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Accountants to have clear roles in corporate due diligence

The due diligence committee reporting formats and professional obligations of Australian accounting firms in relation to due diligence committees have been clarified with the release today of a new professional and ethical standard.

The unique APES 350 standard, developed by the Accounting Professional and Ethical Standards Board (APESB), defines the three primary roles external accountants can play on corporate due diligence committees, namely as a member, observer or reporting person, and highlights key considerations for accountants when preparing a due diligence sign-off.

APESB Chairperson Kate Spargo said: "Previously sign off practices have been very varied. Now accountants in this highly-specialised area have a standardised format for their due diligence sign-off. In the same way the business community is familiar with standardised audit reports, the new due diligence sign-off format will allow those involved in due diligence committees to better compare and interpret these reports."

In Australia due diligence committees are established by companies in connection with public documents relating to securities offerings and other public transactions in order to investigate issues - including legal and financial - that may require disclosure in the document.

The new standard, APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document*, was developed in consultation with key stakeholders in response to calls from the Financial Reporting Council and the profession, and was revised after consideration of a wide range of comments received during the exposure draft period.

APES 350 highlights the need for accountants to consider applicable independence requirements, including those outlined in the APES 110 *Code of Ethics for Professional Accountants and Corporations Act 2001*. Significantly, it also confirms that accountants should only report to due diligence committees on matters where they or their firms have the necessary expertise.

The new standard also formalises the existing market practice whereby accountants contribute to the signing off of *draft* public documents, with appropriate qualification, when these documents are used to seek early investor support.

APES 350 only applies to accountants practicing in accountancy firms or sole practice. In the future APESB will investigate due diligence issues for accountants working in business, including CFOs.

APES 350 is effective from 1 February 2010 and early adoption is permitted.

The standard is now available on the APESB website at www.apesb.org.au.

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Media enquiries: For an interview with Ms Spargo, please contact Laura Fayers-Pooley on (02) 9290 3777 / 0413 123 009 or laura@fenton.com.au

Notes to Editors: The APESB is an independent body that sets the code of ethics and professional standards by which members of Australia's three professional accounting bodies are required to abide.