

## AGENDA PAPER

**Item Number:** 9.9  
**Date of Meeting:** 9 February 2009  
**Subject:** APES 350 ED *Due Diligence Committees*

---

<input checked="" type="checkbox"/>	<b>Action Required</b>	<input type="checkbox"/>	<b>For Information Only</b>
-------------------------------------	------------------------	--------------------------	-----------------------------

---

### Purpose

To update the Board on the work undertaken by the APES 350 Due Diligence Committees Taskforce and to obtain the Board's views on providing example sign off reports in APES 350 ED.

### Background

The Financial Reporting Council (FRC) informed the APESB of the need to develop a professional & ethical standard in respect of Due Diligence Committees in May 2008. At the time APESB was developing APES 345 ED *Reporting on Prospective Financial Information prepared in connection with a Disclosure Document* which referred to Due Diligence Committees. Based on feedback received on APES 345 ED in July 2008, the Board recognised the need for a comprehensive pronouncement in this area of practice for professional accountants. Accordingly, the Board instructed technical staff to prepare a project proposal to develop a proposed pronouncement on Due Diligence Committees. Subsequently, in October 2008 the Board approved the creation of a taskforce to develop APES 350 ED.

The taskforce has been working on the exposure draft over the last quarter and to date has held 4 taskforce meetings. At this stage it is envisaged that the proposed pronouncement will address the following matters:

- Fundamental responsibilities of Members;
- Professional Engagement and other matters;
- Member's roles and obligations in a Due Diligence Committee;
- The provision of other Professional Services;
- Documentation;
- Reporting;
- Professional fees;
- Example DDC signoff letters;

## Consideration of Issues

The taskforce has prepared an initial draft of the “principles” that a member in public practice should adhere to when preparing a report to the Due Diligence Committee. APESB has previously provided the “principles” of a report in standards such as APES 215 *Forensic Accounting Services*, APES 225 *Valuation Services* and APES 315 *Compilation of Financial Information*. However, only APES 315 has examples of compilation reports.

The APES 350 Taskforce believes that it would be invaluable to provide an example of a DDC sign off report in APES 350 ED as it would greatly assist members practicing in the area as well as stakeholders.

The benefits of providing an example report in APES 350 are:

- It is in the Public Interest as it will enhance clarity in due diligence reporting to all clients and other recipients of Due Diligence Reports;
- It will ensure consistency of practice among members in public practice;
- Over time clients and stakeholders will become familiar with the consistent manner of reporting and this will contribute to the efficiency of the public document due diligence process.

APES 350 Taskforce requests that the Board consider this issue, and provide a preliminary view on the provision of an example DDC sign off letter in APES 350.

## Staff Recommendation

Due to the reasons noted above the Board provide “in principle support” for the provision of an example DDC report in APES 350.

## Material Presented

- Proposed APES 350 ED “principles” of Reporting;

**Author:** Channa Wijesinghe

**Date:** 30 January 2009