

AGENDA PAPER

Item Number: 11.7
Date of Meeting: 8 May 2009
Subject: APES 350 ED *Participation by a Member in Public Practice in Due Diligence Committees*

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Purpose

Subject to the Board's review comments and editorials approve the issue of APES 350 ED *Participation by a Member in Public Practice in Due Diligence Committees* for public comment.

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 the involvement of Members in Public Practice in 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 6 months and to date has held 7 taskforce meetings. The proposed pronouncement will address the following professional obligations of Members in Public Practice:

- Fundamental responsibilities of Members;
- Professional Engagement and other matters;
- Member's roles and obligations in the due diligence process in connection with a public document;
- Documentation;
- Reporting;
- Professional fees;
- Example of a DDC signoff letter;

Consideration of Issues

The significant areas addressed by the proposed ED are:

- Fundamental responsibilities of Members in Public Practice;
- Member's roles and obligations in a due diligence process in connection with a Public Document; and
- Reporting and an example of a DDC signoff letter;

Fundamental responsibilities of Members in Public Practice

This section provides requirements and guidance to Members in Public Practice in respect of their fundamental responsibilities which include engagement acceptance, professional independence, the role of the observer, professional competence and due care, and confidentiality.

Member's roles and obligations in a due diligence process in connection with a Public Document

The Member's professional obligations when undertaking the different roles and activities such as being a member of the DDC, reporting person or observer are addressed in section 5 of the proposed standard.

Reporting requirements

The taskforce strongly believes that a key component of this proposed ED is the reporting requirement and the example DDC signoff letter. APESB has previously provided reporting requirements 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.

Staff Recommendation

Subject to the Board's review comments and editorials, the Board approve the issue of APES 350 *Participation by a Member in Public Practice in Due Diligence Committees* for public comment.

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Material Presented

- Proposed APES 350 ED.

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Date: 30 April 2009