

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 September 2017]

REVISED: February 2020

Copyright © 2020 Accounting Professional & Ethical Standards Board Limited (“APESB”). All rights reserved. Apart from fair dealing for the purpose of study, research, criticism and review as permitted by the *Copyright Act 1968*, no part of these materials may be reproduced, modified, or reused or redistributed for any commercial purpose, or distributed to a third party for any such purpose, without the prior written permission of APESB.

Any permitted reproduction, including fair dealing, must acknowledge APESB as the source of any such material reproduced and any reproduction made of the material must include a copy of this original notice.

Contents

	Section
Scope and application	1
Definitions	2
Fundamental responsibilities of Members in Public Practice	3
Low Doc Offerings	4
Roles and responsibilities of a Member in Public Practice in relation to Low Doc Offerings	5
- Engagement circumstances that may enable the issue of a Low Doc Offering Sign-off	
- Engagement circumstances that may preclude the issue of a Low Doc Offering Sign-off	
Reporting	6
Documentation	7
 <i>Conformity with International Pronouncements</i>	
 <i>Appendix 1: Illustrative Examples</i>	
 <i>Appendix 2: Summary of revisions to the previous APES GN 31 (Issued in September 2017)</i>	

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 September 2017.
- 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](#).
- 1.11 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.

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).

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 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.

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.

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 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);

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

- (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 Control for Firms*. 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.

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 September 2017)

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

Table of revisions*

Paragraph affected	How affected
1.2	Amended
1.3	Amended
1.4	Amended
1.5	Added
1.6	Added
1.7	Added
1.8	Added
1.9	Added
1.10 – Paragraph 1.5 in extant APES GN 31	Relocated
1.11 – Paragraph 1.6 in extant APES GN 31	Relocated
2 – Introduction	Amended
3.3	Amended
4.3	Amended
5.6	Amended
5.7	Amended
5.8	Amended
Appendix 1	Amended

* Refer Technical Update 2020/4