

CEP Magazine – March 2020 Don't be caught conducting 'desktop due diligence'

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The saying “busy doing nothing” is an apt description of due diligence professionals who rely on information available on the internet as the only basis for making an informed due diligence decision. The question is, how well informed are internet sources or Google when it comes to due diligence investigations? The art and science of due diligence is centered on the verification of information and the proper fact-finding that precedes decision-making. It is about knowing all that you need to know and considering all facts and factors that may influence your decision.

Google, like other internet sources, provides useful insights for due diligence professionals who do not have an idea of what to do or where to start a due diligence inquiry. It provides a lead through which due diligence questions or claims can be tested. However, the use of the internet as a tool for searching or sourcing publicly available information is often overemphasized. Although Google and other online resources are good, their accuracy cannot be guaranteed. Google as a tool is credible; however, the information it offers may not be credible enough to make an informed decision. This is because Google does not take responsibility for misleading information that may be found from its search engine.

As a precursor to any due diligence inquiry, a due diligence professional must carefully examine preliminary facts and information to identify how due diligence questions should be framed. The essence of this exercise is to examine all claims to determine which is true. If a due diligence professional doesn't ask relevant questions, the due diligence inquiry will be misdirected. It is a vital error for due diligence to be misdirected; the basis of the due diligence will be defeated and so will the ability to identify risk and uncover misleading information. Sadly, most due diligence professionals are limited to routine checks on Google and other internet sources.

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