determining whether to continue acting for the **Client** in a professional capacity.

Conformity with International Pronouncements

The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES 345.

Appendix 1 – Summary of revisions to the previous APES 345 (Issued in ~~November 2015~~ October 2019)

APES 345 *Reporting on Prospective Financial Information prepared in connection with a Public Document* was originally issued in November 2008 and revised in October 2015 and November 2019 (extant APES 345). APES 345 has been revised by APESB in ~~XXX~~ November 202X¹⁹. A summary of the revisions is given in the table below.

Table of revisions*

Paragraph affected	How affected
1.2	Amended
2 – Definition of APES 320	Added
2 – Definition of ASQM 1	Added
2 – Definition of Assurance Engagement	Amended
2 – Definition of Engagement Team	Amended
2 – Definition of Network	Amended
2 – Definition of Partner	Amended
3.13	Amended
3.15	Amended
5.1	Amended
6.3	Amended
7.1	Amended
8.5	Amended
11.1	Amended

* Refer Technical Update 202X¹⁹/XX⁸

APES 350 Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document

[Supersedes APES 350 Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document revised in ~~November~~ August 201~~95~~]

REVISED: ~~XXX~~ November 20~~X~~19

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1. Scope and application

1.1 The objectives of APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* are to specify a **Member in Public Practice's** professional and ethical responsibilities when providing **Professional Services** to a **Client** which consist of participating in and/or reporting to a **Due Diligence Committee** as a **DDC Member**, **DDC Observer** or **Reporting Person** in connection with a **Public Document**, in respect of:

- fundamental responsibilities;
- the requirements to take reasonable steps to ensure that the **Members'** responsibilities specified in the **Due Diligence Planning Memorandum** are consistent with those set out in the **Engagement Document**; and
- the circumstances in which a **Due Diligence Sign-off**, a **Materiality Letter** or a **New Circumstances Statement** can be issued, the matters to be included therein and to provide guidance on the form of the reports.

A **Member in Public Practice** may provide **Professional Services** to a **Client** in connection with a **Due Diligence Committee** in the role of a:

- **DDC Member** and **Reporting Person**;
- **DDC Observer**;
- **DDC Observer** and **Reporting Person**; or
- **Reporting Person**.

These roles are defined in Section 2 and discussed in paragraph 5.1.

1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document (the Standard)*, which is effective for **Engagements** commencing on or after 1 **April 2023** and supersedes APES 350 issued in **November 2019**/**August 2015**. Earlier adoption of this Standard is permitted.

1.3 APES 350 sets the standards for **Members in Public Practice** in the provision of quality and ethical **Professional Services** to a **Client** which comprise participating in and/or reporting to a **Due Diligence Committee**, as a **DDC Member**, **DDC Observer** or **Reporting Person** in connection with a **Public Document**. The mandatory requirements of this Standard are in **bold-type**, preceded or followed by discussion or explanations in normal type. APES 350 should be read in conjunction with other professional duties of **Members**, and any legal obligations that may apply.

1.4 **Members in Public Practice** in Australia shall follow the mandatory requirements of APES 350 when they provide **Professional Services** to a **Client**, which comprise participating in and/or reporting to a **Due Diligence Committee** as a **DDC Member**, **DDC Observer** or **Reporting Person** in connection with a **Public Document** issued in Australia. Where the transaction to which the **Public Document** relates is to be undertaken in whole or in part in a jurisdiction other than Australia or where the laws and/or regulations of a jurisdiction other than Australia apply to the **Public Document**, **Members** shall follow this Standard, except to the extent that this would cause a **Member** to breach the laws and/or regulations of such other jurisdiction.

1.5 **Members in Public Practice** practising outside of Australia shall follow the mandatory requirements of APES 350 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.

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- 1.6 The Standard should be applied to the extent practicable where a **Member in Public Practice** provides **Professional Services** to a **Client** which comprise participating in and/or reporting to a **Due Diligence Committee** as a **DDC Member**, **DDC Observer** or **Reporting Person** ~~in connection with an Engagement^{TS}~~ which is not in connection with a **Public Document**.
- 1.7 A **Low Doc Offering** may be one such circumstance as described in paragraph 1.6. **Members in Public Practice** should refer to APES GN 31 *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs* for guidance in relation to **Low Doc Offering Engagements**.
- 1.8 Members in Public Practice shall comply with other applicable Professional Standards and be familiar with relevant guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.**
- 1.9 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.10 All references to **Professional Standards**, guidance notes and legislation are references to those provisions as amended from time to time.
- 1.11 In applying the requirements outlined in APES 350, **Members in Public Practice** should be guided not merely by the words but also by the spirit of this Standard and the **Code**.
- 1.12 In this Standard, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.

2. Definitions

Defined terms are shown in the body of the Standard in title case.

For the purpose of this Standard:

Acceptable Level means a level at which a **Member in Public Practice** using the reasonable and informed third party test would likely conclude that the **Member** complies with the fundamental principles.

Assurance Client means the responsible party and also, in an attestation Engagement, the party taking that is the person (or persons) who:

(a) ~~In a direct reporting Engagement, is responsible for the subject matter; or~~

(a) ~~In an assertion-based Engagement, is responsible~~ **liability** for the **Subject Matter Information** ~~(who might be the same as the and might be responsible party) for the subject matter.~~

Assurance Engagement means an **Engagement** in which a **Member in Public Practice** aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the **Subject Matter Information** ~~(that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria).~~

This includes an **Engagement** in accordance with the *Framework for Assurance Engagements* issued by the **AUASB** or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.

(For guidance on Assurance Engagements, see the *Framework for Assurance Engagements* issued by the **AUASB**. The *Framework for Assurance Engagements* describes the elements and objectives of an Assurance Engagement and identifies **Engagements** to which *Australian Auditing Standards* (ASAs), *Standards on Review Engagements* (ASREs) and *Standards on Assurance Engagements* (SAEs) apply.)

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AUASB means the Australian statutory body called the Auditing and Assurance Standards Board established under section 227A of the *Australian Securities and Investments Commission Act 2001*.

Audit Client means an entity in respect of which a **Firm** conducts an **Audit Engagement**. When the **Client** is a **Listed Entity**, Audit Client will always include its related entities. When the Audit Client is not a **Listed Entity**, Audit Client includes those related entities over which the **Client** has direct or indirect control.

Audit Engagement means a reasonable **Assurance Engagement** in which a **Member in Public Practice** expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an **Engagement** conducted in accordance with **Auditing and Assurance Standards**. This includes a statutory audit, which is an audit required by legislation or other regulation.

Auditing and Assurance Standards means the **AUASB** standards, as described in *ASA 100 Preamble to AUASB Standards*, *ASA 101 Preamble to Australian Auditing Standards* and the *Foreword to AUASB Pronouncements*, issued by the **AUASB**, and operative from the date specified in each standard.

Australian Financial Services Licence (AFSL) means a licence to provide financial services under Chapter 7 of the *Corporations Act 2001*.

Client means an individual, firm, entity or organisation to whom or to which **Professional Activities** are provided by a **Member in Public Practice** in respect of **Engagements** of either a recurring or demand nature.

Code means APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Contingent Fee means a fee calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the **Firm**. A fee that is established by a court or other public authority is not a Contingent Fee.

DDC Member means a **Member in Public Practice** who is engaged by a **Client** to provide **Professional Services** as a member of a **Due Diligence Committee** and who will participate in the **Due Diligence Committee's** decisions, sign all the collective reports and other documents issued by the **Due Diligence Committee** and in most instances will prepare a **Due Diligence Sign-off**.

DDC Observer means a **Member in Public Practice** who is engaged by a **Client** to provide **Professional Services** as an observer to a **Due Diligence Committee** but who will not participate as a **DDC Member** and will not sign or be a party to any collective reports or documents issued by the **Due Diligence Committee**. As an observer a **Member** will:

- attend one or more meetings of the **Due Diligence Committee** but not undertake any due diligence enquiries or have reporting obligations to the **Client** or to the **Due Diligence Committee**; or
- attend one or more meetings of the **Due Diligence Committee** and undertake due diligence enquiries in relation to **Financial Information** and/or **Other Specific Information** and provide a report to the **Client** and/or the **Due Diligence Committee**. In certain circumstances, depending on factors such as timing and the scope of the **Engagement**, the **Member** may prepare a **Due Diligence Sign-off** and a **New Circumstances Statement**.

Disclosure Document means a disclosure document as defined in the *Corporations Act 2001*.

Due Diligence Committee means a committee established by **Those Charged with Governance** of a **Client** to coordinate and assist with the due diligence process to be undertaken by the **Client** in relation to a **Public Document**.

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Due Diligence Planning Memorandum means the document prepared on behalf of a **Client** and signed by members of its **Due Diligence Committee** which sets out the due diligence process and reporting responsibilities. This document also specifies the respective individual and collective responsibilities of the participants in the due diligence process, including those of the members of the **Due Diligence Committee**.

Due Diligence Sign-off means the letter or other appropriate written communication issued by a **DDC Member** or in certain cases a **DDC Observer** in connection with a **Public Document** when reporting to a **Client** and its **Due Diligence Committee** on the conclusions arising from the procedures conducted by a **DDC Member** or **DDC Observer** on **Financial Information** and/or **Other Specific Information**. (A form of Due Diligence Sign-off which complies with the requirements of this Standard is set out in Appendix 1.)

Engagement means an agreement, whether written or otherwise, between a **Member in Public Practice** and a **Client** relating to the provision of **Professional Services** by a **Member in Public Practice**. However, consultations with a prospective **Client** prior to such agreement are not part of an Engagement.

Engagement Document means the document (i.e. letter, agreement or any other appropriate means) in which the **Terms of Engagement** are specified in **Writing**.

Engagement Team means all **Partners** and staff performing the **Engagement**, and any **other** individuals ~~engaged by the Firm or a Network Firm~~ who perform procedures on the **Engagement**. ~~This excludes an External Experts engaged by the Firm or by a Network Firm.~~

Engagement Teams include any other individuals who perform procedures on the Engagement who are from a Network Firm or a service provider.

External Expert means an individual (who is not a **Partner** or a member of the professional staff, including temporary staff, of the **Firm** or a **Network Firm**) or organisation possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the **Member** in obtaining sufficient appropriate evidence.

Financial Information means historical, pro forma or prospective financial information or some combination of these as specified in the **Engagement Document**.

Firm means:

- (a) A sole practitioner, partnership, corporation or other entity of professional accountants;
- (b) An entity that controls such parties, through ownership, management or other means;
- (c) An entity controlled by such parties, through ownership, management or other means; or
- (d) An Auditor-General's office or department.

Independence comprises:

- (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.
- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a **Firm's**, or an **Engagement Team** member's, integrity, objectivity or professional scepticism has been compromised.

Listed Entity means an entity whose shares, stock or debt are quoted or listed on a recognised stock exchange, or are marketed under the regulations of a recognised stock exchange or other equivalent body.

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Low Doc Offering means a security offering by a **Listed Entity** where the securities can be offered for sale or issue without a **Public Document**.¹ The capital raising may be a stand-alone transaction, in conjunction with an acquisition or for refinancing.

Managerial Employee means an employee who acts in a managerial capacity within the structure of a **Firm**, including providing oversight, in the provision of services to **Clients**.

Materiality Letter means the letter or other appropriate written communication issued by a **Member in Public Practice** to a **Client** and its **Due Diligence Committee** that provides materiality guidance prepared with reference to applicable **Auditing and Assurance Standards**.

Member means a member of a **Professional Body** that has adopted this Standard as applicable to their membership, as defined by that **Professional Body**.

Member in Public Practice means a **Member**, irrespective of functional classification (for example, audit, tax or consulting) in a **Firm** that provides **Professional Services**. This term is also used to refer to a **Firm** of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable **Professional Body**.

Network means a larger structure:

- (a) That is aimed at cooperation; and
- (b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality ~~management~~control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.

Network Firm means a **Firm** or entity that belongs to a **Network**.

New Circumstances Statement means the letter or other document issued by a **Member in Public Practice** who is a **DDC Observer**, subsequent to the issue of a **Due Diligence Sign-off**, which states whether, based on procedures conducted by the **DDC Observer**, anything has come to the **DDC Observer's** attention that causes the **DDC Observer** to believe that the **Due Diligence Sign-off** requires amendment.

Other Specific Information means specifically identified information, other than **Financial Information**, in a **Public Document** which has been the subject of procedures performed by a **Member in Public Practice** as specified in the **Engagement Document**. Examples include specific tax-related information, environmental matters, and information technology matters.

Partner means any individual with authority to bind the **Firm** with respect to the performance of an **Professional Services Engagement**.

Product Disclosure Statement means a statement as defined in Chapter 7 of the *Corporations Act 2001*.

Professional Activity means an activity requiring accountancy or related skills undertaken by a **Member**, including accounting, auditing, tax, management consulting, and financial management.

Professional Bodies means Chartered Accountants Australia and New Zealand, CPA Australia and the Institute of Public Accountants.

Professional Services means **Professional Activities** performed for **Clients**.

¹ As per sections 708AA and 1012DAA of the *Corporations Act 2001*.

Professional Standards means all standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable [Professional Body](#).

Public Document means a [Disclosure Document](#), [Product Disclosure Statement](#) or other documentation provided to shareholders, unit holders or holders of a relevant interest in an entity (or which is provided to management of an entity) in relation to a scheme of arrangement under Part 5.1 of the *Corporations Act 2001* or a takeover or compulsory acquisition under Chapter 6 of the *Corporations Act 2001*.

Reporting Person means a [Member in Public Practice](#) who is engaged by a [Client](#) to provide [Professional Services](#) and report to the [Client](#) and its [Due Diligence Committee](#) on a specific issue or area of enquiry, which has been identified by the [Client](#) or the [Due Diligence Committee](#). A Reporting Person may also be a [DDC Member](#) or [DDC Observer](#).

Subject Matter Information means the outcome of the [measurement or evaluation or measurement of the underlying](#) subject matter ~~against the criteria, i.e., the~~ ~~It is the Subject Matter~~ ~~information that results from applying the criteria to the underlying subject matter~~ ~~about which the Member in Public Practice gathers sufficient appropriate evidence to provide a reasonable basis for expressing a conclusion in the Member's report.~~

Terms of Engagement means the terms and conditions that are agreed between the [Client](#) and the [Member in Public Practice](#) for the [Engagement](#).

Those Charged with Governance means the person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, Those Charged with Governance might include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

Writing means a mode of representing or reproducing words in a visible form and includes words in an electronic format capable of being converted to printed text.

3. Fundamental responsibilities of Members in Public Practice

3.1 A [Member in Public Practice](#) providing [Professional Services](#) to a [Client](#) which comprise participating in and/or reporting to a [Due Diligence Committee](#) as a [DDC Member](#), [DDC Observer](#) or [Reporting Person](#) in connection with a [Public Document](#) shall comply with Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* of the [Code](#) and relevant laws and regulations.

3.2 A [Member in Public Practice](#) shall comply with Section 310 *Conflicts of Interest of the Code*.

Public interest

3.3 In accordance with Section 100 *Complying with the Code* of the [Code](#), a [Member in Public Practice](#) shall observe and comply with the [Member's](#) public interest obligations when the [Member](#) provides [Professional Services](#) to a [Client](#) which comprise participating in and/or reporting to a [Due Diligence Committee](#) as a [DDC Member](#), [DDC Observer](#) or [Reporting Person](#) in connection with a [Public Document](#).

Professional appointments

- 3.4 A **Member in Public Practice** who is invited by a **Client** or potential **Client** to provide **Professional Services** which comprise participating in and/or reporting to a **Due Diligence Committee** as a **DDC Member**, **DDC Observer** or **Reporting Person** in connection with a **Public Document** shall comply with the requirements of Section 320 *Professional Appointments* of the **Code**.
- 3.5 A **Member in Public Practice** who is invited by a **Client** or potential **Client** to provide **Professional Services** which comprise participating in and/or reporting to a **Due Diligence Committee** as a **DDC Member**, **DDC Observer** or **Reporting Person** in connection with a **Public Document** shall determine whether there are threats to the **Member's** ability to comply with the fundamental principles of the **Code** prior to accepting the **Engagement**. Where the **Member** determines that there is a threat to the **Member's** ability to comply with the fundamental principles of the **Code**, the **Member** shall address the threat by eliminating the threat or reducing it to an **Acceptable Level** by:
- (a) eliminating the circumstances, including interests or relationships, that are creating the threats;
 - (b) applying safeguards, where available and capable of being applied, to reduce the threats to an **Acceptable Level**; or
 - (c) declining or ending the specific **Professional Activity**.
- 3.6 A **Member in Public Practice** who is invited by an **Assurance Client** to provide **Professional Services** which comprise participating in and/or reporting to a **Due Diligence Committee** as a **DDC Member**, **DDC Observer** or **Reporting Person** in connection with a **Public Document** shall consider Part 4A *Independence for Audit and Review Engagements* or Part 4B *Independence for Assurance Engagements Other than Audit or Review Engagements* of the **Code**, as applicable, to determine whether the proposed **Professional Services** create threats to the **Member's Independence**. Where the **Member** determines that there is a threat to the **Member's Independence**, the **Member** shall address the threat by eliminating the threat or reducing it to an **Acceptable Level**. The **Member** shall do so by:
- (a) eliminating the circumstances, including interests or relationships, that are creating the threats;
 - (b) applying safeguards, where available and capable of being applied, to reduce the threats to an **Acceptable Level**; or
 - (c) declining or ending the specific **Professional Activity**.
- 3.7 A **Member in Public Practice** who is invited by an **Audit Client** to provide **Professional Services** which comprise participating in and/or reporting to a **Due Diligence Committee** as a **DDC Member**, **DDC Observer** or **Reporting Person** in connection with a **Public Document** shall comply with the applicable independence requirements of the *Corporations Act 2001*.
- 3.8 When considering the appropriateness of accepting a role as a **DDC Member**, **DDC Observer** or **Reporting Person**, a **Member in Public Practice** should consider matters such as:
- (a) the responsibilities of the role;
 - (b) the circumstances and context of the role, including the proposed transaction to which the **Public Document** relates, the proposed timetable for the due diligence process, the availability of information and any limitations on the scope of the **Professional Services** to be provided. (This would usually be outlined in the **Due Diligence Planning Memorandum**);

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- (c) relevant experience and expertise of the other members of the **Due Diligence Committee** and other participants in the due diligence process, as membership of the **Due Diligence Committee** will generally create a relationship of cross reliance;
 - (d) whether providing the **Professional Services** would require the **Member** to hold an **Australian Financial Services Licence**²; and
 - (e) where the **Member's Firm** or a **Network Firm** is the statutory auditor of a **Listed Entity** or disclosing entity in Australia or a foreign jurisdiction, whether independence obligations, in addition to the requirements of the **Code**, preclude the **Member** from accepting a role as a **DDC Member**, **DDC Observer** or **Reporting Person**, or limit the scope of the role the **Member** may perform.
- 3.9 If a **Member in Public Practice** is not certain about the legal implications of performing the role of a **DDC Member**, **DDC Observer** or **Reporting Person**, the **Member** should consider seeking legal advice.

Professional Independence

- 3.10 When a **Member in Public Practice** is engaged to provide a **Professional Service** to a **Client** which requires **Independence**, the **Member** shall comply with **Independence** as defined in this Standard.
- 3.11 A **Member in Public Practice** shall consider whether an **Engagement**, or a specific element of an **Engagement**, is an **Assurance Engagement** under the *Framework for Assurance Engagements* issued by the **AUASB**.
- 3.12 When an **Engagement** or a specific element of an **Engagement** is an **Assurance Engagement**, the **Member in Public Practice** shall comply with Part 4A *Independence for Audit and Review Engagements* or Part 4B *Independence for Assurance Engagements Other than Audit or Review Engagements* of the **Code**, as applicable.

Professional competence and due care

- 3.13 A **Member in Public Practice** performing **Professional Services** shall maintain professional competence and take due care in the performance of the **Member's** work in accordance with Subsection 113 *Professional Competence and Due Care* of the **Code**.
- 3.14 Where a **Member in Public Practice** has agreed to provide a **Due Diligence Sign-off** in respect of **Financial Information** and/or **Other Specific Information** that requires the consideration of matters that are outside the professional expertise of the **Member**, the **Member** shall seek expert assistance or advice from a suitably qualified third party or decline the **Engagement**. Where the **Member** relies upon the advice of a third party in connection with a **Due Diligence Sign-off** or other reports, the **Member** shall disclose in the **Member's Due Diligence Sign-off** or other reports the name and qualifications of the third party and the subject matter on which the third party advice has been obtained.
- 3.15 When planning to use the work of a suitably qualified third party, a **Member in Public Practice** shall assess the professional competence and objectivity of that third party and the appropriateness and adequacy of the work performed.
- 3.16 A **Due Diligence Committee** will usually include or be assisted by advisers to the **Client**, including the **Client's** legal adviser. A **Member in Public Practice** who reports to a **Due Diligence**

² Guidance in relation to the circumstances when a **Member in Public Practice** is required to hold an **Australian Financial Services Licence** is set out in ASIC Regulatory Guide 36 *Licensing: Financial product advice and dealing*.

Committee is generally entitled to rely on the advice and opinions of those advisers. Accordingly, paragraphs 3.14 and 3.15 are not intended to require a Member to obtain separate advice on matters for which another adviser or member of the Due Diligence Committee is responsible.

- 3.17 In performing a Professional Service, a Member in Public Practice should consider any guidance in respect of such services issued by the Professional Bodies and appropriate regulatory authorities.

Confidentiality

- 3.18 A Member in Public Practice who acquires confidential information in the course of performing a Professional Service for a Client shall comply with Subsection 114 Confidentiality of the Code.

- 3.19 Where a Member in Public Practice provides Professional Services to a Client which comprise participating in and/or reporting to a Due Diligence Committee, the proper performance of the work will generally require the Member to disclose confidential information of the Client to the Due Diligence Committee, subject to any overriding restrictions on disclosure of information (including those commonly referred to as ethical wall arrangements). Unless the Member has a legal, regulatory or professional ~~right or duty to obligation of disclosure~~, the Member should not disclose any information relating to the Client's affairs to a party, other than to a DDC Member, DDC Observer or Reporting Person, without obtaining the Client's prior permission in Writing.

Commented [JR1]: Issues Register No 350.1: Technical Staff note that paragraph 3.19 in APES 350 relating to confidentiality currently refers to 'a legal, regulatory, or professional obligation of disclosure'. Technical Staff are of the view that this reference needs to be amended to 'a legal, regulatory, or professional right or duty to disclose' to align with the confidentiality provisions in Subsection 114 Confidentiality of APES 110.

4. Professional Engagement and other matters

- 4.1 A Member in Public Practice shall document and communicate the Terms of Engagement to a Client in accordance with APES 305 Terms of Engagement and this Standard.

- 4.2 The Terms of Engagement prepared by a Member in Public Practice should specify:

- (a) whether an investigating accountant's report or other report will be provided for inclusion in the Public Document, and if so, the Financial Information and/or Other Specific Information that will be the subject of the report and the nature and extent of assurance (if any) to be provided;
- (b) where the Member will have a role in relation to the Due Diligence Committee, the nature of the role including whether the Member will be a DDC Member, a DDC Observer or a Reporting Person;
- (c) the tasks to be undertaken by the Member in connection with the Public Document including the scope of work on the Financial Information and/or Other Specific Information upon which any Due Diligence Sign-off is to be provided;
- (d) whether the Member will prepare a Due Diligence Sign-off and the proposed form of such sign-off; and
- (e) whether, in the case of a DDC Observer, the Member will prepare a New Circumstances Statement.

- 4.3 Where a Due Diligence Planning Memorandum assigns responsibilities to a Member in Public Practice that extend beyond those agreed in the Engagement Document, the Member shall:

- (a) advise the Client, and if acceptable to both the Member and the Client, either amend and re-issue the Engagement Document or issue an addendum to the Engagement Document to reflect the additional responsibilities; or

- (b) where those additional responsibilities conflict with, or are prohibited by, this Standard, or are not acceptable to the Member:
 - (i) advise the Client and its Due Diligence Committee of the Member's responsibilities outlined in the Engagement Document and/or this Standard; and
 - (ii) take all reasonable steps to have the Due Diligence Planning Memorandum amended so that it does not assign responsibilities to the Member that conflict with, or are prohibited by, this Standard or are beyond those agreed in the Engagement Document or addendum thereto.

4.4 Where, after taking the steps outlined in paragraph 4.3, the Due Diligence Planning Memorandum still includes responsibilities that conflict with, or are prohibited by this Standard, the Member in Public Practice shall decline the Engagement to participate in, and/or report to, the Due Diligence Committee.

4.5 A Member in Public Practice should take all reasonable steps to ensure that the Public Document and other documents associated with the due diligence process (such as the Due Diligence Planning Memorandum) do not describe the role of the Member in a manner that may imply that the Member has:

- (a) undertaken procedures with respect to;
- (b) accepted responsibility for;
- (c) approved the disclosure of; or
- (d) reported upon;

matters or information in the Public Document or other associated documents beyond what was agreed in the Engagement Document.

Materiality guidance

4.6 Where a Member in Public Practice agrees to provide materiality guidance, which a Client and its Due Diligence Committee will consider for application to the due diligence process in relation to a Public Document, the Member shall comply with applicable Auditing and Assurance Standards.

4.7 The materiality guidance provided by the Member in Public Practice should only set out the quantitative matters to be considered by the Client and the Due Diligence Committee and indicate that decisions as to quantitative and qualitative considerations concerning materiality in relation to a specific potential or proposed disclosure are the responsibility of the Client after consideration by its Due Diligence Committee.

4.8 A Member in Public Practice who is engaged to provide materiality guidance to a Client and its Due Diligence Committee shall issue a Materiality Letter to the Client and the Due Diligence Committee.

A form of Materiality Letter is set out in Appendix 2.

5. Roles and obligations of a Member in Public Practice in a due diligence process in connection with a Public Document

5.1 A Member in Public Practice may be asked to undertake a variety of roles in relation to a due diligence process in connection with a Public Document as:

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- (a) a **DDC Member** which typically includes:
 - (i) attending meetings of the **Due Diligence Committee**;
 - (ii) considering information presented to the **Due Diligence Committee**;
 - (iii) participating in decisions of the **Due Diligence Committee**;
 - (iv) reading and commenting on drafts of the **Public Document**;
 - (v) performing procedures specified in an **Engagement Document** and preparing a **Due Diligence Sign-off**; and
 - (vi) signing the **Due Diligence Committee's** report, and its new circumstances sign-off to **Those Charged with Governance** of the **Client**.
- (b) a **DDC Observer** which may include some or all of:
 - (i) attending a few or all meetings of the **Due Diligence Committee**;
 - (ii) performing procedures specified in an **Engagement Document** and preparing a **Due Diligence Sign-off**; and
 - (iii) preparing a **New Circumstances Statement**.
- (c) a **Reporting Person** reporting to the **Client** and its **Due Diligence Committee** on the results of procedures specified in an **Engagement Document**.

A **Member in Public Practice** may also be asked to undertake **Professional Services** for, and provide a report to, a **Client** on **Financial Information** and/or **Other Specific Information** relevant to a **Public Document**, without being a **DDC Member**, **DDC Observer** or **Reporting Person**.

Examples of such reports (which could alternatively be prepared as a **Reporting Person**) are:

- an assurance report applying relevant **Auditing and Assurance Standards** on specific **Financial Information** (usually known as an investigating accountant's report); and
- a tax report on the taxation implications for shareholders of a transaction contemplated in the **Public Document**;

either of which may or may not be prepared for inclusion in the **Public Document**.

5.2 A Member in Public Practice who accepts an Engagement to provide a Due Diligence Sign-off or other reports to a Due Diligence Committee, whether as a DDC Member, DDC Observer, or Reporting Person, shall specify in the Due Diligence Sign-off or other reports the Financial Information and/or Other Specific Information in or relevant to the Public Document that the Member has performed procedures on, and the nature of those procedures.

5.3 Based on the work performed, a **Member in Public Practice** may report in a **Due Diligence Sign-off** that the **Member** is not aware of:

- (a) the specified **Financial Information** and/or **Other Specific Information** being misleading or deceptive (including by omission) in the form and context in which they appear in the **Public Document**; and
- (b) the due diligence enquiries set out in the **Due Diligence Planning Memorandum** adopted by the **Due Diligence Committee** as they relate to the **Financial Information** and/or **Other Specific Information** not constituting all enquiries which are reasonable in the circumstances so far as the **Financial Information** and/or **Other Specific Information** are concerned.

- 5.4 **A Member in Public Practice** who becomes aware of instances of non-compliance with laws and regulations when providing **Professional Services** shall comply with **Section 360 Responding to Non-Compliance with Laws and Regulations** of the **Code**.
- 5.5 **A Member in Public Practice** who accepts an **Engagement** to report to a **Due Diligence Committee**, whether as a **DDC Member**, **DDC Observer** or a **Reporting Person** shall not report or advise on matters outside the **Member's** area of expertise.
- 5.6 Paragraph 5.5 precludes a **Member in Public Practice** from providing an opinion on:
- (a) whether the **Financial Information** and/or **Other Specific Information** disclosed in a **Public Document** is sufficient and appropriate to satisfy the relevant disclosure requirements of the *Corporations Act 2001*, for example those set out in Division 4 of Part 6D.2. These are matters requiring the collective consideration of all of the members of the **Due Diligence Committee**, and are reported on in the **Due Diligence Committee's** report; or
 - (b) whether the **Client** has complied with other legal obligations such as continuous disclosure obligations.
- 5.7 Paragraph 5.5 does not preclude a **Firm** from providing legal advice and reporting in relation to a **Public Document** if the **Firm** has **Partners** and **Managerial Employees** who are suitably qualified lawyers.
- 5.8 **A Member in Public Practice** shall sign a report to **Those Charged with Governance** on:
- (a) information in a **Public Document** of a general nature relating to financial, accounting, tax or any other matters; or
 - (b) the content of the **Public Document** as a whole; or
 - (c) the due diligence process in relation to (a) and (b),
- only as a **DDC Member** and where that report is a report of the **Due Diligence Committee** which is approved and signed concurrently by the other members of the **Due Diligence Committee**.
- 5.9 The matters set out in paragraph 5.8 should be considered by the **Due Diligence Committee** using the collective knowledge and expertise of the committee as a whole. A **Member in Public Practice** will not have the requisite knowledge or expertise to make determinations in relation to, or report on, those matters independently of other **Due Diligence Committee** members. Paragraph 5.8(a) does not preclude a **Member** acting as a **Reporting Person** from providing **Professional Services** in respect of the range of potential tax implications for shareholders/unit holders that may need to be described in the **Public Document**.
- 5.10 **A Member in Public Practice** providing **Professional Services** to a **Client** which comprise participation in and/or reporting to a **Due Diligence Committee** as a **DDC Member**, **DDC Observer** or **Reporting Person** shall bring to the attention of the **Client** and/or its **Due Diligence Committee** any significant concerns relating to the matters set out in paragraph 5.8 which come to the attention of the **Member** in performing the work set out in the **Member's Terms of Engagement**. However, a **Member** shall not report otherwise on the matters set out in paragraph 5.8 as to do so would contravene the requirements in that paragraph.
- 5.11 **A Member in Public Practice** who accepts an **Engagement** to provide a **Due Diligence Sign-off** in relation to **Financial Information** shall not prepare the **Financial Information** which is the subject of the **Due Diligence Sign-off** or any extracts, summaries or analysis thereof provided elsewhere in the **Public Document**.
- 5.12 Paragraph 5.11 does not preclude a **Member in Public Practice** from reviewing or commenting on drafts of the **Public Document** for the purpose of alerting the **Client** and the **Due Diligence**

Committee to matters that may affect the Member's ability to provide the Due Diligence Sign-off, and, if the Member is a DDC Member, for the purposes of fulfilling the Member's duties as a DDC Member.

- 5.13 Where a Member in Public Practice accepts an Engagement to assist a Client or its Due Diligence Committee in any verification process in relation to information in the Public Document (other than disclosures and information relating to taxation law), the Member shall agree the specific procedures to be undertaken with the Client to provide such assistance.
- 5.14 A Member in Public Practice should only provide verification assistance in relation to information in the Public Document (other than disclosures and information relating to taxation law) by performing an agreed-upon procedures Engagement. A Member should not accept responsibility for the verification of information in a Public Document (other than disclosures and information relating to taxation law). Those Charged with Governance of the Client are responsible for the inclusion of the Financial Information and Other Specific Information in the Public Document and are best placed to know whether there is new or additional information that might affect its proper verification.
- 5.15 Where a Member in Public Practice accepts an Engagement to verify or assist a Client or its Due Diligence Committee with the verification of disclosures and information relating to taxation law, the Member shall exercise professional judgement in determining the nature, timing and scope of the procedures taking into consideration the Terms of Engagement.
- 5.16 Where a Member in Public Practice is a DDC Observer and has been requested to provide a Due Diligence Sign-off, the Member shall consider the scope of any procedures the Member has agreed to perform in relation to the due diligence process in connection with the Public Document, and assess whether the scope of the procedures will enable the Member to provide a Due Diligence Sign-off.
- 5.17 The scope of the role and responsibilities of a Member in Public Practice as a DDC Observer should be specified in the Engagement Document. The role should also be described in the Due Diligence Planning Memorandum and should be consistent with that specified in the Engagement Document. As a DDC Observer, the Member is not a party to the Due Diligence Planning Memorandum or the Due Diligence Committee's report to the Client.
- 5.18 A Member in Public Practice who performs an Assurance Engagement in connection with a Public Document shall comply with Auditing and Assurance Standards in accordance with APES 210 *Conformity with Auditing and Assurance Standards*.
- 5.19 A Member in Public Practice who performs a valuation service in connection with a Public Document shall comply with APES 225 *Valuation Services*.
- 5.20 A Member in Public Practice who performs a taxation service in connection with a Public Document shall comply with APES 220 *Taxation Services*.
- 5.21 A Member in Public Practice who performs Professional Services in connection with a Public Document that includes prospective financial information shall comply with APES 345 *Reporting on Prospective Financial Information prepared in connection with a Public Document*.

6. Documentation

- 6.1 A **Member in Public Practice** shall prepare working papers in accordance with this Standard that appropriately document the work performed, including aspects of the **Engagement** that have been provided in **Writing**. The documentation prepared by the **Member** shall:
- (a) provide a sufficient and appropriate record of the procedures performed for the **Engagement**;
 - (b) identify the source of significant information the **Member** has used in the conduct of the **Engagement**; and
 - (c) demonstrate that the **Engagement** was carried out in accordance with this Standard and all other **Professional Standards** applicable to the **Engagement**, including:
 - (i) ~~policies and procedures established in accordance with APES 320 *Quality Management/Control for Firms that provide Non-Assurance Services*; or,~~
 - (ii) where the **Engagement** is determined to be an Assurance Engagement, responses, which are policies or procedures to address one or more quality risk(s), in accordance with ASQM 1³; and
 - (iii) any applicable ethical, legal and regulatory requirements.

7. Reporting

- 7.1 Before a **Member in Public Practice** provides a **Due Diligence Sign-off** to a **Client** and its **Due Diligence Committee**, the **Member** shall:
- (a) assess whether the scope of procedures undertaken in relation to the **Financial Information** and/or **Other Specific Information** is sufficient and appropriate for that purpose;
 - (b) consider the impact of any limitations on the scope of work; and
 - (c) ascertain that all material matters in relation to the **Financial Information** and/or **Other Specific Information** which arose during the course of the **Member's** work have been addressed by the **Client** or its **Due Diligence Committee**.
- 7.2 Where the procedures undertaken in relation to the **Financial Information** and/or **Other Specific Information** only comprise a limited level of enquiry and/or the procedures were undertaken pursuant to another **Engagement** completed in the past, a **Member in Public Practice** shall not issue a **Due Diligence Sign-off** containing the conclusions referred to in paragraph 7.3(k).
- 7.3 Where the requirements of paragraph 7.1 have been met and a **Member in Public Practice** provides a **Due Diligence Sign-off**, it shall contain the following:
- (a) the name of the party or parties engaging the **Member**;
 - (b) any other addressees of the **Due Diligence Sign-off** (typically being the other members of the **Due Diligence Committee**);
 - (c) the date on which the **Due Diligence Sign-off** has been issued;
 - (d) the purpose for which the **Due Diligence Sign-off** has been prepared, including the **Public Document** and proposed transaction to which it relates;

³ [Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* issued by the AUASB.](#)

- (e) whether the **Member** has prepared the **Due Diligence Sign-off** in the capacity of a **DDC Member** or **DDC Observer**;
- (f) a statement that the **Professional Services** were conducted and the **Due Diligence Sign-off** was prepared in accordance with this Standard;
- (g) the **Financial Information** and/or **Other Specific Information** disclosed in the **Public Document** in relation to which the **Member** has undertaken procedures to which the **Due Diligence Sign-off** relates;
- (h) the scope of work performed in relation to the **Financial Information** and/or **Other Specific Information** to which the **Due Diligence Sign-off** relates;
- (i) any limitations on the scope of work performed;
- (j) the basis on which the statements in the **Due Diligence Sign-off** are made, including specific reference to:
 - (i) the scope of work performed;
 - (ii) the materiality guidelines adopted by the **Due Diligence Committee**; and
 - (iii) the extent, if any, of reliance by the **Member** on the work of others;
- (k) the conclusions of the **Member** in the form of negative statements as to whether having performed the scope of work, the **Member** has become aware of anything to cause the **Member** to believe that:
 - (i) the **Financial Information** and/or **Other Specific Information** [as presented in identified sections of the **Public Document**] is misleading or deceptive (including by omission) in the form and context in which it appears; and
 - (ii) the due diligence enquiries set out in the **Due Diligence Planning Memorandum** adopted by the **Due Diligence Committee** as they relate to the **Financial Information** and/or **Other Specific Information** do not constitute all enquiries which are reasonable in the circumstances so far as the **Financial Information** and/or **Other Specific Information** is concerned;
- (l) the significant assumptions upon which the conclusions of the **Member** are based;
- (m) all qualifications to the conclusions of the **Member**; and
- (n) any restrictions on the use and distribution of the **Due Diligence Sign-off**.

*A form of **Due Diligence Sign-off** which complies with the requirements of this Standard is set out in Appendix 1. **Members in Public Practice** should note that this form of **Due Diligence Sign-off** may require amendment if the **Due Diligence Sign-off** is prepared by a **Member** as a **DDC Observer**.*

- 7.4 Where a **Member in Public Practice** is asked to provide a **Due Diligence Sign-off** in respect of a **Public Document** which has not been finalised, the **Member** shall consider:
- (a) any amendments to the **Due Diligence Sign-off** which may be required to reflect that the **Public Document** has not been finalised; and
 - (b) the information which has not been finalised in the draft **Public Document**, to ensure that any sign-off provided at that time is appropriate.
- 7.5 A substantially complete draft of a **Public Document** is often used as a confidential and restricted briefing document to seek the support of potential investors for the proposed transaction. In this situation, a **Member in Public Practice** may be requested to provide a **Due Diligence Sign-off** in relation to the draft **Public Document** or to advise whether the **Member** would be able to provide a **Due Diligence Sign-off** in relation to the draft **Public Document** if the **Member** was requested

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to do so at that time. In providing any such **Due Diligence Sign-off** or providing any such advice, the **Member** should clearly state:

- (a) any assumptions or qualifications relevant to the provision of the **Due Diligence Sign-off** or the advice;
- (b) the specific draft or version number of the **Public Document** to which the **Due Diligence Sign-off** or the advice relates; and
- (c) that the **Due Diligence Sign-off** or the advice is subject to change as a result of events which occur or information which comes to the **Member's** attention between the date of the provision of the **Due Diligence Sign-off** or the advice in relation to the draft **Public Document** and the date of the provision of any subsequent or final **Due Diligence Sign-offs** in relation to the **Public Document**.

7.6 Where a **Member in Public Practice** is requested to provide to a **Client** and/or its **Due Diligence Committee** written status reports or interim reports in respect of specific work discussed in the **Engagement Document** (for example, by way of a draft report, an oral presentation and/or by way of contributions to issues registers) or requested to provide on an interim basis detailed findings, the **Member** should include an appropriate disclaimer stating that such reports are provided for 'information only' and are not suitable for reliance by the **Client**, the **Due Diligence Committee** or any other person.

7.7 Where a **Client** or its **Due Diligence Committee** requests a **Member in Public Practice** to make available to the **Due Diligence Committee** a previous report provided by the **Member** to the **Client**, or a report on work that is being undertaken by the **Member** for the **Client** for a purpose other than the transaction to which a **Public Document** relates (for example, a report on internal controls of the **Client**, or on acquisition due diligence procedures undertaken in relation to a business to be acquired by the **Client**), the **Member** should consider whether or not and on what basis such report(s) may be made available to the **Due Diligence Committee**, having regard to relevant factors, including:

- (a) whether the information in the report (or on which it is based) remains current;
- (b) whether the **Member's** approach to materiality in preparing the report was consistent with the materiality guidelines adopted by the **Due Diligence Committee**;
- (c) the relevance of the report to the due diligence enquiries being undertaken by the **Due Diligence Committee**;
- (d) the level of testing done on source information relied on by the **Member** in preparing the report; and
- (e) whether **Client** consent has been obtained.

7.8 **Where a Member in Public Practice is requested to provide consent to being named in a Public Document, or to the inclusion of the Member's report in the Public Document, the Member shall, prior to providing the consent, obtain the final draft of the Public Document to ensure that the form and context in which the Member's name and/or report appears is appropriate.**

7.9 **If requested, a Member in Public Practice shall only provide a New Circumstances Statement where the Member is a DDC Observer and has already provided a Due Diligence Sign-off in relation to the Public Document.**

7.10 **A Member in Public Practice who is a DDC Member shall not provide a New Circumstances Statement.**

7.11 A **Member in Public Practice** who is a **DDC Member** does not issue a **New Circumstances Statement** as the **Member** has the ability to sign the **Due Diligence Committee's** new

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circumstances sign-off to **Those Charged with Governance** of the **Client** where the sign-off is approved and signed concurrently by the other members of the **Due Diligence Committee**.

7.12 A Member in Public Practice shall ensure that a New Circumstances Statement does not:

- (a) result in any extension of the scope or subject matter of the Due Diligence Sign-off and only relates to the Financial Information and/or the Other Specific Information specified in the Due Diligence Sign-off; or**
- (b) contravene the requirements of paragraph 5.8.**

A form of New Circumstances Statement which complies with the requirements of this Standard is set out in Appendix 3.

7.13 In accordance with the terms of a Due Diligence Planning Memorandum and/or relevant legislation, a Member in Public Practice shall bring to the attention of a Client and/or its Due Diligence Committee any material new circumstances relevant to a Public Document of which the Member becomes aware subsequent to the issue of the Public Document.

7.14 The period to which any obligation referred to in paragraph 7.13 applies will usually be set out in the **Due Diligence Planning Memorandum** or relevant legislation.

8. Professional fees

8.1 A Member in Public Practice who performs Professional Services comprising participating in and/or reporting to a Due Diligence Committee as a DDC Member, DDC Observer or Reporting Person in connection with a Public Document, shall be remunerated for such services by way of professional fees computed in accordance with Section 330 Fees and Other Types of Remuneration of the Code.

8.2 A Member in Public Practice shall not enter into a Contingent Fee arrangement or receive a Contingent Fee for a Professional Service which requires Independence or which purports to be independent.

Conformity with International Pronouncements

The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES 350.

Appendix 1 – Due Diligence Sign-off

[insert date]

The Due Diligence Committee,
each of its members and their representatives

Board of Directors
[insert name of the Client]
[insert address]

Dear [],

[insert subject]

This Due Diligence Sign-off is provided to you in relation to the [describe Public Document] to be issued by [insert Client] on [insert date] in connection with [insert details of proposed transaction] (**Offer/Transaction**), and the work undertaken by us as a [DDC Member/DDC Observer] pursuant to our Engagement Document with [Client] dated [insert date] (the **Engagement Document**).

Our services have been conducted and this Due Diligence Sign-off has been prepared in accordance with APES 350 Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document.

1. Introduction

We refer to the following financial information relating to the Client that is disclosed in the [describe Public Document]:

- (a) [specify relevant historical financial information on which the Member in Public Practice has performed a review] for [insert period] as disclosed in Section [insert];
- (b) [specify relevant pro forma historical information on which the Member has performed a review] for [insert period] as disclosed in Section [insert];
- (c) [specify relevant forecast financial information, if any on which the Member has performed a review] for [insert period] as disclosed in Section [insert],

(collectively **Financial Information**). [Note: the definition of Financial Information should, where appropriate, be consistent with that used in any investigating accountant's report being provided by the Member in Public Practice]

[The [other] information that is disclosed in the [describe Public Document], and to which this Due Diligence Sign-off relates comprises the following:

- (d) [specify information which has been the subject of procedures specified in the Engagement Document] disclosed in section [insert section number/name] of the [describe Public Document];
- (e) [insert as required]

(collectively **Other Specific Information**).]

2. Scope of Work

As agreed with [*Client*] in the *Engagement Document*, in connection with the [*describe Public Document*] we have:

- (a) [participated as a member of and been a *Reporting Person* to] [attended as an observer meetings of] the *Due Diligence Committee (DDC)* that has been established by the [*Client*] for the purposes of coordinating due diligence investigations as set out in the *Due Diligence Planning Memorandum (DDPM)* in connection with the [*describe Public Document*];
- (b) prepared materiality guidance in a letter dated [*insert date*] for consideration by the [*Client*] and the DDC;
- (c) conducted a review, in accordance with [ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* or ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* or other standards as appropriate], of the *Financial Information* furnished to us by the [*Client*];
- (d) [assisted the *Client* in its verification of certain statements in the [*describe Public Document*] by performing the procedures set out in [*insert – for example, "Appendix 2" or "the Engagement Document"*] as agreed by the *Client (Agreed-Upon Procedures)* in accordance with ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*];
- (e) [prepared an investigating accountant's report (if applicable) on the *Financial Information* for inclusion in the [*describe Public Document*]]; and
- (f) [prepared a letter on the tax implications of the proposed Offer/Transaction for Australian tax residents (if applicable) for inclusion in the [*describe Public Document*]]; and
- (g) [*insert scope of work in relation to Other Specific Information being information which was not subject to the procedures in (d) above.*]

[*Note: this is an example scope only, and should be tailored to reflect the agreed scope of the Professional Services*]

Scope limitations

[*insert scope limitations as relevant. For example, any limitations in access to financial records, key management personnel or information relating to a particular issue or particular accounting standard. See example limitation below for Agreed-Upon Procedures work. Particular scope limitations may need to be inserted in relation to paragraph (c) in order to comply with Auditing and Assurance Standards applicable to review engagements*]

The work referred to in paragraph (d) above was undertaken in accordance with Australian Auditing Standards applicable to Agreed-Upon Procedures *Engagements*. The responsibility for determining the adequacy or otherwise of the Agreed-Upon Procedures is that of the directors of the *Client*. That work did not constitute an audit or review in accordance with Australian Auditing Standards and consequently no assurance or audit opinion or review statement is expressed. Had we performed additional procedures or had we performed an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review *Engagements*, other matters might have come to our attention that would have been reported to you.

3. Findings – Agreed-Upon Procedures

[*insert factual findings arising from Agreed-Upon Procedures, including any exceptions noted*]

4. Basis for Review Statement

The statement in section 5 (**Review Statement**) is made on the basis of:

- (a) the procedures and other activities performed by us as described in section 2(c);
- (b) the materiality criteria adopted by the **Client** and the DDC; and
- (c) the assumptions and qualifications set out in this letter.

In making the Review Statement we only hold ourselves out as having expertise as [*designation of applicable Professional Body*]. We disclaim any skills or expertise in any other capacity.

5. Review Statement

Based on our review of the **Financial Information**, which is not an **Audit Engagement** in accordance with Australian **Auditing and Assurance Standards**, and applying the materiality criteria adopted by the DDC, nothing has come to our attention that causes us to believe that:

- (a) the **Financial Information** is misleading or deceptive (including by omission) in the form and context in which it appears; or
- (b) the due diligence enquiries set out in the DDPM adopted by the DDC as they relate to the **Financial Information** do not constitute all enquiries which are reasonable in the circumstances so far as the **Financial Information** is concerned.

All matters in relation to the **Financial Information** which arose during the course of our work have been addressed by management of the [*Client*] or the DDC and, accordingly, there are no outstanding issues in relation to the **Financial Information** identified as part of our work which require the attention of the [*Client*] and the DDC.

6. Other Specific Information

[Insert appropriate statements and the basis for those statements, in relation to the Other Specific Information referred to in 2(g), if applicable.]

7. Assumptions

In making the Review Statement in this **Due Diligence Sign-off**, we have assumed that:

- (a) the representations made and the information (including responses to questions and questionnaires) provided by directors, officers, personnel and agents of the **Client**, other members of the DDC, and other persons reporting to the DDC, have been complete, true and accurate in all respects and were not misleading or deceptive;
- (b) all persons who were interviewed, questioned or sent questionnaires were competent to answer all questions put to them, made complete and accurate disclosures in all matters and that there were no other persons who should have been interviewed, questioned or sent questionnaires in relation to the matters the subject of those questions;
- (c) there were no relevant documents or information other than those which were disclosed, or provided by or on behalf of the **Client** to us which are relevant to the **Financial Information**;
- (d) the report of [*insert name of third party expert*] dated [*insert date*] concerning [*insert*] [*note: qualifications of third party expert to be described*] is accurate and complete;
- (e) all corporate records and other documents examined by us are genuine, complete, up-to-date and accurate and, without limitation, any minutes of the meetings of the **Client** examined by us correctly record the business of, and resolutions passed at, any such meeting and no relevant corporate records have been withheld from us (whether deliberately or inadvertently);

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- (f) all factual matters stated in any document provided to us are true and accurate; and
- (g) the [*describe Public Document*] [*insert date and final document version number*] will be lodged with the Australian Securities and Investment Commission.

Nothing has come to our attention that causes us to believe that these assumptions are not reasonable. We have not taken any steps to validate these assumptions other than as may be specified in our scope of work in section 2.

8. Qualifications

Our Statements in this *Due Diligence Sign-off* are subject to the following qualifications:

- (a) we have no responsibility to update this *Due Diligence Sign-off* for events and circumstances occurring after the date of this *Due Diligence Sign-off*, other than as required under the terms of the *Engagement Document*;
- (b) insofar as consideration of Australian accounting standards and other mandatory professional reporting requirements [and Australian tax laws] impact or formed part of our scope of work, in making the Statement in section 5 we have had regard to such Australian requirements as are in place as at 9am on the date of this letter;
- (c) we make no statement, and express no opinion, on any matter such as legal matters requiring skills or expertise other than of an [accounting] [and/or] [Australian taxation] nature;
- (d) the Statement in section 5 of this *Due Diligence Sign-off* relates only to the *Financial Information* and does not relate to any additional statements in or concerning the [*describe Public Document*] that may be made by any person or any other conduct that any person may engage in concerning the [*describe Public Document*];
- (e) the Statement in section 5 of this *Due Diligence Sign-off* is limited to the knowledge of those partners, directors and employees of [*insert Firm*] who have provided the services [to *Client*] referred to in this letter, and we have made no enquiries of any [other] partner, director or employee of [*insert Firm*], or any of its related entities, who may have knowledge of matters relevant to the [*describe Public Document*] [through the provision of services to other *Clients* of [*insert Firm*], or whose knowledge may not be applied because of any ethical walls arrangements implemented in relation to our *Engagement* by [*Client*] on this matter; and
- (f) [We have relied on the accuracy and completeness of the report of [*insert name of third party expert*] dated [*insert date*] concerning [*insert*]. [*note: qualifications of third party expert to be described*].

9. Recipients of this Due Diligence Sign-off

This *Due Diligence Sign-off* is given solely for the benefit of:

- (a) the *Client* and its representatives on the DDC;
- (b) the directors of the *Client*; and
- (c) each other member of the DDC and their representatives in their respective capacities as such,

(together referred to as the **Recipients**).

This *Due Diligence Sign-off* is not intended for general circulation or publication and may not, without our prior written consent in each specific instance:

- (a) be disclosed except to persons who, in the ordinary course of a Recipient's business have access to their papers and records and on the basis that such person will make no further disclosure of it and are not entitled to rely on it for any purpose;

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- (b) be filed with a government or other agency, or be quoted or referred to in any public document or domain; or
- (c) be reproduced or used for any other purpose,

except as required by law, regulation or the rules of any Stock Exchange or government body or in connection with any enquiry conducted by a regulatory body or in the enforcement of the rights of, or in defence of any actual or potential claim against, a Recipient.

We do not accept any responsibility for any losses whatsoever occasioned by any Recipient or by any other party as a result of the circulation, reproduction or use of this [Due Diligence Sign-off](#) contrary to the above paragraph.

Yours faithfully

[*Member or Firm*]

Appendix 2 – Materiality Letter

The [Due Diligence Committee](#), each of its members and their representatives

Board of Directors
[Insert name of Issuer]
[Insert address of Issuer]

[Date]

Dear []

Materiality guidance in relation to due diligence process of [Issuer]'s [Public Document]

We refer to our [Engagement](#) letter with [] dated [].

The purpose of this letter is to set out guidance with respect to the quantitative materiality thresholds for consideration by [Client and/or Issuer] and the [Due Diligence Committee](#) ("DDC") for the [Prospectus /Product Disclosure Statement/Bidder Statement/Target Statement/Explanatory Memorandum /Cleansing Notice or other Public Document] proposed to be issued in connection with [describe proposed transaction] (the "[Public Document](#)") by [Issuer].

Decisions on materiality in relation to specific, potential or proposed disclosures are the responsibility of [Client] after consideration by the DDC. This letter contains specific guidance in relation to the quantitative factors of materiality. However, it does not contain any specific guidance in relation to the qualitative factors of materiality which by definition will be unique to the matter being considered.

Relevance of materiality guidelines

The guidance contained within this letter is based on requirements and guidance available in Australian Accounting Standards, AUASB Standards and AUASB Guidance Statements, and may not necessarily be directly applicable to all circumstances which may arise in relation to the [Public Document](#).

Also, in the event of an alleged deficiency in the [Public Document](#) due to an alleged misleading or deceptive statement or omission or otherwise, the relevance or application of the concept of materiality may depend on the law that is alleged to have been breached, the available defences and the nature of the legal proceedings (i.e., criminal or civil). We recommend [Client and/or Issuer] seek legal advice on the extent to which materiality may or may not be relevant to the [Public Document](#) due diligence process in this instance.

Requirements and Application and Other Explanatory Material ("guidance") on applying the concept of materiality in the planning and performing of an audit of historical financial information is contained in the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards* issued by the Australian Accounting Standards Board⁴) ("the Framework"), Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* as amended ("AASB 108") and Auditing Standard ASA 320 *Materiality in Planning and Performing an Audit* ("ASA 320").

⁴ The AASB has released AASB Practice Statement 2 *Making Materiality Judgements* which provides guidance on materiality in relation to general purpose financial reports. This resource may be useful for [Members in Public Practice](#) in considering how to make materiality judgements in relation to [Engagements](#) that are within the scope of this Standard.

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The Framework 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 those reports, which provide 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, the Board cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation."

Similarly AASB 101 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 statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

In relation to applying materiality to pro forma adjustments to historical [Financial Information](#), the following pronouncements have been considered:

- ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*;
- ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document*⁵;
- ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*⁶; and
- Section 728 of the *Corporations Act 2001* ("the Act") which determines that an offence has occurred if a misleading or deceptive statement, omission or new circumstance is materially adverse from the point of view of an investor⁷,

with the provisions of the Act overriding the requirements of applicable [AUASB Standards](#) and [AUASB Guidance Statements](#) should they conflict or yield a different result⁸.

The requirements and guidance contained in [ASA 320](#) applies to historical [Financial Information](#). A [Due Diligence Committee](#) dealing with prospective [Financial Information](#) may refer to [ASA 320](#) for guidance when establishing materiality thresholds.

There is a relationship between materiality and risk. That is, the higher the risk of a statement being misleading or deceptive, or of an omission, the lower the materiality level. The DDC should take this relationship into account when determining the nature, timing and extent of due diligence procedures. The DDC should make a preliminary assessment of materiality to establish an appropriate quantitative materiality level to plan due diligence procedures.

⁵. ASAE 3420 became effective on 1 July 2013.

⁶. ASAE 3450 became effective on 1 July 2013, replacing AGS 1062 *Reporting in Connection with Proposed Fundraisings* and AUS 804 *The Audit of Prospective Financial Information*.

⁷. There is no definition of "materiality" or "materially adverse" in the *Corporations Act 2001 (Cth)*. Given the absence of a legislative definition of materiality, it is generally accepted practice in Australia to consider the accounting definition of materiality in Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

⁸. *[If the Public Document is a Cleansing Notice, it may be desirable to include the following wording since s728 applies only to Disclosure Documents.]*

[Section [708AA/1012DAA] of the Act refers to the notion of "material" under subsection 11, which states that the Cleansing Notice to be lodged with the Australian Securities Exchange is defective if the Cleansing Notice is false or misleading in a material particular; or if the notice has omitted from it a matter or thing, the omission of which renders the notice misleading in a material respect. Given the similarities in references to the concept of materiality being applied to a misleading statement/particular or omission in both sections [708AA/1012DAA] and 728, ASAE 3450 is considered a useful source of guidance with regard to materiality where an offer is made under section [708AA/1012DAA].]

Quantitative factors

Quantitative thresholds used as guidance for determining the materiality of the amount of an item or an aggregate of items are, of necessity, drawn at arbitrary levels. When establishing a preliminary quantitative materiality level, consideration needs to be given to:

- the reliability of management information;
- any factors which may indicate deviations from normal activities; and
- qualitative factors.

A percentage is ordinarily applied to a chosen benchmark as a starting point in determining materiality. When identifying an appropriate benchmark, regard is normally given to factors such as the elements of the [Financial Information](#), items users are likely to focus on, the nature of the entity, its life cycle, industry and economic environment, the size of the entity, ownership and financing and the relative volatility of the benchmark. For uncorrected misstatements that are below the materiality level, an assessment is required of whether the cumulative result of these misstatements could have a material effect.

ASA 320 does not contain requirements that specify how to determine quantitative materiality thresholds, as their determination is a matter of professional judgement. The Framework adopts a similar approach to ASA 320 and explains the role of materiality in making judgements in the preparation and presentation of financial statements.

In determining materiality both qualitative and quantitative factors need to be considered together and in particular circumstances, either the nature or the amount of an item or aggregate of items could be the determining factor.

The following guidance may be considered when determining materiality in relation to financial statements:

- an amount which is equal to or greater than 10% of the appropriate base amount may be presumed to be material unless there is evidence, or convincing argument, to the contrary; and
- an amount which is equal to or less than 5% of the appropriate base amount may be presumed not to be material unless there is evidence, or convincing argument, to the contrary.

As the above represents an aggregate materiality threshold the due diligence process should seek to identify individual matters or items that could have a material effect in aggregate. To facilitate this, the DDC should consider adopting an appropriate threshold for individual items to be identified and collected to assess whether in aggregate they may be material. General practice is to identify and collect individual items in a range of X% to Y% of the aggregate materiality threshold.

This quantitative methodology is in addition to, but not a substitute for, any qualitative assessment. When considering financial statements as a whole materiality is typically considered as a percentage of an appropriate base amount depending on the particular circumstances of the business and the potential users of its financial statements. This may be:

- (a) *the amount of an item or an aggregate of items relating to the statement of financial position compared with the more appropriate of:*
 - (i) *recorded amount of equity; and*
 - (ii) *the appropriate asset or liability class total; or*
- (b) *the amount of an item or an aggregate of items relating to the statement of comprehensive income compared with the more appropriate of the:*
 - (i) *profit or loss and the appropriate income or expense amount for the current reporting period; and*

APES 350 Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document

- (ii) average profit or loss and the average of the appropriate income or expense amounts for a number of reporting periods (including the current reporting period); or
- (c) the amount of an item or an aggregate of items relating to the statement of cash flows compared with the more appropriate of the:
 - (i) net cash provided by or used in the operating, investing, financing or other activities as appropriate, for the current reporting period; and
 - (ii) average net cash provided by or used in the operating, investing, financing or other activities as appropriate, for a number of reporting periods (including the current reporting period).

Clearly trends in key operating performance measures are as important as the absolute numbers.

Materiality is a matter of professional judgement influenced by the characteristics of the entity and the perceptions as to who are, or are likely to be, the users of the financial report and their information needs. Materiality judgements can only be properly made by those who have the facts. It is within this context that the quantitative threshold guidelines noted above should be used.

Recommendations on quantitative materiality thresholds

Our recommendations on quantitative materiality thresholds to be adopted by the [Due Diligence Committee](#) are as follows:

Financial performance and cash flows

The process of due diligence should seek to identify, in respect of the financial performance and operating cash flows, misstatements in excess of \$[] on the [net profit/profit before tax/EBITDA] of [Issue]. This level represents approximately []% of the [average] [net profit/profit before tax/EBITDA] of [Issue] for the year[s] [ended/ending] [insert date].

To ensure due consideration is given to individual items affecting the income statement and cash flow statement, which may aggregate to \$[], all individual items greater than \$[] should be identified for consideration.

Balance Sheet

The process of due diligence in respect of the balance sheet should seek to identify a misstatement of [Issue]'s balance sheet or net assets of more than \$[]. This level represents approximately X% of [the appropriate base] as at [insert date].

To ensure due consideration is given to individual items affecting the balance sheet, which may aggregate to \$[], all individual items greater than \$[] should be identified for consideration. These are items which are expected to affect the balance sheet only.

The quantitative materiality recommendations in this letter are provided as a guide only as recommendations covering every possible scenario, event or matter cannot be made. The overriding consideration in relation to each matter should be whether:

- the omission of the matter from the [Public Document](#); or
- a misleading disclosure in relation to the matter,

would be likely to be considered to render the [Public Document](#) deficient in light of the legal disclosure requirements relevant to the [Public Document](#).

Yours faithfully

[Member or Firm]

Appendix 3 – New Circumstances Statement

[insert date]

The Due Diligence Committee,
each of its members and their representatives

Board of Directors
[insert name of the Client]
[insert address]

Dear [],

[insert subject]

This New Circumstances Statement is provided to you in relation to the [describe Public Document] issued by [insert Client] on [insert date] in connection with [insert details of proposed transaction] (Offer/Transaction), and pursuant to our Engagement Document with [Client] dated [insert date] (the Engagement Document).

The procedures set out below have been conducted and this New Circumstances Statement has been prepared in accordance with APES 350 Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document.

This New Circumstances Statement should be read together with, and in the context of, our Due Diligence Sign-off dated [insert date] (the Due Diligence Sign-off).

1. Scope of Work

In connection with the [describe Public Document] we have performed the following procedures subsequent to the issue of our Due Diligence Sign-off:

[set out procedures undertaken]

2. Basis for Statement

The statement in section 3 is made on the basis of:

- (a) the procedures performed by us as described in section 1;
- (b) the materiality criteria adopted by the Client and the Due Diligence Committee (DDC); and
- (c) the assumptions and qualifications set out in our Due Diligence Sign-off which are equally applicable to and incorporated by reference in this New Circumstances Statement.

In making the Statement in section 3, we only hold ourselves out as having expertise as [designation of applicable Professional Body]. We disclaim any skills or expertise in any other capacity.

3. Statement

Based on our performance of the procedures set out in section 1, which does not constitute either an audit or a review in accordance with Australian Auditing and Assurance Standards, and applying the materiality criteria adopted by the DDC, no material new information or circumstance in relation to the [Financial Information](#) as defined in our [Due Diligence Sign-off](#) has come to our attention that causes us to believe that, had we known of such matters as at the date of our [Due Diligence Sign-off](#), we would have amended that [Due Diligence Sign-off](#).

4. Recipients of this New Circumstances Statement

This [New Circumstances Statement](#) is given solely for the benefit of:

- (a) the [Client](#) and its representatives on the DDC;
- (b) the directors of the [Client](#); and
- (c) each member of the DDC and their representatives in their respective capacities as such, (together referred to as the **Recipients**).

This [New Circumstances Statement](#) is not intended for general circulation or publication and may not, without our prior written consent in each specific instance:

- (a) be disclosed except to persons who, in the ordinary course of a Recipient's business have access to their papers and records and on the basis that such person will make no further disclosure of it and are not entitled to rely on it for any purpose;
- (b) be filed with a government or other agency, or be quoted or referred to in any public document or domain; or
- (c) be reproduced or used for any other purpose,

except as required by law, regulation or the rules of any Stock Exchange or government body or in connection with any enquiry conducted by a regulatory body or in the enforcement of the rights of, or in defence of any actual or potential claim against, a Recipient.

We do not accept any responsibility for any losses whatsoever occasioned by any Recipient or by any other party as a result of the circulation, reproduction or use of this [New Circumstances Statement](#) contrary to the above paragraph.

Yours faithfully

[\[Member or Firm\]](#)

Appendix 4 – Summary of revisions to the previous APES 350 (Issued in ~~November~~ August 2019~~5~~)

APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* was originally issued in December 2009, and revised in March 2011, ~~and~~ August 2015, ~~and~~ November 2019 (extant APES 350). ~~APES 350~~ has been revised by APESB in ~~XXX~~ November 202X~~19~~. A summary of the revisions is given in the table below.

Table of revisions*

Paragraph affected	How affected
1.2	Amended
2 – Definition of Assurance Client	Amended
2 – Definition of Assurance Engagement	Amended
2 – Definition of Engagement Team	Amended
2 – Definition of Network	Amended
2 – Definition of Partner	Amended
2 – Definition of Subject Matter Information	Amended
3.19	Amended
6.1	Amended
Appendix 1	Amended
Appendix 4	Amended

* Refer Technical Update 202X~~19~~/~~XX~~9

APES GN 31 Professional and Ethical Considerations relating to Low Doc Offering Sign-offs

[Supersedes APES GN 31 Professional and Ethical Considerations relating to Low Doc Offering Sign-offs issued in ~~February~~September 2020~~17~~]

REVISED: ~~XXX~~February 202~~X~~9

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1. Scope and application

- 1.1 The objective of APES GN 31 *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs* is to provide guidance on the professional and ethical obligations of a [Member in Public Practice](#) in relation to [Low Doc Offering Engagements](#) and [Low Doc Offering Sign-offs](#).
- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional guidance note APES GN 31 *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs* (the Guidance Note), which is effective from the date of issue and supersedes APES GN 31 issued in ~~February~~ [September 2020](#)~~17~~.
- 1.3 APES GN 31 provides guidance to assist [Members in Public Practice](#) to determine whether or not it is appropriate to provide a [Low Doc Offering Sign-off](#) in relation to a [Low Doc Offering Engagement](#), taking into consideration the applicable requirements of APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document* (APES 350).¹ This Guidance Note does not prescribe or create any mandatory requirements.
- 1.4 [Members in Public Practice](#) using this Guidance Note should refer to:
- (a) APESB's *Due process and working procedures for the development and review of APESB pronouncements* (APESB's Due Process document); and
 - (b) APES 350 for the applicable requirements where a [Member in Public Practice](#) provides [Professional Services](#) to a [Client](#) which comprise participating in and/or reporting to a [Due Diligence Committee](#) as a [DDC Member](#), [DDC Observer](#) or [Reporting Person](#).
- The APESB's Due Process document provides the meaning of the term 'should' used in this Guidance Note.²
- 1.5 [Members in Public Practice](#) working in Australia should follow the guidance in APES GN 31 when they provide [Professional Services](#).
- 1.6 [Members in Public Practice](#) outside of Australia should follow the guidance in APES GN 31 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.
- 1.7 The Guidance Note is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.8 All references to [Professional Standards](#), guidance notes and legislation are references to those provisions as amended from time to time.
- 1.9 [Members in Public Practice](#) are required to comply with other applicable [Professional Standards](#) and be familiar with relevant guidance notes when performing [Professional Services](#). All [Members](#) are required to comply with the fundamental principles outlined in the [Code](#).
- 1.10 In applying the guidance outlined in APES GN 31, [Members in Public Practice](#) should be guided not merely by the words but also by the spirit of this Guidance Note and the [Member's](#) professional obligation to comply with the requirements of the [Code](#).

¹ APES 350, paragraph 1.6, specifies that the "Standard should be applied to the extent practicable where a [Member in Public Practice](#) provides [Professional Services](#) to a [Client](#) which comprise participating in and/or reporting to a [Due Diligence Committee](#) as a [DDC Member](#), [DDC Observer](#) or [Reporting Person](#) in connection with an [Engagement](#) which is not in connection with a [Public Document](#)."

² Refer to APESB's Due Process document, Section 5, Paragraph 5.2(e).

- 1.11 In this Guidance Note, unless otherwise specified, words in the singular include the plural and vice versa, words of one gender include another gender, and words referring to persons include corporations or organisations, whether incorporated or not.

2. Definitions

Defined terms, including terms defined in APES 350, are shown in the body of the Guidance Note in title case.

For the purpose of this Guidance Note:

Cleansing Notice means a notice issued by a **Listed Entity** in conjunction with the announcement of a **Rights Issue** or **Placement**.³ The Cleansing Notice confirms that the market has all the information the **Listed Entity** would be obliged to release under the continuous disclosure requirements, including information on incomplete proposals or negotiations.

Low Doc Offering means a security offering by a **Listed Entity** where the securities can be offered for sale or issue without a **Public Document**.⁴ The capital raising may be a stand-alone transaction, in conjunction with an acquisition or for refinancing.

Low Doc Offering Document means a document, that is not a **Public Document**, prepared and issued in relation to a **Low Doc Offering**. A Low Doc Offering Document generally contains limited financial and other information and may take the form of an investor presentation-style document.

Low Doc Offering Sign-off means a due diligence sign-off issued by a **DDC Member** or a **DDC Observer**, as defined in APES 350, in connection with a **Low Doc Offering Document**. A Low Doc Offering Sign-off is issued by a **Member in Public Practice** in connection with a **Low Doc Offering Engagement**, when reporting to a **Client** on the conclusions arising from the procedures conducted on the **Financial Information** and/or other specific information included in the **Low Doc Offering Document**.

Placement means an allotment of securities made directly from an entity to investors in respect of capital raising.⁵

Rights Issue means a privilege granted to shareholders to buy new shares in the same company.⁶

3. Fundamental responsibilities of Members in Public Practice

- 3.1 The **Code** is the conceptual framework and foundation upon which all APESB pronouncements are based. Compliance with and application of the **Code** is fundamental to the ethical behaviour of **Members in Public Practice**. Non-compliance with the **Code** can lead to disciplinary procedures being initiated by the **Professional Body** to which the **Member in Public Practice** belongs.
- 3.2 Professional obligations and ethical requirements that **Members in Public Practice** are required to comply with are based on the five fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour in the **Code**.
- 3.3 A **Member in Public Practice** who performs a **Professional Activity**, including providing a **Low Doc Offering Sign-off**, is required to comply with Part 1 *Complying with the Code, Fundamental*

^{3.} Refer to *Corporations Act 2001* sections 708, 708AA and 1012DAA.

^{4.} As per sections 708AA and 1012DAA of the *Corporations Act 2001*.

^{5.} This definition is consistent with the equivalent definition in the Australian Securities Exchange (ASX) Glossary.

^{6.} This definition is consistent with the equivalent definition in the Australian Securities Exchange (ASX) Glossary.

Principles and Conceptual Framework, Part 3 Members in Public Practice and the Independence Standards (Parts 4A and 4B) of the Code, and applicable laws or regulations.

4. Low Doc Offerings

- 4.1 **Low Doc Offerings** are generally undertaken by **Listed Entities** in connection with a **Rights Issue** or **Placement**⁷ and a **Cleansing Notice** is issued at the time the **Low Doc Offering** is announced.
- 4.2 **Low Doc Offerings** are typically undertaken in a limited time frame and there are no specific requirements established by legislation or regulation in relation to the relevant disclosure documents or the due diligence process to be followed in respect of the issue of shares.
- 4.3 For the purpose of this Guidance Note, a **Low Doc Offering Engagement** is considered to be an **Engagement** to which paragraph 1.6 of APES 350 applies and where many of the elements of an **Engagement** to which APES 350 is applicable are present.
- 4.4 The determination by a **Member in Public Practice** of whether to issue a **Low Doc Offering Sign-off** is a matter of professional judgement, based on the particular facts and circumstances of a **Low Doc Offering Engagement**.

5. Roles and responsibilities of a Member in Public Practice in relation to Low Doc Offerings

- 5.1 The roles and responsibilities of a **Member in Public Practice** in connection with a **Low Doc Offering** can vary depending on the specific circumstances of the **Engagement**.
- 5.2 A **Member in Public Practice** may be asked to provide **Professional Services** as a due diligence committee member, observer or reporting person for a **Low Doc Offering Engagement**. Requirements and guidance on these roles in connection with a **Public Document** are set out in APES 350. A **Member in Public Practice** is required to consider these requirements and guidance when undertaking similar roles in relation to a **Low Doc Offering Engagement**.
- 5.3 A **Member in Public Practice** or **Firm** may be asked to provide a **Low Doc Offering Sign-off** to a **Client** and its due diligence committee.
- 5.4 A **Member in Public Practice** is required to exercise professional judgement in assessing whether it is appropriate, based on the specific circumstances of the **Engagement**, to provide a **Low Doc Offering Sign-off**.
- 5.5 When a **Low Doc Offering Engagement** has similarities with an **Engagement** in connection with a **Public Document** conducted in accordance with APES 350, particularly in respect of the processes and the **Member in Public Practice's** role in the **Engagement**, it is more likely that the **Member** will have a reasonable basis to provide a **Low Doc Offering Sign-off**.

Engagement circumstances that may enable the issue of a Low Doc Offering Sign-off

- 5.6 A **Member in Public Practice** or **Firm** should only issue a **Low Doc Offering Sign-off** if the following **Engagement** circumstances are present in relation to a **Low Doc Offering Engagement**:
 - (a) review procedures can be performed and a review conclusion can be provided on the **Financial Information** or other specific information in the **Low Doc Offering Document** in accordance with ASAE 3450 *Assurance Engagements involving Corporate Fundraisings*

⁷ Refer to *Corporations Act 2001* sections 708, 708AA and 1012DAA.

and/or *Prospective Financial Information* (ASAE 3450) or similar standards on [Assurance Engagements](#);

- (b) there is a due diligence process being undertaken by the [Client](#) or its due diligence committee comprising experienced management and/or Board representation and receiving input from advisers with the appropriate expertise (either as members/observers and/or reporting persons);
- (c) sufficient time, resources and expertise have been allocated to the due diligence process by the [Client](#), the [Client's](#) other advisers, and the [Member in Public Practice](#) or [Firm](#); and
- (d) the [Member in Public Practice](#) or [Firm](#) has assessed that the financial systems and processes at the [Client](#) and target entity are able to provide accurate and reliable [Financial Information](#).

5.7 The circumstance referred to in paragraph 5.6(a) may generally include:

- (a) The historical [Financial Information](#) underlying the [Financial Information](#) on which the [Low Doc Offering Sign-off](#) is to be provided has been recently (or concurrently) subject to audit or review by the same [Firm](#) or another [Firm](#).
- (b) The [Client](#) allowing for sufficient time, budget and resources for the [Firm](#) to perform the required review procedures in accordance with ASAE 3450.

Engagement circumstances that may preclude the issue of a Low Doc Offering Sign-off

5.8 [Engagement](#) circumstances that either individually or in combination may preclude a [Member in Public Practice](#) from issuing a [Low Doc Offering Sign-off](#) include:

- (a) The [Financial Information](#) to be included in the [Low Doc Offering Document](#) is not prepared in accordance with an applicable financial reporting framework and/or the [Member in Public Practice](#) is not in a position to provide a conclusion in accordance with ASAE 3450 or other similar standards on [Assurance Engagements](#).
- (b) The urgency with which the [Client](#) wants to raise additional equity through a [Low Doc Offering](#) is such that the offer is made in an unduly short time frame (for example, a matter of days rather than weeks) and the due diligence process, including the involvement of and participation by the [Client's](#) management, directors, any other advisers, and/or the [Member in Public Practice](#), is restricted by that time frame.
- (c) The time frame dictates and/or the [Client](#) specifies that the [Member in Public Practice](#) is to only perform a limited scope of work, such as limited specific due diligence enquiries or agreed-upon procedures undertaken in accordance with ASRS 4400 *Agreed-Upon Procedures Engagements* ~~to Report Factual Findings~~.
- (d) Financial disclosures in the [Low Doc Offering Document](#) are limited in form (for example, a small number of non-GAAP measures or ratios) and a [Member in Public Practice](#) is unable to provide a review conclusion in accordance with ASAE 3450.

5.9 The list of [Engagement](#) circumstances in paragraphs 5.6 and 5.8 are not exhaustive and there may be other [Engagement](#) circumstances a [Member in Public Practice](#) should consider when deciding whether it is appropriate to issue a [Low Doc Offering Sign-off](#).

6. Reporting

6.1 A [Member in Public Practice](#) should consider the requirements and guidance on due diligence sign-offs set out in APES 350 when preparing a [Low Doc Offering Sign-off](#) to the extent practicable.

7. Documentation

- 7.1 A Member in Public Practice is required to comply with the requirements of APES 320 *Quality Management* ~~Control~~ for Firms that provide Non-Assurance Services, or where the Engagement is determined to be an Assurance Engagement, the Member is required to comply with the requirements of ASQM 1.⁸ A Member should prepare working papers that appropriately document the work performed and conclusions reached in the provision of a Low Doc Offering Engagement.

Conformity with International Pronouncements

The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES GN 31.

⁸ Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* issued by the AUASB.

Appendix 1 – Illustrative Examples

This Appendix contains some examples that set out various scenarios of [Low Doc Offerings](#) and considers [Engagement](#) circumstances that are appropriate for, as well as circumstances that would preclude, the issue of a [Low Doc Offering Sign-off](#).

Members in Public Practice are cautioned that the determination of whether to issue a [Low Doc Offering Sign-off](#) is a matter of professional judgement, based on the particular facts and circumstances of a [Low Doc Offering Engagement](#). These examples are provided for illustrative purposes only and are not intended to be, and cannot be, all inclusive. In all of the examples presented below, it is assumed that there are no unmentioned facts that are relevant to the consideration as to whether a [Low Doc Offering Sign-off](#) can be issued.

Example 1

Facts

An [Audit Client](#) is undertaking a [Rights Issue](#) shortly after the issuance of the audit report in relation to its financial statements. The [Audit Client](#) has established a due diligence process. The [Audit Client](#) also has appropriate financial systems and processes in place to provide accurate and reliable [Financial Information](#). The [Member in Public Practice](#) is engaged to perform review procedures in accordance with ASAE 3450 in respect of the pro forma [Financial Information](#). The [Member](#) believes they will be able to complete the required procedures within the time frame required by the [Audit Client](#).

Analysis

In this circumstance, the [Firm](#) has recently audited the [Financial Information](#) and has been engaged to perform review procedures in accordance with ASAE 3450. There is a due diligence process in place and the [Member in Public Practice](#) has been allocated sufficient time and resources to complete the required procedures.

Conclusion

As the [Member in Public Practice](#) is able to issue a review conclusion in accordance with ASAE 3450, and there is an adequate due diligence process, in this instance, the [Member](#) is able to provide a [Low Doc Offering Sign-off](#) in relation to the pro forma [Financial Information](#).

Example 2

Facts

An [Audit Client](#) is undertaking a [Rights Issue](#) shortly after the issuance of the audit report in relation to its financial statements. The [Audit Client](#) has established a due diligence process. The [Audit Client](#) also has appropriate financial systems and processes in place to provide accurate and reliable [Financial Information](#). The [Audit Client](#) has determined that it does not require the [Member in Public Practice](#) to perform a review of its pro forma [Financial Information](#) in accordance with assurance standards, and instead engages the [Member](#) to perform certain limited agreed-upon procedures. The [Member](#) believes they will be able to complete the required procedures within the time frame specified by the [Audit Client](#).

Analysis

In this circumstance, although the [Firm](#) has recently audited the [Financial Information](#) of the [Audit Client](#), it has been engaged to perform agreed-upon procedures in respect of the pro forma [Financial Information](#). While a due diligence process has been established, and there is sufficient time and resources to complete required procedures, review procedures are not being performed in this instance.

Conclusion

As the **Member in Public Practice** has only been engaged to perform agreed-upon procedures, and has not been requested to issue a review conclusion in accordance with ASAE 3450, in this instance, the **Member** is not able to provide a **Low Doc Offering Sign-off** in relation to the pro forma **Financial Information**.

Example 3

Facts

An **Audit Client** is proposing to raise capital through a **Low Doc Offering** to specifically finance the proposed acquisition of a target entity based in another jurisdiction. The **Audit Client** has established a due diligence process and engaged a **Member in Public Practice** based in Australia. A different **Firm** based in the other jurisdiction has been engaged to undertake an acquisition due diligence engagement in relation to the target entity, which applies the generally accepted accounting principles of the other jurisdiction in preparing its **Financial Information**. The **Audit Client** applies Australian accounting standards in preparing its **Financial Information**.

The target entity's **Financial Information** is to be incorporated into the merged group's pro forma **Financial Information**. It is material to the merged group's pro forma **Financial Information**. However, the **Member in Public Practice** does not have access to the books and records of the target entity. The **Member** is unable to perform review procedures on the target entity's **Financial Information** in accordance with ASAE 3450. The **Member** has been allocated sufficient time to complete the required procedures within the period specified by the **Audit Client**.

Analysis

There is a due diligence process in place and the **Member in Public Practice** has been allocated sufficient time and resources to complete the required procedures. However, the **Member** does not have access to the books and records of the target entity. The target entity's **Financial Information** will form part of, and is material to, the merged entity's pro forma ~~merged~~ **Financial Information**. While the **Member** may be in a position to perform review procedures over the **Audit Client**, it is unable to do so in respect of the target entity's **Financial Information** in accordance with ASAE 3450.

Conclusion

As the **Member in Public Practice** has not been engaged to perform review procedures in respect of the target entity, it is unable to issue a review conclusion in accordance with ASAE 3450. In this instance, the **Member** is not able to provide a **Low Doc Offering Sign-off** in relation to the merged group's pro forma **Financial Information**.

Example 4

Facts

A **Client** is undertaking a **Rights Issue** and **Placement** to fund an acquisition. The **Member in Public Practice** is requested to perform a review of certain forecast **Financial Information** in accordance with ASAE 3450 and prepare a **Low Doc Offering Sign-off**. While the capital raising will occur through a low doc process, the **Client** is implementing a rigorous due diligence process in connection with the proposed disclosures. The **Client** has appropriate financial systems and processes in place to provide accurate and reliable **Financial Information**. The timetable for the low doc process is sufficient to enable the performance of the necessary review procedures and the gathering of sufficient evidence. The nature of the **Client's** business is based on long-term contracts which facilitate the efficient gathering of supporting evidence for the majority of key forecast assumptions.

Analysis

The **Member in Public Practice** has been engaged to perform a review **Engagement** in respect of the forecast **Financial Information** in accordance with ASAE 3450. The **Client** has implemented a due diligence process which includes providing adequate time and resources to enable the **Member** to perform the necessary review procedures.

Conclusion

As the **Member in Public Practice** has been engaged to, and is able to, issue a review conclusion in accordance with ASAE 3450, and there is an adequate due diligence process, in this instance the **Member** is able to provide a **Low Doc Offering Sign-off** in relation to the forecast **Financial Information**.

Example 5

Facts

The **Client** is undertaking a **Rights Issue** and **Placement** to fund an acquisition. The **Client** has established a due diligence process. The **Client** has engaged the **Member in Public Practice** to undertake acquisition due diligence procedures in relation to the target entity. The **Member** believes they will be able to complete the required procedures within the time frame specified by the **Client**. However, the **Client** subsequently decided to raise additional capital to finance the acquisition, and did not engage the **Member** to perform additional review procedures in accordance with ASAE 3450 in relation to the target entity's **Financial Information**.

Analysis

The **Client** has implemented a due diligence process and has allocated adequate time and resources to that process. However, while the **Member** may be in a position to perform review procedures over its **Client's Financial Information**, it has not been engaged to perform a review in accordance with ASAE 3450 in respect of the target entity's **Financial Information** for the additional capital raising.

Conclusion

As the **Member in Public Practice** has not been engaged to perform a review in accordance with ASAE 3450 on the target entity's **Financial Information** for the additional capital raising, in this instance the **Member** is not able to provide a **Low Doc Offering Sign-off** in relation to the **Financial Information** of the target or merged entity.

Appendix 2 – Summary of revisions to the previous APES GN 31 (Issued in ~~February~~September 20~~17~~2017)

APES GN 31 *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs* was originally issued in September 2017 and revised in February 2020 (extant APES GN 31). APES GN 31 has been revised by APESB in ~~XXX~~February 202~~X0~~X. A summary of the revisions is given in the table below.

Table of revisions*

Paragraph affected	How affected
1.2	Amended
5.8	Amended
7.1	Amended
Appendix 1 – Example 3 Analysis	Amended

* Refer Technical Update 202~~X0~~/~~XX~~4