



Board Meeting Summary Paper

AUASB
AGENDA
ITEM NO.

11(f)

**Meeting Date:
28 February**

2011

Subject: ISAE 3420 *Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus* Update

Date: 19 February 2011

Action Required

For Information Purposes Only

Agenda Item Objectives

To inform the AUASB Board on IAASB feedback from the exposure process for ISAE 3420.

Background

The IAASB issued ISAE 3420 as an exposure Draft for comment in June 2010, with the AUASB submitting comments based on Board feedback on 30 September 2010. The IAASB has now considered all comments received and intends to present a revised draft ISAE to the March 2011 IAASB Board meeting for their consideration.

Implications for the AUASB

Key changes to the Exposure Draft made are tabled at Agenda Item 11(f).1 pages 3-4. Key changes include:

- (a) Change in key terminology from:
- “Process to compile” to “proper compilation” meaning that the responsible party has prepared compiled the financial information in all material respects on the basis stated.
 - “In accordance with applicable criteria” to “on the basis stated”
- (b) Clarification of the ASAE focus to acknowledge that the requirements of the ASAE extend beyond just the process of the compilation, but to the underlying data itself (although assurance still does not extend beyond the compilation process);
- (c) Include the precondition that if the engagement is in respect of an acquisition; that the the financial information used in the compilation process be previously audited or reviewed;

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- (d) a change to the auditor’s report conclusion wording to allow for only one type of opinion to be expressed (as recommended by the AUASB) - “*whether the pro forma information has been properly compiled by the responsible party on the basis stated*”. Previously the Standard had allowed for 2 types of opinion (see paragraph A52).

It should be noted that the proposed ISAE retains the use of a reasonable assurance conclusion for the assurance practitioner’s conclusion in this type of engagement and has not included limited assurance engagements.

Material Presented

- Agenda Item 11(f) Board Meeting Summary Paper
- Agenda Item 11(f).1 Summary of Significant Comments on Exposure and IAASB Task Force Recommendations
- Agenda Item 11(f).2 Draft ISAE 3420 *Assurance Reports on the Proper Compilation of Pro Forma Financial Information Included in a Prospectus* (mark up from ED version)

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