

Media Release

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Professional standard aims to clarify accountants' role on due diligence committees

Uncertainty in the Australian marketplace about the role of accountants in due diligence committees may soon be overcome with the introduction of a proposed new professional and ethical standard for accountants.

The Accounting Professional and Ethical Standards Board (APESB) is developing a unique new Australian standard that will clarify the role of external accountants on corporate due diligence committees and give them greater guidance when providing professional services to clients in connection with these committees.

In Australia due diligence committees are established by company directors in connection with public documents relating to the sale and acquisition of assets in order to investigate issues - including legal and financial - that may require disclosure in the document.

The proposed standard was developed in consultation with key stakeholders in response to calls from the Financial Reporting Council and the accounting profession.

APESB Chairperson Kate Spargo said, "Australian accounting firms began reporting to us last year some inconsistency and lack of clarity within the profession and business community about accountants' roles regarding due diligence committees."

"We are concerned by reports of accountants being expected to sign-off aspects of due diligence reports that are outside their area of professional expertise and direct knowledge."

Accountants may be engaged to participate as members, observers or advisors to these committees. Where the accountant is a member of the committee, they may also be required to sign the due diligence report of the committee with the other committee members.

"The proposed standard, APES 350 *Participation by Members in Public Practice in Due Diligence Committees*, will be an Australian first and will clarify accountants' responsibilities when providing these services," said Ms Spargo.

"The standard also outlines mandatory obligations of professional accountants and includes a recommended due diligence sign-off format."

APES 350 will only apply to accountants practising in accountancy firms or sole practice. The APESB will investigate due diligence issues for accountants working in business, including CFOs, at a later stage.

"This is a significant development, which will result in greater consistency of reporting across the profession, enabling directors and others involved in due diligence committees, to better compare and interpret these reports," said Ms Spargo.

The proposed standard is currently in the exposure draft stage, with comments invited by 24th July 2009. Details of how to provide a submission are available on the APESB website www.apesb.org.au.

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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. For more information or a media factsheet, please visit www.apesb.org.au