



## **Exposure Draft 04/24 Revision of APESB pronouncements**

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# A. Explanatory Memorandum to Exposure Draft 04/24 Revision of APESB pronouncements

## Introduction

In December 2023, APESB released a Complied Code (June 2023) for APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). Subsequent Amending Standards issued by APESB include the revisions to the Definitions of Listed Entity and Public Interest Entity in November 2023 and Technology-related revisions in June 2024. The pronouncements listed below have been revised to update cross-references to the Code and Amending Standards to ensure consistency of definitions and terminology and other matters.

This Explanatory Memorandum aims to provide stakeholders with the background, development process and rationale for Exposure Draft 04/24 *Revision of APESB pronouncements* (the Exposure Draft) issued in **XXX 2024**.

The Explanatory Memorandum has been prepared by Technical Staff of APESB 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 Transaction Advisory Services Related Pronouncements:

Pronouncement	Name of pronouncement	Part of the Explanatory Memorandum
APES 345	<i>Reporting on Prospective Financial Information Prepared in connection with a Public Document</i>	<b>Appendix 1</b>
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>	

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 amendments to the Code;
- (ii) Inclusion of references to reflect Technology-related revisions to the Code; and
- (iii) Minor editorials.

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

### Retention of the term Listed Entity

As part of the Amending Standard *Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*, the defined term "Listed entity" was deleted and replaced with the term "Publicly traded entity", intending to broaden the scope to include more entities than listed entities as Public Interest Entities. The term "Publicly traded entity" can encompass both primary and secondary exchanges and, as such, subsumes the term Listed Entity. This new definition is set out below:

**Publicly Traded Entity** An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange.

*A listed entity as defined by relevant securities law or regulation is an example of a Publicly Traded Entity.*

In Australia, the Transaction Advisory Services Related Pronouncements were designed for the roles of investigating accountants on due diligence committees, primarily for listings on the Australian Securities Exchange (ASX). APESB is of the view that retaining the term "Listed Entity" in these pronouncements is essential for alignment with the *Corporations Act 2001*.

Accordingly, APESB is not proposing to replace references to "Listed Entity" with the term "Publicly Traded Entity" in the Transaction Advisory Services Related Pronouncements. Stakeholders are welcome to provide feedback on any concerns regarding the retention of the term "Listed Entity" in these pronouncements.

### Effective Date

The effective date for all of the revised pronouncements will be **1 April 2025**.

This is marked up in each Standard in paragraph 1.2 proposing that the revised standard will be operative from **1 April 2025** and that earlier adoption of the standard is permitted.

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 the proposed revisions to the pronouncements identified in ED 04/24.

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by 8 November 2024.**

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.

### Request for Specific Comments

APESB is seeking respondents' specific comments and feedback on the retention of the term 'Listed Entity' in the Transaction Advisory Services Related Pronouncements as outlined in the Introduction above.

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](http://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](mailto:sub@apesb.org.au) or mailed to the address noted above.

### Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: [www.apesb.org.au](http://www.apesb.org.au).

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

E-mail: [enquiries@apesb.org.au](mailto:enquiries@apesb.org.au)  
Phone: (03) 9670 8911  
Fax: (03) 9670 5611

## C. Revisions to Transaction Advisory Services Related Pronouncements

This Explanatory Memorandum focuses on the following three pronouncements (grouped as the Transaction Advisory Services Related Pronouncements):

Pronouncement	Name of pronouncement
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 pronouncements and addresses the following key matters:

**(i) Revisions to reflect Technology-related revisions to the Code**

APESB issued the Amending Standard *Technology-related revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* in June 2024.

As a result, APESB has commenced a project to revise its current pronouncements where relevant, to align definitions and update any cross-references to the Amending Standards where relevant to ensure consistency of definitions and obligations across the Code.

Refer to **Section C.2** for a table that summarises the proposed revisions to the pronouncements in Exposure Draft 04/24.

**(ii) Minor editorials**

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

**Section C.3** sets out a table which summarises the proposed revisions to the pronouncements in Exposure Draft 04/24 not addressed in Section C.2.

## C.2 Table of proposed revisions to align to the Amending Standard for Technology-related revisions to the Code

The table below provides a summary of the proposed revisions to the Transaction Advisory Services Related Pronouncements in this Exposure Draft to align the definitions and relevant cross-references to the Amending Standard for *Technology-related revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* issued in June 2024.

Revisions to reflect the Amending Standard to the Code	Transaction Advisory Services Related Pronouncements	
	APES 345	APES 350
<b>New Definition added to align with the Amending Standard for Technology-related revisions to the Code</b>		
Confidential Information	✓	✓
<b>Amendments to align with the Amending Standard for Technology-related revisions to the Code</b>		
Paragraph 3.12	✓	
Paragraph 3.14	✓	
Paragraph 3.15	✓	
Paragraph 3.18		✓
Paragraph 3.19		✓
Paragraph 5.1 - Footnote 1	✓	
Paragraph 6.3 - Footnote 2	✓	

## C.3 Table of other proposed revisions to the Transaction Advisory Services Related Pronouncements

The table below provides a summary of the proposed revisions to the Transaction Advisory Services Related Pronouncements in the Exposure Draft. Note that this summary does not include the revisions noted in Section C.2.

Summary of proposed amendments	Transaction Advisory Services Related Pronouncements		
	APES 345	APES 350	APES GN 31
Effective date (paragraph 1.2)	✓	✓	✓
Paragraph 1.3 – Footnote 1			✓
Appendix 1	✓		
Appendix 2			✓
Appendix 4		✓	

**Appendix 1**

**APESB Transaction Advisory Services Related Pronouncements  
in ED 04/24**

APES 345 *Reporting on Prospective Financial Information prepared in connection with a Public Document* ..... 10

APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document*..... 21

APES GN 31 *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs* ..... 52



# 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 2019~~March 2023]

REVISED: ~~March 2023~~ XXX 2024

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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 2023~~ **1 April 2025** and supersedes APES 345 issued in ~~November 2019~~ **March 2023**. 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.

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)*.

**Confidential Information** means any information, data or other material in whatever form or medium (including written, electronic, visual or oral) that is not publicly available.

**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 who perform procedures on the **Engagement**, excluding an **External Expert**.

*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 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 a **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 **eConfidential 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 disclose, 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 **eConfidential iInformation** 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 **eConfidential iInformation** in accordance with a legal, regulatory or professional duty or right to disclose, the **Member** shall consider whether it is appropriate to inform the **Client** or the relevant third party, either before disclosing the **eConfidential iInformation**, 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 party<sup>1</sup> 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;

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1 The term 'reasonable and informed third party' is explained in paragraph 120.5 A96 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:

- (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** (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 party<sup>2</sup> 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:

- (a) provide a sufficient and appropriate record of the procedures performed for the **Reporting Service Engagement**;
- (b) identify the source of significant information the **Member** has used in the conduct of the **Reporting Service Engagement**; and
- (c) 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:
  - (i) policies and procedures established in accordance with **APES 320**; or

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2 The term ‘reasonable and informed third party’ is explained in paragraph 120.5 A<sup>96</sup> of the **Code**.

- (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), designed and implemented in accordance with **ASQM 1**; 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**, 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**, 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 2019~~ March 2023)

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 and March 2023 (extant APES 345). APES 345 has been revised by APESB in ~~March 2023~~ XXX 2024. A summary of the revisions is given in the table below.

### Table of revisions\*

Paragraph affected	How affected
1.2	Amended
2 – Definition of Confidential Information	Added
3.12	Amended
3.14	Amended
3.15	Amended
5.1 - Footnote 1	Amended
6.3 - Footnote 2	Amended

\* Refer Technical Update ~~2023/3~~ 2024/X

# 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 2019](#) [March 2023](#)]

REVISED: [March 2023](#) **XXX 2024**

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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~~ **1 April 2025** and supersedes APES 350 issued in ~~November 2019~~ **March 2023**. 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.

- 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** 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 responsibility for the **Subject Matter Information** (who might be the same as the responsible party).

**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**.

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*.



**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)*.

**Confidential Information** means any information, data or other material in whatever form or medium (including written, electronic, visual or oral) that is not publicly available.

**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**.

**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 who perform procedures on the **Engagement**, excluding an **External Expert**.

*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.

**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**.<sup>1</sup> 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 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 a **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**.

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<sup>1</sup> As per sections 708AA and 1012DAA of 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 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 of the underlying subject matter against the criteria, i.e., the information that results from applying the criteria to the underlying subject matter.

**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**);
  - (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**<sup>2</sup>; 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

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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*.

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 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 to 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 eConfidential 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 eConfidential 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 duty or right to disclose, 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.

## 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;  
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;
  - (c) whether the Member will prepare a Due Diligence Sign-off and the proposed form of such sign-off; and
  - (d) 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:
- (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 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), designed and implemented in accordance with ASQM 1<sup>3</sup>; 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;
- (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

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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.

- (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 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 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:

- (a) [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];
- (b) [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*];
- (e) [prepared an investigating accountant's report (if applicable) on the *Financial Information* for inclusion in the [*describe Public Document*]];
- (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);
- (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;
- (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 Board<sup>4</sup>) (“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”).

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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.

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*<sup>5</sup>;
- ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*<sup>6</sup>; 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 investor<sup>7</sup>,

with the provisions of the Act overriding the requirements of applicable **AUASB Standards** and **AUASB Guidance Statements** should they conflict or yield a different result<sup>8</sup>.

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.

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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*
  - (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 [Issuer]. This level represents approximately [ ]% of the [average] [net profit/profit before tax/EBITDA] of [Issuer] 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 [Issuer]'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 2019~~ March 2023)**

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, August 2015, ~~and~~ November 2019 ~~and~~ March 2023 (extant APES 350). APES 350 has been revised by APESB in ~~March 2023~~ XXX 2024. A summary of the revisions is given in the table below.

**Table of revisions\***

Paragraph affected	How affected
1.2	Amended
2 – Definition of Confidential Information	Added
3.18	Amended
3.19	Amended

\* Refer Technical Update ~~2023/4~~ 2024 ~~X~~

# 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 2020~~ [March 2023](#)]

REVISED: ~~March 2023~~ [XXX 2024](#)

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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 2020](#)[March 2023](#).
- 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).<sup>1</sup> 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.<sup>2</sup>
- 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~~ "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](#).<sup>3</sup> 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](#).<sup>4</sup> 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.<sup>5</sup>

**Rights Issue** means a privilege granted to shareholders to buy new shares in the same company.<sup>6</sup>

## 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 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.

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.

## 4. Low Doc Offerings

4.1 **Low Doc Offerings** are generally undertaken by **Listed Entities** in connection with a **Rights Issue** or **Placement**<sup>7</sup> 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**.

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<sup>7</sup> Refer to *Corporations Act 2001* sections 708, 708AA and 1012DAA.



## 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);
  - (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*.
  - (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 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.<sup>8</sup> 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.

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<sup>8</sup> 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 **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 2020~~ [March 2023](#))**

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 ~~and~~ [March 2023](#) (extant APES GN 31). APES GN 31 has been revised by APESB in ~~March 2023~~ [XXX 2024](#). A summary of the revisions is given in the table below.

**Table of revisions\***

Paragraph affected	How affected
1.2	Amended
1.3 – Footnote 1	Amended

\* Refer Technical Update ~~2023/5~~ [2024/X](#)