AGENDA PAPER

Item Number:	7
Date of Meeting:	22 August 2017
Subject:	Proposed Guidance Note: APES GN 31 *Professional and Ethical Considerations Relating to Low Doc Offering Sign-offs* (APES GN 31)

[X]	**Action required**	[ ]	**For discussion**	[ ]	**For noting**	[ ]	**For information**

Purpose

- To present for Board consideration the key issues raised in submissions relating to Exposure Draft 02/17 *Proposed Guidance Note: APES GN 31 Professional and Ethical Considerations relating to Low Doc Offering Sign-offs* (ED 02/17); and
- To obtain Board approval to issue proposed Guidance Note APES GN 31 and the accompanying Basis for Conclusions.

Background

In June 2017, APESB issued ED 02/17 to seek stakeholders' feedback regarding the proposed guidance for Members in Public Practice who undertake Due Diligence Engagements in respect of:

- determining whether it is appropriate to issue a Low Doc Offering Sign-off in a Low Doc Offering Engagement, considering the applicable requirements in APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Documents* (APES 350);
- key professional and ethical considerations relating to Low Doc Offering Sign-offs; and
- engagement circumstances that may enable or preclude the provision of a Low Doc Offering Sign-offs.

The comment period for ED 02/17 closed on 25 July 2017.

Key Considerations

APESB received submissions from 5 stakeholders in relation to ED 02/17. The submissions have been summarised as general and specific comments in Agenda Items 7(b) and 7(c) respectively.

Overall the respondents were supportive of the issue of the proposed APES GN 31 as a whole. The matters raised by respondents ranged from editorial comments to more significant issues. Technical Staff have analysed the matters (recorded in the general and specific comments tables), and have also set out key issues below for the Board's consideration. A revised version

of the guidance note, marked-up for amendments to the version in ED02/17, is set out at Agenda Item 7(a).

1. Comfort letter engagements

   A Professional Body has requested clarification in respect of APES GN 31's applicability to comfort letter engagements in accordance with ASRS 4450 *Comfort Letter Engagements* (ASRS 4450). (See specific comments table item 15.)

   The Professional Body believes that comfort letter engagements could fall within the definition of a Low Doc Offering but would be excluded from the scope of APES GN 31 due to paragraph 5.8. Paragraph 5.8 specifies that being unable to provide an assurance conclusion, or only performing agreed-upon procedures, may preclude the issue of a Low Doc Offering Sign-off.

   Technical Staff are of the view that comfort letter engagements do not fall within the scope of the proposed APES GN 31 as:

   - a due diligence sign-off is different to the sign-off provided for comfort letter engagements;
   - a Low Doc Offering Sign-off is a due diligence sign-off issued in accordance with applicable APES 350 requirements;
   - APES 350 does not apply to comfort letter engagements; and
   - no assurance is expressed in a comfort letter engagement.

   Members in Public Practice who require guidance on comfort letter engagements should refer to the relevant AUASB standard ASRS 4450 and the accompanying *Explanatory Guide*.

   Members in Public Practice should refer to the overarching requirements and guidance in APES 110 *Code of Ethics for Professional Accountants* in the absence of specific guidance on a topic or type of professional service.

2. Use of the term 'should'

   A Professional Body has raised an issue in relation to the use of the word 'should', and whether its use presents requirements of APES 350 or other APESB standards as guidance (see specific comments table item 7). The Professional Body referred to paragraphs 5.2, 5.4, 6.1 and 7.1 as examples of where the word' should' may be seen as diluting mandatory professional obligations required in different standards.

   When a requirement in another APESB standard must be followed, such as exercising professional judgement, the word 'should' may not be appropriate. Technical Staff agree with the Professional Body's comment and therefore propose revisions to paragraphs 5.2, 5.4 and 7.1 to reinforce existing professional obligations of Members.

   APESB's drafting principles (refer to paragraph 5.2(f) of APESB's due process document) states that the term 'should' does not imply a Member's mandatory professional obligation. The proposed guidance note includes a reference to this point in paragraph 1.4.

   In light of this, Technical Staff have reviewed the use of the term 'should' in the proposed guidance note. In most instances, including paragraph 6.1, Technical Staff believe the work 'should' has been applied appropriately.

Task Force Comments

The APES GN 31 Task Force is in the process of performing the final review of the revised draft proposed APES GN 31 together with stakeholders' comments. A verbal update of their comments will be provided at the August 2017 Board Meeting.

Staff Recommendation

Subject to the Board's and Taskforce review comments and editorials, the Board approve the issue of Guidance Note APES GN 31and the accompanying Basis for Conclusions.

Materials presented

Agenda Item 7(a)	Proposed APES GN 31 (Marked Up version)
Agenda Item 7(b)	General Comments Table – Proposed APES GN 31
Agenda Item 7(c)	Specific Comments Table – Proposed APES GN 31
Agenda Item 7(d)	Draft Basis for Conclusions: APES GN 31.

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