

EXPOSURE DRAFT

**ED XX/11**  
(June 2011)

# Proposed Standard on Assurance Engagements ASAE 34XX *Auditors' Comfort Letters*

Issued for Comment by the Auditing and Assurance Standards  
Board

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This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



**Australian Government**

**Auditing and Assurance Standards Board**

## **Commenting on this Exposure Draft**

Comments on this Exposure Draft should be forwarded so as to arrive by no later than 31 October 2011. Comments should be addressed to:

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A copy of all non-confidential submissions will be placed on public record on the AUASB website: [www.auasb.gov.au](http://www.auasb.gov.au).

## **Obtaining a Copy of this Exposure Draft**

This Exposure Draft is available on the AUASB website: [www.auasb.gov.au](http://www.auasb.gov.au).

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ISSN 1030-603X

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## PREFACE

### **Reasons for Issuing ED XX/11**

The AUASB issues Standard on Assurance Engagements ASAE 34XX *Auditors' Comfort Letters* pursuant to the requirements of the legislative provisions explained below.

The AUASB is an independent statutory board of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 227B of the ASIC Act, the AUASB may formulate Assurance Standards for other purposes.

## **Main Proposals**

This proposed Standard on Assurance Engagements establishes requirements and provides application and other explanatory material for undertaking and reporting in comfort letter engagements that have assurance and non-assurance elements provided in respect of financial and information prepared by the entity in an offering.

## **Proposed Operative Date**

It is intended that this proposed Standard on Assurance Engagements will be operative for comfort letter engagements commencing on or after 1 January 2012.

## **New Standard on Assurance Engagements**

This proposed Standard on Assurance Engagements is a new pronouncement of the AUASB and accordingly does not supersede a pre-existing Standard on Assurance Engagements.

## **Request for Comments**

Comments are invited on this Exposure Draft of the proposed issuance of ASAE 34XX *Auditors' Comfort Letters* by no later than 31 October 2011. The AUASB is seeking comments from respondents on the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any references to relevant laws or regulations that have been omitted?
3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
4. What, if any, are the significant costs to/benefits for auditors and the business community arising from compliance with the Requirements of this proposed Auditing Standard? If there are significant costs, do these outweigh the benefits to the users of audit services?
5. Are there any other significant public interest matters that constituents wish to raise?

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The AUASB prefers that respondents express a clear opinion on whether the proposed Standard on Assurance Engagements, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the Standard on Assurance Engagements.

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**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) formulates this Standard on Assurance Engagements ASAE 34XX *Auditors' Comfort Letters* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*.

This Standard on Assurance Engagements is to be read in conjunction with ASA 100 *Preamble to AUASB Standards*, which sets out the intentions of the AUASB on how the AUASB Standards are to be understood, interpreted and applied.

Dated: <TypeHere>

M H Kelsall  
Chairman - AUASB

# STANDARD ON ASSURANCE ENGAGEMENTS ASAE 34XX

## *Auditors' Comfort Letters*

### **Application**

1. This Standard on Assurance Engagements applies to assurance engagements relating to the preparation of a comfort letter by the auditor of an entity in respect of financial information prepared by the entity's responsible party for issuance to certain parties in connection with a debt or equity offering.

### **Operative Date**

2. This Standard on Assurance Engagements is operative for comfort letter engagements commencing on or after 1 January 2012.

### **Introduction**

#### **Scope of this Standard on Assurance Engagements**

3. This ASAE deals with the responsibilities of an auditor of an Australian incorporated entity when requested to prepare and issue a comfort letter to certain parties in connection with an offering. These parties may be external to the entity or another auditor, in the case of an entity that is part of a group.

#### *Types of offerings covered by this ASAE*

4. The following types of offerings are included within the scope of this ASAE:
  - (a) Initial public offerings;
  - (b) Overseas private placements of equity or debt securities;
  - (c) Offerings of debt securities that are issued or backed by government entities in overseas jurisdictions; and
  - (d) Acquisition of, or merger with, another entity domiciled in an overseas jurisdiction, where there is an exchange of equity shares between the two entities.

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This ASAE applies regardless of whether or not the offering is exempt from the registration requirements of an overseas jurisdiction's applicable law and regulation.

5. This ASAE applies regardless of whether the requesting party has a due diligence defence or not. In circumstances where no such due diligence exists, this ASAE requires that a written representation letter be provided by the requesting parties to the auditor covering certain matters.
6. In Australia, auditors do not ordinarily issue comfort letters relating to domestic offerings. Notwithstanding this, this ASAE applies to the issue of any comfort letters by auditors relating to domestic offerings.

*Relationship with Other AUASB Standards*

7. This ASAE deals with additional considerations in the application of ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* and ASRS 4400 *Agreed-upon Procedures Engagements to Report Factual Findings* to comfort letter engagements, where the purpose of the assurance engagement is to:
  - (a) Obtain negative assurance on historical financial information, the engagement is performed in accordance with this ASAE, in conjunction with ASRE 2410; and/or
  - (b) Report factual findings the engagement is performed, in accordance with this ASAE, in conjunction with ASRS 4400.
8. This ASAE does not override the requirements of ASRE 2410, or ASRS 4400, which apply in the engagement circumstances. It does not purport to deal with all the considerations that may be relevant in the engagement circumstances.

*Relationship with the Applicable Standards of Other Jurisdictions*

9. This ASAE acknowledges that overseas jurisdictions may have their own applicable Auditing or Assurance Standards for auditors' comfort letters. In certain circumstances, the auditor may be requested to perform and issue a comfort letter in accordance with such a standard. Where the auditor agrees to such a request, the auditor must comply with the minimum requirements set out in paragraphs 22-25 of this ASAE.

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**Effective Date**

10. [Deleted by the AUASB. Refer paragraph 2.]

**Objectives**

11. The objectives of the auditor, when engaged to prepare and issue a comfort letter are to:
- (a) obtain negative or reasonable assurance, and/or factual findings on certain financial information, thereby enabling the auditor to express an assurance conclusion or factual findings, on whether certain financial information is prepared on the basis stated; and
  - (b) report on certain financial information included in an offering document and communicate, as required by this ASAE, in accordance with the auditor's findings;

**Definitions**

12. For the purposes of this Standard on Assurance Engagements, the following terms have the meanings attributed below:
- (a) Applicable criteria means the criteria used by the requesting parties in the preparation of the financial information included in the offering document. The criteria used depend on the nature of the financial information.
  - (b) Applicable financial reporting framework means the financial reporting framework adopted by management and, where appropriate, those charged with governance, in the preparation of the offering document, that is acceptable in view of the nature of the entity and the objective of the offering document, or as required by law or regulation. In Australia, an applicable financial reporting framework that may be used in preparing financial information is represented by the Australian Accounting Standards, or applicable law, such as the *Corporations Act 2001*.
  - (c) Assurance engagement means an engagement in which the auditor expresses a conclusion in the comfort letter designed to enhance the degree of confidence of the requesting parties about the reliability of certain information disclosed in the offering document.

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- (d) Assurance engagement risk means the risk that the auditor expresses an inappropriate conclusion when the financial information is materially misstated.
- (e) Assurance procedures means procedures conducted by the auditor to evaluate or measure a subject matter against applicable criteria. Assurance procedures may include management enquiries and other substantive procedures.
- (f) Auditor means the person or firm appointed to audit an entity's financial report. The auditor may be an incoming or existing auditor of the entity.
- (g) Auditor's letter means a letter prepared by the auditor in which no assurance is expressed on any financial information, and a report of factual findings tabled.
- (h) Bring down comfort letter means a letter prepared by the auditor subsequent to the issuance of the initial comfort letter that updates and reaffirms procedures described in that comfort letter at a certain date.
- (i) Change period means the period ending on the date as of which certain procedures described in the comfort letter are performed ("cut-off date") and ordinarily beginning immediately after the date of the latest interim financial statements prepared by the responsible party.
- (j) Closing date means the date on which a securities issuer delivers the securities to the underwriter in exchange for the proceeds of the offering.
- (k) Comfort letter means a letter prepared by the auditor and issued to certain parties in respect of the results of certain procedures performed in connection with financial information included in an offering document.
- (l) Comfort letter engagement means an engagement where the auditor issues a comfort letter on certain financial information to requesting parties based on procedures specified by the requesting parties.
- (m) Cross-border offering means an offering or listing that occurs in a jurisdiction other than the entity's domicile, and which may or may not occur concurrently in the entity's jurisdiction.

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- (n) Cut-off date means the date to which certain procedures described in the comfort letter are to relate.
- (o) Domestic offering means an offering that occurs in Australia.
- (p) Due diligence means the process conducted by the requesting parties to investigate the entity's affairs to determine significant risks, rewards, and issues relating to the entity's offering, prior to making a decision of being associated with such an offering.
- (q) Due diligence defence means a legal defence available to certain requesting parties in particular overseas jurisdictions based on the requesting parties having conducted a reasonable investigation of the entity's offering to ensure it does not have material omissions, or contain misleading or deceptive information.
- (r) Effective date means the date on which the offering becomes effective.
- (s) Entity means the party whose financial statements and/or other financial information are the subject of the Comfort Letter engagement.
- (t) Existing auditor means the current auditor of the entity who has already performed an audit or review of the entity's financial report prior to being requested to provide a comfort letter.
- (u) Financial information means information of a financial nature that is the subject matter of the comfort letter, on which the auditor, in accordance with the engagement terms expresses either a negative assurance conclusion, or report on factual findings. Such financial information is ordinarily in the form of:
  - (i) Historical financial information, which is information expressed in financial terms derived primarily from that entity's accounting system about events occurring in past time periods or about conditions or circumstances at points in time in the past. Examples of historical financial information incorporated in offering documents include:

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- ◆ Audited or reviewed financial statements;<sup>1</sup>
  - ◆ Unaudited interim financial statements; and/or
  - ◆ Financial information prepared during the change period, for example, net current assets, net assets, total assets, and net sales.
- (ii) Other financial information means financial information other than that described in paragraph 12(u)(i) of this ASAE, including forecast and pro forma financial information:
- ◆ Forecast financial information is prepared on the basis of assumptions as to future events which the responsible party expects to take place, and the actions the responsible party expects to take as of the date when the financial information is prepared.
  - ◆ Pro forma financial information, either historical or forecast in nature, is adjusted in accordance with the responsible party's basis of preparation and applicable criteria, to illustrate the effects of an event(s) or transaction(s) on that financial information, assuming that the event(s) or transaction(s) had occurred at an earlier date, a later date, or not at all, during the financial period used for the illustration.
- (v) Financial statements means a structured representation of historical financial information, intended to communicate an entity's economic resources or obligations at a point in time, or the changes therein for a time period in accordance with an applicable financial reporting framework.

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<sup>1</sup> The concepts and discussions on what constitutes financial statements relevant to an audit engagement are contained in ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph Aus 13.1, and may be helpful in a comfort letter engagement.

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- (w) Incoming auditor means a newly appointed auditor who has not performed an audit or review of a financial report of the entity prior to being requested to provide a comfort letter.
- (x) Interim financial statements means financial statements prepared for a time period shorter than the entity's financial year. References to "unaudited interim financial statements" in this ASAE are taken to mean unaudited interim financial statements included in the offering document.
- (y) Misstatement of fact means information that is incorrectly stated or presented in the offering document. A material misstatement of fact may undermine the credibility of the offering document containing the auditor's audit report.
- (z) Negative assurance means a statement made by the auditor of an entity in a comfort letter that based on specified procedures performed, nothing has come to the auditor's attention that has caused the auditor to believe that the information does not meet specified criteria.
- (aa) Offering means the making available of equity or debt securities of an entity to parties who may be in overseas jurisdictions, ordinarily through:
- (i) the sale of securities to the public under a prospectus;
  - (ii) an exempt offering (for example, a private placement of equity or debt securities to a limited number of investors, or an offering of debt securities issued or backed by government entities);
  - (iii) certain securities transactions covered by specific laws or regulations (for example, exchange of shares of stock in merger transactions);
  - (iv) acquisition of, or merger with, another entity domiciled in an overseas jurisdiction, where there is an exchange of equity shares between the two entities; or
  - (v) acquisition transaction(s) in which there is an exchange of stock.

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- (bb) Offering document means a document prepared by the responsible parties that contains details of the offer, information about the entity, its management and those charged with governance, financial statements and other financial and non-financial information. It may be in the form of a prospectus (for sale of securities), information circular (for an exchange of shares or stock) or an offering memorandum (for a private placement or other exempt offering). It does not include the auditor's comfort letter.
- (cc) Other information means information included in the offering document that is not part of the comfort letter engagement.
- (dd) Private placement means securities offered for sale or exchange to a limited number of investors, which are exempt, by law or regulation ("exempt offering") from the requirement for the investors' terms to be circulated in a prospectus. Instead, they may be offered through an offering memorandum or similar document.
- (ee) Procedures means procedures of an assurance nature performed by the auditor, which are specified by the requesting parties. The auditor does not determine whether the extent of such procedures is sufficient for the purposes of the requesting parties. They may also be referred to as agreed-upon procedures.
- (ff) Prospective financial information means financial information of a predictive character based on assumptions made by the responsible party about future events and/or expected actions by the entity.
- (gg) Prospectus means a document issued pursuant to legal or regulatory requirements relating to the entity's sale or issuance of securities on which it is intended that investors make an investment decision.
- (hh) Reasonable assurance means the type of assurance obtained by the auditor in an assurance engagement where the auditor's objective is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the assurance engagement as the basis for a positive form of expression of the auditor's conclusion. Reasonable assurance means a high, but not absolute, level of assurance.

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- (ii) Representation letter means a letter prepared by the responsible parties for the auditor confirming specific matters relating to the engagement.
- (jj) Requesting party means an underwriter and/or other parties, such as financial intermediaries, buyers, sellers, brokers or selling agents who have requested the auditor to provide a comfort letter in certain financial information respect of an offering. The requesting party may or may not have a due diligence defence, available by law.
- (kk) Responsible party means those charged with governance of the entity (ordinarily the Board of Directors), who are responsible for the preparation of the offering document and financial information included in it.
- (ll) Securities means financial instruments that include shares, debentures, or interests in a registered managed investment scheme, but not derivatives or market traded options.
- (mm) Underwriter means a financial intermediary of an entity in an offering, acting as either the party that purchases securities for resale to investors, or an agent of the entity that offers securities for the account of the issuer or vendor. The underwriter may be either named in the prospectus (named underwriter) or not, being simply one of the parties seeking an auditors' comfort letter be prepared (other than named underwriter). They may also be referred to as the "primary requesting parties."

## **Requirements**

### **Ethical Requirements**

13. The auditor shall comply with relevant ethical requirements in accordance with ASA 102<sup>2</sup>, including those pertaining to independence.

### **Quality Control**

14. The auditor shall establish and maintain its system of quality control for comfort letter engagements.

### **Inability to Comply with this ASAE's Requirements**

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<sup>2</sup> See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

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15. Where in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with an essential procedure contained within a relevant requirement in this ASAE, the auditor shall:
- (a) if possible, perform appropriate alternative procedures; and
  - (b) document in the working papers:
    - (i) the circumstances surrounding the inability to comply;
    - (ii) the reasons for the inability to comply; and
    - (iii) justification of how alternative procedures achieve the objectives of the requirement.
16. When the auditor is unable to perform the appropriate alternative procedures, the auditor shall consider the implications for the engagement.

**Professional Scepticism**

17. The auditor shall plan and perform an audit with professional scepticism recognising that circumstances may exist that cause the financial information to be materially misstated.

**Professional Judgement**

18. The auditor shall exercise professional judgement in planning and performing procedures of a negative assurance nature.

**Prior auditors**

19. Previous auditors of an entity who are requested to issue a comfort letter in respect of a period they previously audited or reviewed shall consider the practicality of agreeing to the request. The prior auditor is unable to perform any procedures on information prepared subsequent to the audit or review, including the change period information, and does not provide any assurance on such information.

**Incoming auditors (Ref: Para A1)**

20. Auditors who have not previously audited or reviewed the entity's financial report, and who are requested to issue a comfort letter that includes that previous financial report shall consider the practicality

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of agreeing to the request and what procedures would be necessary to perform an audit or review on such a financial report in order to provide assurance on that financial report.

**Performing the Engagement in Accordance with another Jurisdiction's Standard**

21. In circumstances where the auditor has been requested to perform and report in accordance with an applicable Auditing or Assurance Standard of another jurisdiction where the offering is being made, the auditor is not precluded from accepting such an engagement, provided that:
- (a) the auditor obtains sufficient knowledge of the applicable Standard;
  - (b) the auditor complies with the relevant ethical requirements of ASA 102; and
  - (c) the underlying principles and procedures of the standard enable compliance with this ASAE.

**Engagement Acceptance** (Ref: Appendices 1-2)

*Preconditions for Providing a Comfort Letter (Ref: Para. A2-A5)*

22. The auditor shall, prior to agreeing the terms of the engagement, determine whether the responsible party and/or requesting parties:
- (a) understand and accept the terms of the engagement, including the auditor's reporting responsibilities;
  - (b) acknowledge and understand their responsibility for:
    - (i) the preparation of the offering document in which the financial information that is the subject of the engagement will be presented;
    - (ii) the preparation and presentation of the financial information in accordance with applicable financial reporting framework included in the offering document;
    - (iii) such internal control over the financial reporting process as the responsible party determines is necessary to enable the preparation of financial

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- information that is free from material misstatement; and
- (iv) applying the nature, timing and extent of the procedures to be performed in respect of the change period financial information. The change period financial information does not extend across the entity's financial reporting periods, and in some jurisdictions is specified as a particular time period.
- (c) confirm that the requesting parties involved in the offering are responsible for:
- (i) conducting a due diligence investigation; and
  - (ii) specifying the nature, timing and extent of procedures to be performed by the auditor in sufficient detail that the auditor will not be required during the course of the engagement to exercise professional judgement in determining or modifying the procedures to be performed or responsible for the sufficiency of such procedures for the requesting parties' purposes.
- (d) will provide the auditor in a timely manner with:
- (i) access to all information relevant to the information;
  - (ii) any additional information requested by the auditor;
  - (iii) unrestricted access to those within the entity from whom the auditor determines it necessary to obtain evidence, including where appropriate, the responsible party's experts;
  - (iv) representations covering all matters requested by the auditor; and
  - (v) an update of any information the responsible party becomes aware of during the engagement that may impact the comfort letters;

*Other Factors Affecting Engagement Acceptance*

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23. The auditor shall accept the engagement only when:
- (a) on the basis of preliminary knowledge of the engagement circumstances, nothing has come to the auditor's attention to indicate that:
    - (i) the requirements of the relevant ethical principles described in ASA 102 will not be satisfied;
    - (ii) the financial information and offering document does not include information that is unacceptable or misleading for its intended purpose;
  - (b) the basis upon which the engagement is to be performed has been agreed through establishing that the preconditions for the engagement are present;
  - (c) the auditor is satisfied that the responsible party possesses the necessary professional competencies;
  - (d) the auditor is satisfied that the requesting parties are involved in the due diligence investigation of the entity undertaking the offering;
  - (e) the auditor is satisfied as to the nature of any type of procedures specified by the requesting parties;
  - (f) the auditor has the capabilities, competence and necessary qualifications to perform the engagement; and
  - (g) the auditor believes that the comfort letter will be used for its intended purpose by those requesting parties involved in the due diligence investigation of the entity.
24. If the preconditions for the engagement, as set out in paragraph 22 of this ASAE are not present, the auditor shall discuss the matter with the responsible party. If the responsible part does not agree to provide the required representations, the auditor shall not agree to provide a comfort letter and shall discuss with the responsible party and provide another letter which expresses no assurance on any financial information.
25. If the preconditions for the engagement cannot be met, the auditor shall not accept the engagement unless required to do so by applicable law or regulation.

**Agreeing on the Terms of the Engagement (Ref: Para. A5-A8)**

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26. The auditor shall agree the terms of the engagement with the responsible party and the requesting parties as appropriate.
27. Subject to paragraph 28 of this ASAE, the agreed terms of the engagement shall be recorded in an engagement letter or other suitable form of written agreement and shall include:
- (a) the objective and scope of the engagement;
  - (b) the responsibilities of the auditor and management;
  - (c) identification of the applicable financial reporting framework for the preparation of the financial information in the offering document ;
  - (d) reference to the expected form and content of the comfort letter to be issued by the auditor; and
  - (e) a statement that there may be circumstances in which a report may differ from its expected form and content.
28. If law or regulation prescribes in sufficient detail the terms of the engagement referred to in paragraph 27 of this ASAE, the auditor need not record them in a written agreement, except for the fact that such law or regulation applies and that the responsible party acknowledges and understands its responsibilities, as set out in paragraph 22 of this ASAE.
29. The agreed terms of the engagement shall include:
- (a) The objective and scope of the engagement, including:
    - (i) the auditor's understanding of the purpose of the engagement, being to assist the requesting parties in their due diligence investigation of the entity undertaking the offering;
    - (ii) the nature of the underlying transaction giving rise to the offering;
    - (iii) confirmation that the auditor will conduct the engagement in accordance with this ASAE;
    - (iv) the nature, source, time period covered, applicable financial reporting framework and type of financial information included in the offering document and subject of the comfort letter;

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- (v) that the auditor will not perform an audit or review and accordingly, no audit opinion will be expressed on any financial information included in the comfort letter;
- (vi) acceptance by the auditor of providing a proposed draft of the comfort letter for the responsible party and the requesting parties.
- (vii) statements that the auditor is not responsible for:
  - ◆ the preparation of any information included in the offering document or the offering document itself;
  - ◆ use of, or reliance on, the comfort letter by any parties, other than for the purpose for which it is intended;
  - ◆ the sufficiency of the comfort letter procedures for the requesting parties' purpose; and
- (b) the responsibilities of the auditor, including:
  - (i) compliance with relevant ethical requirements, including independence;<sup>3</sup>
  - (ii) performing assurance procedures on financial information that is the subject matter of the comfort letter;
  - (iii) performing the requesting parties' detailed agreed-upon procedures for the change period and/or any other financial information;
  - (iv) issuing a written comfort letter to the requesting parties on a timely basis; and
  - (v) where applicable, for issuing a Bring Down Comfort Letter in respect of certain change period information.
- (c) the responsibilities of the responsible party, including those set out in paragraph 22 of this ASAE;

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<sup>3</sup> See ASA 102.

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- (d) the responsibilities of the requesting parties, including those listed in paragraph 22 of this ASAE;
- (e) the communication process between the responsible party, the requesting parties, and the auditor, including the form, timing and expected content of such communications;
- (f) the auditor's summary of the procedures that have been specified by the requesting parties to be performed by the auditor on the change period information;
- (g) a statement restricting distribution of the comfort letter to only addressees named in the comfort letter;
- (h) a statement on the confidentiality of all information included in the comfort letter; and
- (i) other such terms or conditions that the auditor determines are appropriate in the circumstances.

*Draft Comfort Letter (Ref: Para.A9-A12)*

30. When agreed in the terms of engagement, the auditor shall provide a draft comfort letter to the responsible party and requesting parties in a timely manner.

**Changes in the Terms of the Engagement** (Ref: Para. A13-A16)

31. The auditor shall not agree to a change in the terms of the engagement where there is no reasonable justification for doing so. If such a change is made, the auditor shall not disregard evidence that was obtained prior to the change.
32. If the terms of the engagement are changed, the auditor and the responsible entity shall agree on and record the new terms in an engagement letter or other suitable form of written agreement.
33. If the auditor is unable to agree to a change of the engagement terms, and is not permitted by the responsible party to continue the original engagement, the auditor shall:
- (a) withdraw from the engagement, where possible under applicable law or regulation; and
  - (b) determine whether there is any obligation, either contractual or otherwise, to report the circumstances to

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other parties, such as those charged with governance, owners, or regulators.

34. If the auditor is unable to perform the exact nature, timing or extent of procedures agreed, but alternative procedures can be performed and the requesting party requires those procedures to be performed, then new terms of the engagement shall be agreed with the engaging party in writing.

**Planning the Engagement** (Ref: Para. A17-A18)

35. The auditor shall plan the engagement in accordance with:
- (a) this ASAE, for comfort letter procedures performed on financial information as a part of the engagement terms;
  - (b) ASRE 2410, for reviews of historical financial information in the form of a financial report; and/or
  - (c) ASRS 4400, for agreed-upon procedures.
36. The auditor shall use professional judgement in planning the nature, timing and extent of procedures to perform in order to achieve the engagement objectives.
37. The auditor's planning considerations shall include:
- (a) what the agreed terms of engagement require the auditor to opine on, or report factual findings in the comfort letter;
  - (b) setting the scope, timing and direction of the engagement;
  - (c) any previous dealings by the auditor with the entity obtained through the audit or review of prior period financial report(s);
  - (d) the type of underlying event(s) or transaction(s) that require the preparation of the offering document and its intended use and distribution;
  - (e) obtaining an understanding of the financial information and its applicable financial reporting framework, suitable for the comfort letter reporting:
    - (i) that enables the identification and assessment of risks of material misstatement of the financial information; and/or

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- (ii) for factual findings reporting sufficient to perform procedures in accordance with those requested by the requesting parties.
- (f) whether, based on preliminary knowledge obtained through the planning process, the applicable financial reporting framework used in the preparation of the financial information the auditor is to opine on, is not misleading for its intended purpose;
- (g) the engagement team resources required for specific engagement areas and how they will be managed, directed and supervised;
- (h) whether the use of (an) expert(s) is/are required;
- (i) setting materiality levels for evaluating whether any material modifications are required to the financial information<sup>4</sup>; and
- (j) assurance engagement risk considerations.

**Performing the Engagement (Ref: Para. A19 -A21)**

38. If the auditor has not previously audited or reviewed the entity's financial report, the auditor shall obtain an understanding of the entity and its environment, including its internal control as it relates to the financial information of the engagement, sufficient to plan and conduct the engagement.<sup>5</sup>
39. The auditor shall use professional judgement to design and perform procedures:
- (a) to identify whether any material modifications are required to the unaudited interim financial statements to enable them to be presented in accordance with the applicable financial reporting framework and/or this ASAE;
  - (b) of a negative assurance nature on other financial information, in accordance with:

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<sup>4</sup> The concepts and discussions on materiality in an audit engagement are contained in *ASA 320 Materiality in Planning and Performing an Audit* and may be helpful in determining the materiality levels for comfort letter engagements.

<sup>5</sup> For related guidance, see ASRE 2400, guidance paragraphs 22-25.

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- (i) ASRE 2405,<sup>6</sup> for a review of historical financial information other than a financial report; or
  - (ii) ASAE 3000,<sup>7</sup> for a review of non-historical financial information when such financial information:
    - ◆ has been obtained from the entity's financial statements, or accounting records that are subject to the entity's internal control over financial reporting; or
    - ◆ has been derived directly from such financial statements, or accounting records, by analysis or computation; and/or
  - (c) on financial information other than financial statements (as specified by the requesting parties).
40. If changes or additions to the planned or performed procedures are required that are beyond what the specified requesting parties expect of procedures specified by the requesting parties, the auditor shall discuss with the requesting parties and obtain their written agreement before commencing the procedures.

*Non-Financial Information*

41. The auditor shall remain alert throughout the engagement for any event(s), condition(s), transaction(s), and/or error(s) that may:
- (a) cast doubt over the reliability of information used as evidence for the financial information; and/or
  - (b) require:
    - (i) discussions with the responsible party or requesting parties in order to resolve, and/or
    - (ii) changes or additions to planned or performed procedures to resolve.

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<sup>6</sup> See ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*.  
<sup>7</sup> See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

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*Using the Work of an Expert (Ref: Para. A22)*

42. When using the work of an expert, the auditor shall:
- (a) evaluate whether the expert has the necessary competence, independence, capabilities, and objectivity for the auditor's purposes;
  - (b) obtain a sufficient understanding of the field of expertise of the expert in order to evaluate the expert's work;
  - (c) determine if the nature, scope and objectives of the expert's work is adequate for the purposes for the engagement, an in accordance with applicable AUASB Standards;<sup>8</sup> and
  - (d) determine if the expert's work impacts on the auditor's procedures, or conclusion and/or the report on conclusion on factual findings.

*Adjustments Identified by the Auditor (Ref: Para.A23-A24)*

43. The auditor shall communicate to the responsible party the following matters, as soon as practicable:
- (a) when the auditor concludes that it is necessary to make material modifications to such financial information in order for it to be presented in accordance with the applicable financial reporting framework; and
  - (b) any significant findings identified, or difficulties encountered in performing the engagement;<sup>9</sup>
44. The auditor shall request the responsible party to respond to the matters identified in paragraph 43 of this ASAE in a timely basis.
45. When, in the auditor's professional judgement, the responsible party does not respond appropriately to the auditor's communications, the auditor shall:
- (a) re-evaluate the effect that this may have on the reliability of any representations already received and evidence obtained in general; and

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<sup>8</sup> See ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*, paragraph 32, and ASA 620 *Using the Work of an Auditor's Expert*.

<sup>9</sup> The concepts and discussions on findings in an audit engagement are contained in ASA 450 *Evaluation of Misstatements Identified during the Audit*.

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- (b) take appropriate actions, including determining the possible effects on the final comfort letter.
46. The auditor needs to inform the responsible party when the auditor has discovered matters that require inclusion in the final comfort letter, but was not previously included in the draft letter provided to the responsible party. If the responsible party decides not to amend the offering document, the auditor shall include the matters in the final comfort letter.

**Evaluating the Sufficiency and Appropriateness of Evidence Obtained**  
(Ref: Para. A25 - A27)

47. The auditor shall evaluate whether they have obtained sufficient appropriate evidence on which to:
- (a) express a negative assurance conclusion on the financial information, including whether it:
    - (i) is materially misstated;
    - (ii) is prepared in accordance with the applicable financial reporting framework;
  - (b) report on factual findings on the change period financial information; and/or
  - (c) report on factual findings on other information.

**Written Representations (Ref: Para. A28-A31)**

*Responsible Party*

48. Where the auditor has not already received written representations in respect of the following matters, the auditor shall request a written representation letter from the responsible party containing the following:
- (a) acceptance of the engagement letter terms and conditions, including the nature of the comfort letter reporting;
  - (b) an acknowledgement of the responsible party's responsibility for:
    - (i) the selection, preparation and presentation of the financial information in accordance with the applicable financial reporting framework;

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- (ii) the selection, preparation and presentation of the financial information (other than that described in (i) above) in accordance with the applicable financial reporting framework;
  - (iii) the preparation and issuance of the offering document in accordance with applicable law or regulation;
  - (iv) providing the auditor with all requested information including:
    - ◆ any matter, event, adjustment, or transaction that may be relevant to the financial information; and
    - ◆ access to all requested financial records, related data, documentation and other information necessary for the completion of the engagement;
  - (v) confirming that the entity has established and maintained adequate internal control in order to facilitate the preparation of reliable financial information;
  - (vi) advising the auditor of any matter, event, or issue that has arisen or been discovered subsequent to the preparation of the financial information that may impact, or require adjustment to, the financial information;
  - (vii) providing the auditor with a listing of all known or uncorrected misstatements, that have not been made to the financial information; together with an acknowledgement that they are responsible for concluding that such misstatements are immaterial; and
- (c) such other representations that the auditor determines are appropriate in the engagement circumstances.
49. The date of the representation letter shall be as near as practicable to, but not after, the date of the comfort letter.

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50. The auditor shall evaluate the representations received from the responsible party for reasonableness and consistency with other information and evidence obtained.
51. If one or more of the requested representations are not provided, or the auditor has sufficient doubt about the competence, integrity or reliability of those providing the written representations, the auditor shall:
- (a) discuss the matter as appropriate with the responsible party or requesting parties;
  - (b) evaluate the implications on the reliability of evidence obtained; and
  - (c) determine the effect on the engagement.
52. The auditor shall not provide a comfort letter if a requesting party requests a comfort letter but does not provide the written representation letter. The auditor may, depending on the engagement circumstances, discuss and agree with the requesting parties to provide an alternate letter. In such a letter, the auditor shall not provide any assurance on any financial information, but shall report factual findings on the financial information.

*Requesting Parties*

53. Where the auditor has not already received written representations from the requesting parties in respect of the following matters, the auditor shall request such a written representation letter containing the following:
- (a) acknowledgement of the requesting parties' responsibility for conducting a due diligence investigation of the entity's affairs;
  - (b) acknowledgement of the requesting parties' responsibility for determining the sufficiency of the procedures performed by the auditor; and
  - (c) acknowledgement that the requesting parties' due diligence investigation is, or will be, substantially consistent with the due diligence process performed under the applicable law or regulation of the overseas jurisdiction in which the offering is being made.

**Subsequent Events (Ref: Para. A32-A35)**

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54. If agreed to under the terms of the engagement, the auditor shall perform the procedures specified by the requesting parties on financial information during the change period, in order to report findings in the comfort letter.

**Bring Down Comfort Letter (Ref: Appendix 8)**

55. If the agreed terms of engagement require the auditor to issue a letter subsequent to the comfort letter to report procedures performed for a new change period, the auditor shall perform the new change period procedures specified by the requesting parties.

**Forming the Assurance Conclusion (Ref: Para. A36)**

56. The auditor shall form a conclusion about whether the financial information is free from material misstatement. In forming the conclusion, the auditor shall consider:
- (a) the auditor's conclusion in paragraph 47 of this ASAE regarding the sufficiency and appropriateness of evidence obtained; and
  - (b) whether any uncorrected misstatements are material, either individually or in aggregate, to the financial information.
57. If the auditor is unable to obtain sufficient appropriate evidence, a scope limitation exists, and the auditor shall determine whether it is appropriate to continue the engagement. If the auditor has determined it is appropriate to continue the engagement, the auditor shall express a qualified or disclaimer of conclusion, as appropriate.

**Completing Requesting Parties Specified Procedures**

58. The auditor shall determine if all the requesting parties' specified procedures have been completed in order to prepare the factual findings report.

**Preparing the Comfort Letter (Ref: Para. A37-A38)**

59. The auditor shall provide a written comfort letter to the requesting parties, containing a clear expression of the auditor's conclusion and/or factual findings report on the financial information.
60. Where agreed to in the engagement terms, the auditor shall make reference in the comfort letter to a previously issued auditor's report on the entity's financial statements included in the offering document.

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61. When the previous auditor's report on the financial statements included in the offering contained an Emphasis of Matter paragraph or Other Matter paragraph addressing matters other than consistency of application of accounting principles, the auditor shall refer to that fact in the comfort letter and discuss the subject matter of the paragraph(s).

*Basic Elements of the Comfort Letter (Ref: Appendices 5 & 6)*

62. If the auditor receives the written representation letter from the requesting parties, the comfort letter shall include the following basic elements:
- (a) date the comfort letter is issued;
  - (b) addressees, being the responsible party and the requesting parties;
  - (c) a scope/background section that:
    - (i) identifies the responsible party and requesting parties;
    - (ii) identifies the purpose of the comfort letter and states that it has been conducted in accordance with this ASAE;
    - (iii) states that the comfort letter is issued in accordance with the agreed engagement terms;
    - (iv) where agreed to in the engagement terms states that the auditor has previously issued an auditor's report on a financial report of the entity for a specified time period, which is included in the offering document;
    - (v) states that all representations from the responsible party and/or requesting parties have been received;
    - (vi) where applicable, includes a statement that the auditor understands that the requesting parties:
      - ◆ do not have a due diligence defence;
      - ◆ are knowledgeable in respect of the due diligence investigation that would be performed if the offering is being carried

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- out in accordance with the relevant law and regulation of the overseas jurisdiction in which the offering is undertaken; or
- ◆ are undertaking an investigation that is substantially similar to that performed under a due diligence defence in compliance with the relevant law and regulation of the overseas jurisdiction in which the offering is undertaken.
- (d) a statement that the firm of which the auditor is a member applies ASQC 1;
- (e) a statement that the auditor has complied with relevant ethical requirements;
- (f) the auditor's independence declaration, in accordance with relevant professional standards and applicable law and regulation;
- (g) identifies:
  - (i) the nature, type and time period covered by the financial information and, where applicable, whether it has been previously audited or reviewed by the auditor;
  - (ii) that the auditor has not performed an audit or review of the financial information, and accordingly expresses no opinion on the financial information;
  - (iii) the dates and periods of comparison of the cut off period financial information for the comfort letter and the change period information;
- (h) a description of the procedures specified by the requesting parties performed on the selected financial information during the change period;
- (i) the auditor's negative assurance:
  - (i) whether anything has come to the auditor's attention which causes the auditor to believe that there are material modifications that are required to be made to the financial statements included in

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- the offering document, for such financial statements to be in conformity with the applicable financial reporting framework; and/or
- (ii) where applicable, whether anything has come to the auditor's attention which causes the auditor to believe that:
- ◆ the financial information other than that included at (i) above, is not prepared, in all material respects, in accordance with the applicable financial reporting framework; or
  - ◆ the assumptions established by the responsible party do not provide a reasonable basis for the preparation of the non-historical financial information other than that included at (i) above, and that the financial information is not prepared on the basis of such assumptions.
- (j) the auditor's factual findings on the financial information, containing:
- (i) a statement as to whether nothing has come to the auditor's attention regarding any changes, increases, or decreases in selected financial information during the change period, as compared to the corresponding period in the preceding year or other period as defined by the requesting parties;
- ◆ if there are changes, increases or decreases that are actual or contemplated, disclosed in the offering document, the auditor's conclusion states that "except for changes, increases or decreases that the offering document discloses have occurred or may occur"; or
  - ◆ if the changes are not discussed in the offering document, the auditor shall state the amount of the changes, increases or decreases in the selected financial information during the change period, and

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- (ii) the type and description of the procedures performed by the auditor on each type of financial information.
  - (k) A statement that the auditor is not responsible for the sufficiency of any procedures performed;
  - (l) A statement that the comfort letter is restricted to the addressees and is to be used only in connection with the stated purpose of the comfort letter;
  - (m) A statement that the auditor is not responsible for any reliance that the requesting parties (as named in the comfort letter) or any other third parties may place on the comfort letter, other than the purpose for which it was issued;
  - (n) A statement that the auditor is not responsible for the sufficiency of any of the procedures performed by the auditor
  - (o) A statement that the comfort letter is restricted to the letter addressees and is to be used only in connection with the stated purpose of the letter;
  - (p) The auditor's signature;
  - (q) The date of the comfort letter; and
  - (r) The auditor's address.
63. If the auditor is required by law or regulation to use a specific layout or wording in the comfort letter, the auditor shall refer to compliance with this ASAE only if the comfort letter includes, at a minimum, each of the elements identified in paragraph 62 of this ASAE.

*Written Representations not received (Ref: Appendix 7)*

64. When the responsible party and/or the requesting parties do not provide the auditor's written representations, the auditor's letter shall be varied from the elements contained in paragraph 62 of this ASAE shall include the following elements:
- (a) In the scope/background section:
    - (i) it is understood and accepted that the auditor has no responsibility for determining the nature, timing or extent of the procedures detailed in the

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- preceding paragraphs as these were specified by the requesting parties;
- (ii) the auditor makes no representations to the requesting parties regarding questions of legal interpretation or the sufficiency of the specified procedures detailed in the preceding paragraphs;
  - (iii) a statement that the specified procedures would not necessarily reveal any material misstatement of the amounts of percentages previously listed in the offering document; and
  - (iv) a statement that the auditor has confined the procedures performed to those specified by the requesting parties and accordingly, makes no representations regarding the adequacy of disclosures or whether any material facts have been omitted;
  - (v) a statement that the comfort letter relates only to the financial statement items specified and does not extend to any other financial statement of the entity;
- (b) the specified procedures do not constitute an audit or review conducted in accordance with Australian Auditing Standards. If the auditor performed additional procedures, or conducted an audit or review of the entity's financial information in accordance with Australian Auditing Standards, other matters might have come to the auditor's attention that would have been reported;
- (c) the procedures performed do not replace any additional enquiries or procedures that the requesting party would undertake in consideration of the offering;
- (d) the comfort letter is solely for the addressee's information, and to assist in inquiries in connection with the offering document. The comfort letter is not to be used, circulated, quoted, or otherwise referred to for any other purpose, including but not limited to the registration, purchase, or sale of securities, referred to in whole or in part in the offering document, or any other document, except that reference may be made to it in any list of closing documents relating to the offering of the securities covered by the offering document; and

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- (e) where applicable, in accordance with the terms of the engagement, the auditor has no responsibility to update the comfort letter for events and circumstances occurring after the specified date.

*Unmodified and Modified Conclusions*

Unmodified conclusions (Ref: Para. A39)

- 65. The auditor shall express an unmodified conclusion when the auditor concludes that, based on the procedures performed, nothing has come to the attention of the auditor that causes the auditor to believe that the financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework.

Modified conclusions (Ref: Para. A40-A44)

- 66. The auditor shall express a modified conclusion when the following circumstances exist and, in the auditor's professional judgement, the effect of the matter, is or may be, material:
  - (a) when the auditor's conclusion is that the financial information is not free from material misstatement, the auditor shall express a qualified or adverse conclusion;
  - (b) when the auditor's conclusion is that the effects of a matter are not so material or pervasive as to require an adverse conclusion or a disclaimer of conclusion, the auditor shall express a qualified conclusion;
  - (c) when there has been a material scope limitation and the possible effect is so material and pervasive that the auditor concludes that no level of assurance can be provided, the auditor shall express a qualified conclusion or a disclaimer of conclusion; or
  - (d) when the auditor is unable to obtain sufficient appropriate evidence on which to base the conclusion, and the auditor concludes that the possible effects of the undetected matters, if any, that cause the financial information not to be properly prepared, could be material and pervasive, the auditor shall express a disclaimer of conclusion.
- 67. If the auditor expresses a modified conclusion because of a scope limitation, but is also aware of a matter(s) that causes the financial information to be materially misstated, the auditor shall include in

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the comfort letter a clear description of both the scope limitation and the matter(s) that causes that the financial information to be materially misstated.

**Preparing the Bring Down Comfort Letter**

68. The auditor shall provide a written bring down comfort letter to the requesting parties, containing a clear expression of the results of the auditor's procedures on the change period financial information.

*Basic Elements of the Bring Down Comfort Letter*

69. The bring down comfort letter shall include the following elements:
- (a) date the bring down comfort letter is issued;
  - (b) addressee;
  - (c) reference to the previously issued comfort letter and the purpose of the bring down comfort letter;
  - (d) a statement as to whether the auditor reaffirms the statements previously included in the comfort letter;
  - (e) details of the updated procedures specified by the requesting parties and performed by the auditor, including when they were performed, and the change period subsequent to the date of the comfort letter to which the procedures relates; and
  - (f) a statement that the bring down comfort letter is restricted to the addressees and is to be used only in connection with the stated purpose of the letter.

**Consent to the Inclusion of the Auditor's Previously Issued Report on a Financial Report in the Offering Document (Ref: Para. A45)**

70. If the auditor is requested to provide written consent by the responsible party to the inclusion of a previously issued audit or review report on a financial report in the offering document, the auditor shall consider applicable law or regulation in forming their response to such a request.
71. If the auditor intends to give consent, the auditor shall:

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- (a) perform procedures to identify any subsequent events that may impact the subject matter of the comfort letters,<sup>10</sup> and
  - (b) determine any implications any such identified events may have on the comfort letter.
72. Where the auditor considers it inappropriate for the previously issued audit or review report to be included in the offering document, the auditor shall:
- (a) not provide consent, or revoke a previously provided consent prior to the offering documents' release date; and
  - (b) consider the implications for the comfort letter.

**Documentation**

73. The auditor shall prepare documentation on a timely basis of all matters that provides a record of the basis for the comfort letter that is sufficient and appropriate evidence to enable an experienced auditor, having no previous connection with the engagement to understand:
- (a) the nature, timing and extent of the procedures performed to comply with this ASAE;
  - (b) the results of the procedures performed, and the evidence obtained; and

significant matters arising during the engagement, the conclusion or findings reached thereon, and any significant professional judgements made in reaching such conclusions or findings.

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<sup>10</sup> See ASA 560 *Subsequent Events* for a discussion of subsequent events procedures on audit engagements, which may be helpful in determining the extent and nature of subsequent events procedures on comfort letter engagements.

## **Application and Other Explanatory Material**

### **Incoming Auditors (Ref: Para 20)**

- A1. The incoming auditor considers whether it is appropriate to reperform review or audit procedures, based on the agreed terms of engagement.

### **Engagement Acceptance**

#### *Preconditions for Providing a Comfort Letter (Ref: Para.22)*

- A2. The requesting parties ordinarily request the auditor of the entity to perform certain procedures as a part of its due diligence investigation on selected information disclosed in the entity's offering document and report results by way of issuing a comfort letter. The requesting party's request is ordinarily made through the entity, and the auditor's agreement to undertake the engagement is both with the requesting party and the responsible party.
- A3. The comfort letter is ordinarily issued prior to the offering's closing and settlement date. The issuance of the comfort letter is restricted to those parties that have agreed to the procedures to be performed by the auditor since others, unaware of the reasons for the procedures, may misinterpret the results.
- A4. The auditors ordinarily are requested to provide assurance on, or report factual findings or financial information that has been sourced from the entity's accounting records, and/or financial information that forms part of the financial reporting process. In circumstances where the responsible party requests the auditors to provide assurance on, or report factual findings on non-financial information, the auditors may accept such a request when:
- (a) they have the necessary professional expertise relating to the non-financial information; and
  - (b) in their professional judgement, such a request is reasonable in the engagement circumstances.

#### *Agreeing on the Terms of the Engagement (Ref: Paras.26-30)*

- A5. Acknowledgement by the responsible party in writing of their acceptance of the engagement letter provides evidence that the responsible party accepts its engagement responsibilities and establishes a basis of common understanding of the responsibility of each party. It also avoids misunderstandings of the agreed terms.

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- A6. In the absence of a written acknowledgement by the responsible party of their acceptance of the engagement letter, the auditor shall consider whether it is appropriate to accept the engagement. Applicable law, regulation, or a legally-binding contract, may already contain the required acknowledgements of the responsible parties' responsibility. For example, under the *Corporations Act 2001*,<sup>11</sup> the directors of an entity are deemed responsible for the financial information included in a public document used in offering securities. In such circumstances, the auditor may be able to accept the engagement.
- A7. The terms of the engagement letter ordinarily includes:
- (a) details of the procedures that will be performed, distinguishing between those procedures specified by the requesting parties and those set by the auditor. The auditor exercises professional judgement in what procedures are summarised in the engagement letter, taking into account the nature of the financial information, and the engagement circumstances. Procedures include:
    - (i) analytical review procedures;
    - (ii) comparisons of consistency in the application of recognition and measurement principles contained in the applicable financial reporting framework as compared to the accounting policies adopted by the entity in the preparation of the historical financial information, and disclosed in the document;
    - (iii) review and consideration of key work papers, accounting records and other documents prepared by the responsible party and other experts;
    - (iv) enquiry of, and discussion with, the responsible party, experts, and other parties related to the financial information; and
    - (v) examination, on a test basis, of evidence supporting the financial information, including its basis of preparation;
  - (b) Terms and conditions may include:

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<sup>11</sup> See Section 717 of the *Corporations Act 2001* for an overview of the procedures for offering securities.

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- (i) documented important deadlines/timelines for the completion of the engagement. This may include deadlines such as the expected date of publication of the document and when the auditor's consent is required;
- (ii) arrangements regarding the planning and performance of the engagement; including the composition of the engagement team (including any experts);
- (iii) arrangements for the auditor to:
- ◆ attend meetings such as the due diligence committee meetings (if appropriate under the terms of the engagement);<sup>12</sup>
  - ◆ receive draft and final versions of the document in a timely manner when requested;
  - ◆ use the service(s) of the responsible party's experts and/or the auditor's experts;
  - ◆ communicate directly with the entity's external auditor and/or other professional advisers regarding matters relevant to the financial information;
  - ◆ the form and content of any published consent that the auditor has agreed to include in the offering document. For example, in respect of public documents prepared in accordance with the *Corporations Act 2001*<sup>13</sup> and lodged with the Australian Securities and Investments Commission (ASIC) entities intending to distribute the document in both electronic and paper form, must also obtain the

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<sup>12</sup> See APES 350 *Participation by Members in Public Practice in Due Diligence Committees in Connection with a Public Document* (December 2009), issued by the Accounting Professional and Ethical Standards Board.

<sup>13</sup> See Section 716 of the *Corporations Act 2001*.

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auditor's consent in both forms as well;<sup>14</sup>  
and

- ◆ a request for the responsible party to acknowledge receipt of the engagement letter and to agree to the terms of the engagement contained in the letter.

A8. The responsible party who signs the engagement letter shall be the ultimate responsible party of the entity, or an authorised representative/officer thereof, recognising that in certain circumstances, the directors of the entity (being those charged with governance) may not be appointed by the stage of agreeing the terms of the engagement or the entity may not be in existence when the engagement commences (for example, a new company structure). In such cases, the auditor considers whether to update and re-issue the engagement letter terms for a change of responsible party.

*Draft Comfort Letter (Ref: Para.30)*

A9. Acceptance by the responsible party of the draft comfort letter (and subsequently by acceptance of the comfort letter in final form) is an indication to the auditor that the responsible party considers the procedures described to be sufficient for the responsible party's purposes. Clearly describing the procedures to be followed by the auditor in the comfort letter avoids misunderstanding about the basis on which the auditor's comments have been made and assists the responsible party in deciding whether the procedures performed are sufficient for the responsible party's purposes.

A10. By providing a draft comfort letter early in the process, the auditor has the opportunity to clearly show the responsible party what they may expect to receive from the auditor. To the extent possible, the draft deals with all matters to be covered in the final letter and uses exactly the same terms as those to be used in the final letter, subject to the understanding that the confirmation in the final letter cannot be determined until the procedures underlying it have been performed. The draft comfort letter is identified as a draft to avoid giving the impression that the procedures described therein have been performed. The requesting party therefore also has the opportunity to discuss further with the auditor the procedures and to request any additional procedures. If the additional procedures relate to matters within the auditor's professional competence, and the auditor agrees to perform them, a revised draft may be prepared.

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<sup>14</sup> See ASIC Regulatory Guide 107 *Electronic Prospectuses*.

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- A11. The following is an example of a paragraph that may be placed in the draft comfort letter for identification and explanation of its purposes and limitations.

This draft is furnished solely for the purpose of indicating the form of letter that we would expect to be able to furnish [*name of requesting party*] in response to the request, the matters expected to be covered in the letter, and the nature of the procedures that we would expect to carry out with respect to such matters. Based on our discussions with [*name of requesting party*], it is our understanding that the procedures outlined in this draft letter are those they wish us to follow. Unless [*name of requesting party*] informs us otherwise, we shall assume that there are no additional procedures they wish us to follow. The text of the letter itself will depend, of course, on the results of the procedures, which we would not expect to complete until shortly before the letter is given and in no event before the cut-off date indicated therein.

- A12. The auditor ordinarily meets with the requesting party and/or responsible party before the terms of engagement are agreed to discuss the procedures they require the auditor to perform in respect of certain information and for the change period information.

**Changes in the Terms of the Assurance Engagement (Ref: Para. 31-34)**

- A13. Any change in agreed terms proposed by the responsible party throughout the engagement shall be appropriately justified to the auditor's satisfaction before the auditor agrees to the changes. Examples of when requests from the responsible party may be received include a change to reflect a change in circumstances or a misunderstanding of the nature of the services to be provided. The auditor considers the implications of the proposed change on the conduct and reporting of the engagement, as well as any evidence that was obtained prior to the change.
- A14. A change in circumstances that affects the entity's requirements, or a misunderstanding concerning the nature of the auditor's comfort letter originally agreed may be considered a reasonable basis for requesting a change in the engagement terms.
- A15. Certain proposed changes to the agreed terms by the responsible party that may be unacceptable to the auditor, and ordinarily would not be justified or agreed to, include:
- (a) a change that affects the intended users' needs, or a misunderstanding concerning the nature of the engagement;

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- (b) a change that relates to financial information that is incorrect, incomplete or otherwise unsatisfactory;
- (c) limiting time available to perform the engagement, preventing access to all relevant documents or persons requested; or
- (d) not providing documents when requested, leading to time constraints that make the satisfactory completion of the engagement by the date required unachievable.

A16. It is important that all changes agreed to by the responsible party and the auditor be documented and approved in writing to ensure no misunderstanding of what has been agreed.

**Planning the Engagement (Ref: Para. 35-37)**

A17. The agreed terms of the engagement determine the nature, timing and extent of procedures to be performed by the auditor. The following planning activities assist the auditor in this process:

- (a) whether the auditor has previously performed an audit or review of the entity's financial reports:
  - (i) if this is the case, the auditor would ordinarily have acquired an understanding of the entity and its operations. This understanding would include knowledge of the entity's management skills and resources, information technology systems (including financial systems). This understanding would need to be updated to ensure it has not changed in the current time period; or
  - (ii) if this is not the case, the auditor expands the planning activities so as to be able to obtain sufficient knowledge and understanding of the entity and its environment sufficient to plan and conduct the engagement in accordance with this ASAE.
- (b) obtaining an understanding of the financial information, appropriate to the engagement:
  - (i) understanding the source of the financial information (audited/reviewed financial information or otherwise), and whether any of the

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source information has been subject to a prior audit or review:

- ◆ in certain engagement circumstances however, the auditor does not need to obtain a detailed understanding of the historical financial information. For example, where the engagement relates to a takeover or merger transaction, where the auditor has no access to the one of the parties financial information, or other entity to be merged, as appropriate, other than that available in the public domain;
  - ◆ understanding the applicable criteria used and time period covered;
  - ◆ understanding the requirements of applicable law or regulation;
- (ii) understanding the significant accounting policies, used by the entity in the preparation of the historical financial information, particularly the recognition and measurement policies; including the process for their selection and application;
- (c) reading minutes of meetings and other documentation (such as key contractors or agreements) supporting key decisions or issues that impact the engagement;
- (d) obtaining an understanding of the other information included in the offering document to assess whether it is consistent with the financial information;
- (e) developing expectations for use when performing analytical procedures;
- (f) the nature and extent of experts or other specialised skills involvement required for the engagement.<sup>15</sup> An expert may be internal (a partner or staff in the auditor's firm or network firm) or external to the firm. There may be circumstances when the auditor may require the services of an expert, particularly when obtaining sufficient appropriate

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<sup>15</sup> The concepts and discussions on using the work of experts relevant to an audit engagement are contained in ASA 620 *Using the Work of an Auditor's Expert*, and may be useful to auditors when determining their responsibilities when using the work of experts in assurance engagements.

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evidence to support the auditor's conclusion. For example, when determining the determining the suitability of applicable criteria used by the responsible party in preparing the historical financial information;

- (g) the nature, timing, and extent of communications that will be required with the responsible party, and third party experts, and other advisors;
- (h) materiality considerations and assessment in respect of the financial information. However, ordinarily materiality is considered in terms of both quantitative and qualitative factors, such as relative magnitude, the nature, and extent of the effect of these factors on the auditor's evaluation of the financial information, and the intended users' interests.<sup>16</sup>
  - (i) In determining materiality, the auditor needs to use professional judgement to understand and assess these factors and how they might influence the decisions of intended users of the historical financial information in evaluating the prospects of the entity.
  - (ii) Materiality considerations reduce the risk of expressing an inappropriate conclusion.
- (i) assurance engagement risk. This risk comprises inherent risk, control risk and detection risk<sup>17</sup> and the auditor considers these risk components in terms of the engagement circumstances in particular the nature of the historical financial information. These considerations are then reflected in the extent of the planned procedures to be performed and the evidence-gathering process.

A18. The auditor's knowledge of the entity's internal control over financial reporting is necessary, regardless of whether the auditor is requested to perform negative assurance procedures or agreed-upon procedures. Incoming auditors, unlike existing auditors, do not have such a pre-existing knowledge and are therefore required to obtain

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<sup>16</sup> The concepts and discussions on establishing materiality relevant to an audit engagement are contained in ASA 320 *Materiality in Planning and Performing an Audit*, which may be useful to auditors when determining materiality in the conduct of an assurance engagement.

<sup>17</sup> The concepts and discussions on assurance engagement risk relevant to an audit engagement are contained in ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, which may be useful to auditors when determining assurance engagement risk in the conduct of a comfort letter engagement.

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sufficient knowledge of the actual controls over financial reporting that is, in their professional judgement, appropriate to the engagement circumstances.

**Performing the Engagement (Ref: Para. 38-41)**

- A19. When designing and performing procedures, the auditor considers the adequacy, relevance and reliability of the information obtained to be used as evidence.<sup>18</sup> The nature, timing and extent of procedures, and evidence required, depends on the agreed terms of the engagement, the type of assurance to be obtained, and the auditor's professional judgement.
- A20. When the auditor obtains oral representations from the responsible party in respect of matters supporting the financial information, the auditor ordinarily:
- (a) Evaluates the reasonableness and consistency of the oral representations with other evidence obtained, including other representations.
  - (b) Considers whether those making the representations can be expected to be well informed on the particular matters.
  - (c) Obtains appropriate corroborative evidence.<sup>19</sup>
  - (d) Documents the key aspects of the oral representation.
- A21. Comfort letter engagements, by their nature and scope of procedures performed, are ordinarily a combination of:
- (a) negative assurance procedures on financial information with the nature, timing and extent of procedures specified by the requesting parties. For example, the auditor may be ordinarily requested to perform specified procedures, and express a negative assurance conclusion on interim financial statements included in an offering document; and
  - (b) procedures determined by the requesting parties in respect of selected financial information during the change period.

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<sup>18</sup> The concepts and discussions on obtaining evidence relevant to an audit engagement are contained in ASA 500 *Audit Evidence* which may be useful to auditors when determining the extent of the evidence required to be obtained in a comfort letter engagement.

<sup>19</sup> The concepts and discussions on corroborative evidence relevant in investigating unusual fluctuations relevant to an audit engagement are contained in Auditing ASA 520 *Analytical Procedures*, and may be helpful in determining appropriate corroborative evidence in a comfort letter engagement.

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As a result of these procedures, the auditor makes a statement in the comfort letter as to whether anything has come to the auditor's attention relating to any changes, increases, or decreases, in the selected financial information during the change period.

*Using the Work of an Expert (Ref: Para. 42)*

- A22. The auditor needs to consider the following when using the work of an expert:
- (a) the nature of the matter, and the risks of material misstatement to which the expert's work relates;
  - (b) the significance of that expert's work in the context of the engagement;
  - (c) the auditor's knowledge of and experience with previous work performed by that expert;
  - (d) the extent of review of the expert's work by the auditor; and
  - (e) the results/findings of the experts work.

*Adjustments Identified by the Auditor (Ref: Para. 43-46)*

A23. The auditor communicates matters that in the auditor's professional judgement require the responsible party to make a material adjustment to the financial information. Such communications may be made orally or in writing, and should be done as soon as the matter is identified to enable the responsible party to investigate the matter(s). The responsible party is then able to advise the auditor of the findings and provide supporting evidence, as well as whether they will make the adjustment to the financial information. The auditor is then able to evaluate the evidence provided to consider if the responsible parties decision on the adjustment is acceptable.

A24. In circumstances where the responsible party does not make adjustment and the auditor disagrees with the decision, the auditor considers the implications for the comfort letter.

**Evaluating the Sufficiency and Appropriateness of Evidence Obtained**  
**(Ref: Para. 47)**

A25. The auditor uses professional judgement in determining the sufficiency and appropriateness of the evidence obtained based on the procedures performed. Evidence obtained by the auditor that is

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in quantity is a measure of the sufficiency of the evidence, whilst the quality of that evidence obtained is a measure of its appropriateness; that is, its relevance and its reliability.<sup>20</sup>

- A26. If the auditor identifies that the financial information may be materially misstated, or its disclosure in the offering document is potentially misleading, the auditor carries out additional procedures, or performs more extensive procedures to enable them to form a conclusion, including whether a modified conclusion is required.
- A27. For the purposes of expressing a negative assurance conclusion, the auditor obtains sufficient appropriate evidence primarily through enquiry and analytical procedures on the financial information.

**Written Representations (Ref: Para. 48-53)**

*Responsible Party*

A28. The auditor requests to receive a written representation letter from the responsible party at the completion of the engagement.<sup>21</sup> The auditor ordinarily provides the responsible party with a specific list of matters requiring the responsible party's representations. Such matters may be already be contained in documentation reviewed by the auditor, including minutes of meetings, and written acceptance of the engagement terms, and therefore the auditor only needs to request the inclusion of such matters in the written representation letter if the auditor considers it appropriate in the engagement circumstances. Examples of matters may include an acknowledgement by the responsible party of:

- (a) the agreed terms of the engagement;
- (b) the responsible party's responsibility for:
  - (i) the preparation of the financial information for the time periods stated, in accordance with the applicable criteria that was selected and determined by them;

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<sup>20</sup> The concepts and discussions on evidence relevant to an audit engagement are contained in Auditing Standard ASA 500 *Audit Evidence*, and may be helpful in determining the evidence applicable to a comfort letter engagement.

<sup>21</sup> The concepts and discussions on obtaining written representations relevant to an audit engagement are contained in Auditing Standard ASA 580 *Written Representations*, and may be helpful in determining the form and content of written representations applicable to a comfort letter engagement.

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- (ii) all other information included in the document, other than reports prepared by experts who have provided consent for inclusion;
  - (iii) the overall offering document;
  - (iv) the establishment and maintenance of proper internal control related to financial reporting;
  - (v) the maintenance of proper financial records and systems which facilitate the preparation of the financial information;
- (c) providing all information requested by the auditor;
- (d) any uncorrected misstatements are immaterial, either individually or in aggregate to the financial information; and that all such misstatements have been previously advised to the auditor; and
- (e) providing all material financial information, financial records and related data, and all other information relevant to financial information related to the engagement (for example fraud, errors, regulatory issues or communications).
- A29. Oral or written representations made by the responsible party cannot replace other evidence the auditor could reasonably expect to be available. For example, relevant minutes of meetings of the Board of Directors, or a published statement by the Board of Directors acknowledging responsibility for the preparation and presentation of financial information, may be considered appropriate sufficient evidence under the circumstances. To the extent the other evidence obtained is inconsistent with the responsible party's oral or written representations, the auditor shall investigate and evaluate such inconsistencies, with a view to obtaining sufficient appropriate evidence. In such cases, additional procedures may be required in order to achieve this.
- A30. If the responsible party does not provide a written representation letter, or refuses to provide it, the auditor needs to consider the implications of this on the engagement. Having no written representation letter from the responsible party ordinarily results in the auditor being unable to provide a comfort letter. In such circumstances the auditor may be able to provide a letter reporting factual findings. The auditor may also include a restriction paragraph on the distribution of, or use of, the report.

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- A31. An inability to obtain sufficient appropriate evidence regarding a matter that has, or may have, a material effect on the evaluation of the financial information, when such evidence would ordinarily be available, constitutes a limitation on the scope of the auditor, even if a written representation from the responsible party has been received by the auditor on the matter.

**Subsequent Events (Ref: Para. 54)**

- A32. The auditor may be requested to perform specified procedures by the requesting parties on selected financial information during the change period between the date of the comfort letter procedures and the dates of the latest interim financial conformation. The purpose of these procedures is to determine whether there are changes, increases or decreases in the selected financial information during the change period, such as changes in the share capital, increases in long-term debt or decreases in net current assets or other specified financial statement items that occur during the change period that one not already decided in the offering document. The procedures may also relate to decreases in net sales during the change period as compared to the corresponding period in the preceding year. The auditor does not comment and provide any assurance on the reason for the changes in the selected financial information.

- A33. The assurance procedures the auditor performs on selected financial information during the change period, as specified by the requesting parties, ordinarily include:

- (a) reading of minutes of meetings of shareholders and those charged with governance during the change period;
- (b) reading of the unaudited or unreviewed financial statements for the change period; and
- (c) enquiry of the responsible party, as to whether such financial statements have been prepared in accordance with the applicable financial reporting framework used by the entity in preparing and presenting the audited financial statements included in the offering document;

to enable the auditor to conclude whether anything has come to the auditor's attention that a change, increase, or decrease has occurred during the offering.

- A34. In evaluating the change period financial information, the auditor compares the change period to the entire period and not to portions of that period. A decrease during one part of the period may be

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offset by an equal or larger increase in another part of the period; however, because no decrease for the period as a whole existed, the comfort letter would not report the decrease occurring during one part of the period.

A35. Change period financial information may be compared to:

- (a) the unaudited interim financial statements; or
- (b) the corresponding period financial information in the preceding year, in accordance with this ASAE.

**Forming the Assurance Conclusion (Ref: Para. 56-57)**

A36. The auditor's evaluation of the sufficiency and appropriateness of the evidence obtained during the engagement takes account of:

- (a) the source of the financial information and its basis of preparation;
- (b) the type of conclusion required on the financial information;
- (c) whether sufficient appropriate evidence has been obtained to support the auditor's conclusion;
- (d) the auditor's assessment of whether any uncorrected misstatements are material, individually or in aggregate, to the financial information; and
- (e) whether the entity has complied with the recognition and measurements principles of the applicable financial reporting framework (which in Australia is ordinarily those contained in Australian Accounting Standards).

**Preparing the Comfort Letter (Ref: Para. 59-61)**

A37. The comfort letter is ordinarily dated on or shortly after the responsible party's representation letter is signed and before the finalisation of the offering document.

A38. The engagement letter ordinarily specifies the date, often referred to as the cut-off date, to which certain procedures described in the letter are to relate, for example, five days before the date of the comfort letter. A factor in considering whether to accept the engagement is whether the period between the cut-off date and the

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date of the letter provides sufficient time to allow the auditor to perform the procedures and prepare the letter.

*Unmodified and Modified Conclusions*

Unmodified conclusions (Ref: Para.65)

A39. Appendices 5 & 6 contains an illustrative example of an unmodified conclusion in a comfort letter.

Modified conclusions (Ref: Para. 66-67)

A40. When the auditor expresses a modified conclusion in the comfort letter, the reasons for the modification shall be properly described, with the effects appropriately quantified and disclosed in the comfort letter.

A41. Appendices 5 & 6 contains an illustrative example of a modified conclusion<sup>22</sup> in a comfort letter.

A42. A qualified conclusion is expressed when:

- (a) the auditor concludes that misstatement, individual or in aggregate are material but not pervasive to the financial information;
- (b) matters have come to the auditor's attention that cause the auditor to believe that the prospective financial information is not prepared, in all material respects, in accordance with the applicable criteria financial reporting framework;
- (c) the auditor is unable to obtain sufficient appropriate evidence on which to base a conclusion, but concludes that the possible effects on the financial information of undetected misstatements, if any could be material but not pervasive to the financial information; or
- (d) the auditor determines there has been a material scope limitation regarding the possible adjustments to the financial information that might have been determined to be necessary had the limitation not existed.

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<sup>22</sup> The concepts and discussions on modifications to the opinion relevant to an audit engagement are contained in Auditing Standard ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*, and may be helpful in determining the nature, type and opinion wording of modifications applicable to a comfort letter.

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A qualified conclusion is expressed as being “except for” the effects, or possible effects, of the matter to which the qualification relates.

- A43. An adverse conclusion is expressed when the auditor concludes (having obtained sufficient appropriate evidence) that misstatements, individually or in aggregate, are both material and pervasive to the financial information. In these circumstances, the auditor ordinarily concludes that a qualification is not adequate to disclose the misleading or incomplete nature of the financial information. The form of the adverse conclusion is ordinarily that the financial information is not prepared fairly in all material respects, in accordance with the applicable financial reporting framework.
- A44. An disclaimer of conclusion is expressed when the auditor is unable to obtain sufficient appropriate evidence on which to base a conclusion, and concludes that the possible effects on the financial information of undetected misstatements, if any, could be both material and pervasive to the financial information.

**Consent to the Inclusion of the Auditor's Report on a Financial Report in the Offering Document (Ref: Para. 70-72)**

- A45. There may be some circumstances where the auditor does not consider it appropriate to provide consent. For example:
- (a) where there are material inconsistencies between the financial information and other information which remain uncorrected by the responsible party;
  - (b) where there are material misstatements of fact between the financial information and other information which remain uncorrected by the responsible party; or
- where the auditor does not consider the comfort letter will be used for the intended purpose.

**Conformity with International Standards on Assurance Engagements**

There is no corresponding International Standard on Assurance Engagements.

Draft

**Appendix 1**

(Ref: Para.22-29)

**EXAMPLE ENGAGEMENT LETTER – U.S.  
STYLE**

The following illustrative letter includes example terms of engagement that can be tailored for specific engagement circumstances.

Illustration 1: The offering involves the public securities offering in the United States of America

[The Board of Directors / Audit Committee]

[Company Limited]

[Address]

The Lead Manager and Dealers

[Addressee]

[Date]

Dear Sirs

**Introduction**

1. This engagement letter sets out the scope and limitations of the work to be performed by [auditor] (“we” or “us”) in connection with the above transaction, namely the proposed issue of [ ] (“the Issue”) which will involve the preparation by the Issuer, and for which the Issuer will be solely responsible, of an Offering Circular [in accordance with the Prospectus Directive Regulation]/[Listing Rules of the [relevant] Stock Exchange or other listing authority]. This letter is written in the context of the respective roles of the directors of the Issuer, [the Lead Manager] (“the Lead Manager”), the other Managers (as defined in Paragraph 2 below) and ourselves.

**Addressees**

2. This engagement letter is addressed to the directors of the Issuer, to the Lead Manager and to each of the managers who have agreed or, prior to the issue of our comfort letter, will agree to participate in the

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proposed Issue and who have or, prior to the issue of our comfort letter, will have validly authorised the Lead Manager to sign this engagement letter on their behalf. Their legal names are set out in Appendix 1 to this engagement letter and, together with the Lead Manager, are referred to in this engagement letter as “the Managers”.

3. By signing and accepting the terms of this engagement letter, the Lead Manager confirms that it will ensure that it receives prima facie authority from each Manager identified in Appendix 1 authorising it to enter into this engagement letter on the relevant Manager's behalf. However, the Lead Manager makes no representation as to whether such prima facie authority actually confers the necessary authority.
4. Up to the date of the relevant comfort letter, a Manager may be added to Appendix 1 by the Issuer or by the Lead Manager by written notice to us and the Issuer or the Lead Manager. A Manager may also be deleted from Appendix 1 where the Manager withdraws from the Issue and/or advises the Lead Manager that it does not wish to receive the benefit of the comfort letter or for this engagement letter to be signed on its behalf or where the Lead Manager does not receive authority to sign this engagement letter on behalf of the relevant Manager. The revised managers shall then, together with the Lead Manager, be referred to in this engagement letter as “the Managers”.

**Comfort Letter**

5. We have performed the engagement in accordance with Australian Standard on Assurance Engagements ASAE 34xx *Auditors' Comfort Letters*, issued by the Australian Auditing and Assurance Standards Board.
6. The Lead Manager confirms that, in connection with the proposed Issue, it is aware of guidance relating to due diligence issued by the International Capital Market Association from time to time, which will be followed by it in connection with the proposed issue.
7. Our comfort letter will be provided to the addressees of this letter solely in the context of the due diligence procedures that you undertake, or procure to be undertaken, pursuant to the guidance referred to in Paragraph 6 above in connection with the contents of the Offering Circular for the purpose of any defence in such context that you may wish to advance in any claim or proceeding in connection with the contents of the Offering Circular. Accordingly

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our comfort letter will be addressed to you for that purpose and may not be relied on by you for any other purpose.

8. For the avoidance of doubt and subject to the limitations or exclusions which are contained in or referred to in Paragraphs 9, 10, 28, 33 and 34 of this letter, nothing in this letter shall preclude the Managers from obtaining compensation from us in respect of any liability that the Managers incur to an investor arising out of the contents of the Offering Circular to the extent that such liability arises because the work undertaken pursuant to this engagement letter or the comfort letter was undertaken negligently.
9. Any comfort letter issued pursuant to this engagement letter will not have been provided in accordance with the professional standards of [*Insert jurisdiction*] and accordingly should not be relied upon in connection with any obligations or responsibilities that you may have under any legislation, regulations and/or rule of law in [*Insert jurisdiction*] and, in the event of any such use in [*Insert jurisdiction*], we accept no responsibility in this regard.
10. Our work and findings shall not in any way constitute advice or recommendations (and we accept no liability in relation to any advice or recommendations) regarding any commercial decisions associated with the Issue, including, in particular, but without limitation, any which may be taken by the Managers (or any person connected to the Managers or any one of them) in the capacity of investor or in providing investment advice to their clients.
11. Our comfort letter will be provided solely for your private information and should not be used for any purpose other than as set out in Paragraph 7. Our comfort letter may not be referred to in any other document (except that reference may be made to its existence in any contract or other communication between the Issuer and/or the Managers, and/or ourselves), nor made available to any other party (except that a copy may be included in the bible of transaction documents memorialising the Issue prepared for the Issuer and the Managers).
12. Nothing in Paragraphs 9 and 11 shall prevent you from disclosing our comfort letter to your professional advisers or as may be required by law or regulation, and/or referring to and/or producing our comfort letter in court proceedings relating to the Issue or the Offering Circular. Provided that you first obtain our prior written consent, you may disclose our comfort letter to third parties where to do so would reasonably be necessary in the interest of a resolution of a dispute with that third party.

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13. Other than to those who have validly accepted this engagement letter, we will not accept any responsibility to any party to whom our comfort letter is shown or into whose hands it may come.
14. You may only rely on information and comments set out in our comfort letter on the basis of this engagement letter.

**Work and procedures**

15. Our work will, where appropriate, be conducted in accordance with ASAE 34xx *Auditors' Comfort Letters*, issued by the Australian Auditing and Assurance Standards Board. In other jurisdictions, standards and practice relevant to reporting accountants may be different and may not provide for reporting in the manner contemplated herein. Accordingly our report should not be relied on as if it had been provided in accordance with the standards and practice of any professional body in any other jurisdiction.
16. We have not carried out an audit examination in accordance with any generally accepted auditing standards of any financial information relating to the Issuer for any period subsequent to [*date of last audited balance sheet*]. The procedures we will use to perform the work set out in this engagement letter will not constitute an audit or review made in accordance with any generally accepted auditing standards. Furthermore, they will not necessarily reveal matters of significance with respect to any material misstatement of the information referred to below.
17. The procedures that we plan to conduct have been discussed between and agreed by the Issuer, the Lead Manager and us and will be recorded in the comfort letter itself. If during the course of carrying out such procedures as are planned and agreed upon under this letter, and solely as a result of information provided to us in so doing, we conclude that there has been any withholding, concealment or misrepresentation in relation to such information, (or otherwise we conclude that such information contains an inconsistency which clearly indicates that there may have been such a withholding, concealment or misrepresentation), we will discuss with you whether further procedures can be designed to seek to resolve the matter. Where such procedures are agreed between us, we will carry them out and amend the comfort letter accordingly.
18. We will only carry out those verification procedures expressly provided for in the comfort letter. Accordingly, we make no representations as to the sufficiency for your purposes of such procedures and, therefore, our responsibility shall be limited to performing the work agreed upon in this engagement letter and/or

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recorded in the comfort letter with due skill, care and attention. If we were to perform additional procedures or if we were to conduct an audit or review of the financial statements of the Issuer in accordance with Australian Auditing Standards, other matters might come to our attention which we would report to you. The procedures to be performed by us should not be taken to supplant any additional enquiries or procedures that may be appropriate in the performance of your role under the proposed offering.

19. In relation to the contents of the Offering Circular, we will address ourselves solely to such financial information in the Offering Circular as is identified in the comfort letter and we will make no representations as to the adequacy of disclosure in the Offering Circular or as to whether any material facts have been omitted by the Issuer.
20. Any opinions expressed on financial information outside the context of this engagement letter were or are expressed solely in the context of the specific terms and conditions governing their preparation. In particular, the terms of this engagement letter and any action pursuant to it shall be additional to and shall not detract from or change in any way any legal rights which any party to this letter may otherwise have acquired, whether in contract or in tort, in connection with our audits of the financial statements of the Issuer.
21. Save as may be expressly recorded in the comfort letter, we do not accept any responsibility for any other reports or letters beyond any responsibility that we owed to those to whom our reports or letters were addressed at the date of their issue.

**Contents of the Comfort Letter**

22. We will prepare and expect to issue a comfort letter addressed to the Issuer and the Managers in connection with their due diligence enquiries in connection with the contents of the Offering Circular on the basis described above. [Based upon our present understanding of your requirements we expect to be able to provide you with a comfort letter substantially in the form contained in Appendix 3, setting out the procedures that we expect to carry out prior to issuing our comfort letter.] Your acceptance of our comfort letter in final form constitutes your agreement to the scope and extent of such procedures.
23. We would be grateful if you would review the draft comfort letter that we expect to be able to provide you with and let us have any amendments you propose to the procedures as soon as possible, so

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that we can provide you with a revised draft for your further consideration and approval.]

24. Once an advanced draft of the Offering Circular is available and you have identified, and we have agreed, the detailed financial information whose extraction or calculation you require to be covered in the comfort letter, we will provide you with a further revised draft of the comfort letter for your approval of its scope prior to finalisation.]
25. For the avoidance of doubt, we will not comment on, or otherwise give comfort in relation to, the prospects or trading position or, save as expressly stated in the comfort letter, comment on or provide any opinion or other conclusion as to the current overall financial position of the Issuer.

**Drafts**

26. During the course of the engagement we may show drafts of, or report orally on, our comfort letter to you. In so far as any such draft or oral report is inconsistent with the subsequent final comfort letter, it will be deemed to be superseded by such final comfort letter.

**Audit Opinion**

27. The Issuer may not include our audit opinion in the Offering Circular without our prior written approval.

**Meetings**

28. It [will be] [has been] necessary for us to receive copies of the draft Offering Circular as it [is] [was] produced and it [may be] [has been] necessary for us to attend meetings (including, but not limited to, meetings with the Issuer, and its directors and/or employees, and the Lead Manager and its employees or agents) at which the Offering Circular [is] [has been] discussed and drafted or at which other related matters [are] [have been] discussed. We [shall answer] [have answered] queries raised at such meetings on an informal basis but you should neither act nor refrain from acting on the basis of such informal answers unless and until they are confirmed in writing by us, whether in the final comfort letter or otherwise. In the absence of such written confirmation we shall have no liability to you in contract or in tort (including negligence) for our answers.
29. Unless otherwise specifically agreed between the parties, we are authorised by the Issuer to speak to the Managers and other professional advisers advising on the proposed Issue. In connection



**Appendix 2**

(Ref: Para.22-29)

**EXAMPLE ENGAGEMENT LETTER – NON U.S.  
STYLE**

The following illustrative letter includes example terms of engagement that can be tailored for specific engagement circumstances.

Illustration 2: The offering involves the public securities offering outside the United States of America

[The Board of Directors / Audit Committee]

[Company Limited]

[Address]

The Lead Manager and Dealers

[Addressee]

[Date]

Dear Sirs

**Introduction**

1. This engagement letter sets out the scope and limitations of the work to be performed by us in connection with the above transaction, namely the proposed issue of [ ] ("the Issue") which will involve the preparation by the Issuer, and for which the Issuer will be solely responsible, of an offering circular [in accordance with the [insert name of relevant stock exchange] (the "Offering Circular")]. This letter is written in the context of the respective roles of the directors of the Issuer, the Lead Manager ("the Lead Manager"), the other Managers (as defined in Paragraph 2 below) and ourselves.

**Addressees**

2. This engagement letter is addressed to Eurobond Issuer, to the Lead Manager and to each of the managers who have agreed or, prior to the issue of our comfort letter, will agree to participate in the proposed Issue and who have or, prior to the issue of our comfort

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letter, will have validly authorised the Lead Manager to sign this engagement letter on their behalf. Their legal names are set out in Appendix 1 to this engagement letter and, together with the Lead Manager, are referred to in this engagement letter as "the Managers".

3. By signing and accepting the terms of this engagement letter, the Lead Manager confirms that it will ensure that it receives prima facie authority from each Manager identified in Appendix 1 authorising it to enter into this engagement letter on the relevant Manager's behalf. However, the Lead Manager makes no representation as to whether such prima facie authority actually confers the necessary authority.
4. Up to the date of the relevant comfort letter, a Manager may be added to Appendix 1 by the Issuer or by the Lead Manager by written notice to us and the Issuer or the Lead Manager. A Manager may also be deleted from Appendix 1 where the Manager withdraws from the Issue and/or advises the Lead Manager that it does not wish to receive the benefit of the comfort letter or for this engagement letter to be signed on its behalf or where the Lead Manager does not receive authority to sign this engagement letter on behalf of the relevant Manager. The revised managers referred to in Appendix 1 (as revised pursuant to this paragraph 4) shall then, together with the Lead Manager, be referred to in this engagement letter as "the Managers".

**Comfort Letter**

5. We have performed the engagement in accordance with Australian Standard on Assurance Engagements ASAE 34xx *Auditors' Comfort Letters*, issued by the Australian Auditing and Assurance Standards Board.
6. Our comfort letter will be provided to the addressees of this letter solely in the context of the due diligence procedures that the Lead Manager undertakes, or procures to be undertaken, pursuant to the guidance referred to in Paragraph 5 above in connection with the contents of the Offering Circular for the purpose of any defence in such context that you may wish to advance in any claim or proceeding arising out of or in connection with the contents of the Offering Circular. Accordingly our comfort letter will be addressed to you for that purpose and shall not be relied on by you for any other purpose.
7. For the avoidance of doubt and subject to the limitations or exclusions which are contained in or referred to in Paragraphs [8, 9, 27] of this letter, nothing in this letter shall preclude the Managers

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- from obtaining compensation from us in respect of any liability that the Managers incur to an investor arising out of or in connection with the contents of the Offering Circular to the extent that such liability arises because the work undertaken pursuant to this engagement letter or the comfort letter was undertaken negligently.
8. Any comfort letter issued pursuant to this engagement letter will not have been provided in accordance with the professional standards of [Insert jurisdiction] and accordingly should not be relied upon in connection with any obligations or responsibilities that you may have under any legislation, regulations and/or rule of law in [Insert jurisdiction] and, in the event of any such use in [Insert jurisdiction], we accept no responsibility in this regard.
9. Our work and findings shall not in any way constitute advice or recommendations. Our work will be conducted in accordance with practices and with the level of skill and care expected of a professional accountant in the context of similar services in [Australia] and we accept no liability in relation to any advice or recommendations regarding any commercial decisions associated with the Issue, including, in particular, but without limitation, any which may be taken by the Managers (or any person connected to the Managers or any one of them) in the capacity of investor or in providing investment advice to their clients.
10. Our comfort letter will be provided solely for your private information and should not be used for any purpose other than as set out in Paragraph 6. Our comfort letter may not be referred to in any other document (except that reference may be made to its existence in any contract or other communication between the Issuer and/or the Managers, and/or ourselves), nor made available to any other party (except that a copy may be included in the bible of transaction documents memorialising the Issue prepared for the Issuer and the Managers).
11. Nothing in Paragraphs 8 and 10 shall prevent you from disclosing our comfort letter to your professional advisers, who has a legitimate need to know and on a strictly confidential basis, or as may be required by law or regulation or the requirements of a regulatory body, and/or referring to and/or producing our comfort letter in court proceedings relating to the Issue or the Offering Circular. Provided that you first obtain our prior written consent, you may disclose our comfort letter to third parties, on a strictly confidential basis, where to do so would reasonably be necessary in the interest of a resolution of a dispute with that third party.

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12. Other than to those who have validly accepted this engagement letter, we will not accept any responsibility or liabilities (including without limitation, those arising from negligence or otherwise) to any party to whom our comfort letter is shown or into whose hands it may come.
13. You may only rely on information and comments set out in our comfort letter on the basis of this engagement letter.

**Work and Procedures**

14. Our work will, where appropriate, be conducted in accordance with ASAE 34xx *Auditors' Comfort Letters* issued by the Australian Auditing and Assurance Standards Board. In other jurisdictions, standards and practice relevant to reporting accountants may be different and may not provide for reporting in the manner contemplated herein. Accordingly our report should not be relied on as if it had been provided in accordance with the standards and practice of any professional body in any other jurisdiction.
15. We have not carried out an audit examination in accordance with Australian Auditing Standards of any financial information relating to the Issuer for any period subsequent to [date of last audited balance sheet]. The procedures we will use to perform the work set out in this engagement letter will not constitute an audit or review made in accordance with any generally accepted auditing standards. Furthermore, they will not necessarily reveal matters of significance with respect to any material misstatement of the information referred to below.
16. The procedures that we plan to conduct have been discussed between and agreed by the Issuer, the Lead Manager and us and will be recorded in the comfort letter itself. If during the course of carrying out such procedures as are planned and agreed upon under this letter, and solely as a result of information provided to us in so doing, we conclude that there has been any withholding, concealment or misrepresentation in relation to such information, (or otherwise we conclude that such information contains an inconsistency which clearly indicates that there may have been such a withholding, concealment or misrepresentation), we will discuss with you whether further procedures can be designed to seek to resolve the matter. Where such procedures are agreed between us, we will carry them out and amend the comfort letter accordingly.
17. We will only carry out those verification procedures expressly provided for in the comfort letter. Accordingly, we make no representations as to the sufficiency for your purposes of such

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procedures and, therefore, our responsibility shall be limited to performing the work agreed upon in this engagement letter and/or recorded in the comfort letter with due skill, care and attention. If we were to perform additional procedures or if we were to conduct an audit or review of the financial statements of the Issuer in accordance with auditing standards generally accepted in [Australia], other matters might come to our attention which we would report to you. The procedures to be performed by us should not be taken to supplant any additional enquiries or procedures that may be appropriate in the performance of your role under the proposed Issue.

18. In relation to the contents of the Offering Circular, we will address ourselves solely to such financial information in the Offering Circular as is identified in the comfort letter and we will make no representations as to the adequacy of disclosure in the Offering Circular or as to whether any material facts have been omitted by the Issuer.
19. Any opinions expressed on financial information outside the context of this engagement letter were or are expressed solely in the context of the specific terms and conditions governing their preparation. In particular, the terms of this engagement letter and any action pursuant to it shall be additional to and shall not detract from or change in any way any legal rights which any party to this letter may otherwise have acquired, whether in contract or in tort, in connection with our audits of the financial statements of the Issuer.
20. Save as may be expressly recorded in the comfort letter, we do not accept any responsibility for any other reports or letters beyond any responsibility that we owed to those to whom our reports or letters were addressed at the date of their issue.

**Contents of the Comfort Letter**

21. We will prepare and expect to issue a comfort letter addressed to the Issuer and the Managers in connection with their due diligence enquiries in connection with the contents of the Offering Circular on the basis described above. [Based upon our present understanding of your requirements we expect to be able to provide you with a comfort letter substantially in the form contained in Appendix 3, setting out the procedures that we expect to carry out prior to issuing our comfort letter.] Your acceptance of our comfort letter in final form constitutes your agreement to the scope and extent of such procedures.

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22. We would be grateful if you would review the draft comfort letter that we expect to be able to provide you with and let us have any amendments you propose to the procedures as soon as possible, so that we can provide you with a revised draft for your further consideration and approval.]
23. Once an advanced draft of the Offering Circular is available and you have identified, and we have agreed, the detailed financial information whose extraction or calculation you require to be covered in the comfort letter, we will provide you with a further revised draft of the comfort letter for your approval of its scope prior to finalisation.]
24. For the avoidance of doubt, we will not comment on, or otherwise give comfort in relation to, the prospects or trading position or, save as expressly stated in the comfort letter, comment on or provide any opinion or other conclusion as to the current overall financial position of the Issuer.

**Drafts**

25. During the course of the arrangement we may show drafts of, or report orally on, our comfort letter to you. In so far as any such draft or oral report is inconsistent with the subsequent final comfort letter, it will be deemed to be superseded by such final comfort letter.

**Audit Opinion**

26. The Issuer may not include our audit opinion in the Offering Circular without our prior written approval.

**Meetings**

27. It [will be] [has been] necessary for us to receive copies of the draft Offering Circular as it [is] [was] produced and it [may be] [has been] necessary for us to attend meetings (including, but not limited to, meetings with the Issuer, and its directors and/or employees, and the Lead Manager and its employees or agents) at which the Offering Circular [is] [has been] discussed and drafted or at which other related matters [are] [have been] discussed. We [shall answer] [have answered] queries raised at such meetings on an informal basis but you should neither act nor refrain from acting on the basis of such informal answers unless and until they are confirmed in writing by us, whether in the final comfort letter or otherwise. In the absence of such written confirmation we shall have no liability to you in contract or in tort (including negligence or otherwise) for our answers.



**Appendix 3**

(Ref: Para. 48-53)

**EXAMPLE REPRESENTATION LETTER**

***(Responsible Party Comfort Letter)***

The following illustrative letter includes an example representation letter provided by the responsible party in respect of an auditor's comfort letter that can be tailored for specific engagement circumstances.

Illustration 1: The offering involves the public securities offering.

[Date]

[Name of Member Firm]

[Address]

Dear Sirs

In connection with the auditor comfort letter that you have been asked to provide to us and to the [Managers/Dealers] under the terms of your engagement letter dated [Date] relating to the [company] and its subsidiaries (the "Group") the board of directors makes the following representations.

**Significant change in financial and trading position**

We have made available to you the management accounts of the Group for the period to [Date] being the most recently available and all minutes of the meetings of the board of directors and [identify any other bodies] held since [last balance sheet date] to [the cut-off date] (the "cut-off date") [together with the related board papers].

We confirm that:

1. the unaudited management accounts to [Date] and [previous year] were prepared in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements of the Group for the year ended [Year];
2. The management accounts properly deal with all of the following matters identified by you from the minutes referred to in (1) above;

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3. There are no matters of which we are aware which will be reported as non-operating exceptional items other than as follows: [ ];
4. Save as described below we are not aware of any increases in [ ] or decreases in [ ] as at the cut-off date as compared to the amounts shown in the [insert date of latest] audited financial statements of the Group nor increase in [ ] or decrease in [ ] for the period from [insert date of first day after end of last audited financial statements] up to the cut-off date.
5. The Board are not aware of any matters to which attention should be drawn in the statement on page [ ] of [[*proof*] of] the Offering Circular that there has been no material adverse change in the financial position or prospects of the Issuer and its subsidiaries since the date of its last published annual accounts.

**Contingent liabilities attributable to financial instruments**

We have made available to you a schedule of contingent liabilities relating to financial instruments existing at [cut-off date] which would be disclosed were financial statements be prepared as of that date and we confirm that we are not aware of any such other contingent liabilities that would be expected to be disclosed.

**Other financial Information**

The [*describe document*] which has been used as a basis for the [*describe information in the circular*] has been [*prepared/derived*] from the Group's accounting records.

**General**

During the course of your work you been provided with all of the information and explanations which we believe may be relevant to your work and there are no other matters of which you should be aware.

Yours faithfully

For and on behalf of the directors of [*Client*]

**Appendix 4**

(Ref: Para. 48-53)

**EXAMPLE REPRESENTATION LETTER**

***(Requesting Parties Comfort Letter)***

The following illustrative letter includes an example representation letter provided by the requesting parties related to an auditor's Comfort Letter that can be tailored for specific engagement circumstances.

Illustration 1: The offering involves the public securities offering.

[Date]

[Name of Member Firm]

[Address]

Dear Sirs

[*Name of financial intermediary*], as principal or agent, in the placement of [*identify securities*] to be issued by [*name of issuer*], will be reviewing certain information relating to [*issuer*] that will be included (incorporated by reference in the document [*if appropriate, the document should be identified*]), which may be delivered to investors and utilised by them as a basis for their investment decision. We hereby request that you deliver to us a comfort letter concerning the financial statements of the issuer and certain statistical and other data included in the offering document. We will contact you to identify the procedures we wish you to follow and the form we wish the comfort letter to take.

This letter is solely for the information and use of [*legal name of firm*] in issuing a comfort letter in connection with the offering of securities described above and it is not to be used, circulated, quoted or otherwise referred to, in whole or in part, in the Document.

(Financial Intermediary)

Appendix 5

(Ref: Para. 48-53)

**EXAMPLE REPRESENTATION LETTER**

***(Bring Down Comfort Letter)***

The following illustrative letter includes an example representation letter provided by the responsible party related to an auditor's Bring Down Comfort Letter, and that can be tailored for specific engagement circumstances.

Illustration 1: The offering involves the public securities offering.

[Date]

[Name of Member Firm]

[Address]

Dear Sirs

In connection with the auditors' comfort letter that you have been asked to provide to us and to the [Managers/Dealers] under the terms of your engagement letter dated [Date] relating to the [company] and its subsidiaries (the "Group") the board of directors makes the following representations.

**Significant change in financial and trading position**

We have made available to you:

1. The management accounts of the Group for the period to [Date] being the most recently available;
2. all minutes of the meetings of the board of directors and [identify any other bodies] held since [last balance sheet date] to [the cut-off date] (the "cut-off date") [together with the related board papers].

We confirm that:

3. the unaudited management accounts to [Date] and [previous year] were prepared in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the

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- audited consolidated financial statements of the Group for the year ended [Year];
4. The management accounts properly deal with all of the following matters identified by you from the minutes referred to in (1) above;
  5. There are no matters of which we are aware which will be reported as non-operating exceptional items other than as follows: [ ];
  6. Save as described below we are not aware of any increases in [ ] or decreases in [ ] as at the cut-off date as compared to the amounts shown in the [insert date of latest] audited financial statements of the Group nor increase in [ ] or decrease in [ ] for the period from [insert date of first day after end of last audited financial statements] up to the cut-off date.
  7. The Board are not aware of any matters to which attention should be drawn in the statement on page [ ] of [[*proof*] of] the Offering Circular that there has been no material adverse change in the financial position or prospects of the Issuer and its subsidiaries since the date of its last published annual accounts.
  8. To the best of our knowledge and belief, no events or transactions have occurred since the date[s] of our previous letter[s] or are pending [other than those reflected or disclosed in the filing] that would have a material effect on the audited financial statements [and the unaudited interim financial information] [included or incorporated by reference] in the [appropriate filing] or that are of such significance in relation to the Company's affairs to require mention in a note to the audited financial statements [or the unaudited interim financial information] in order to make them not misleading regarding the financial position, results of operations or cash flows of the Company.
  9. Also, no information has come to our attention since the date[s] of our previous letter[s] and no events or transactions have occurred or are pending [other than those reflected or disclosed in the filing] that adversely affect our previous report on the effectiveness of the Company's internal control over financial reporting as of [the most recent balance sheet date], or that are of such significance in relation to the Company's internal control over financial reporting to require mention in the (appropriate filing)].
  10. In addition, there have been no changes in the design or operation of internal control over financial reporting since the date[s] of our previous letter[s] that have materially affected, or are reasonably

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likely to materially affect, the Company's internal control over financial reporting.

11. [When changes in the design or operation of internal control over financial reporting have occurred, replace the above paragraph with the following] In addition, we have identified and communicated to you all changes in the design or operation of internal control over financial reporting since the date[s] or our previous letter[s] that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Contingent liabilities attributable to financial instruments**

We have made available to you a schedule of contingent liabilities relating to financial instruments existing at [cut-off date] which would be disclosed were financial statements be prepared as of that date and we confirm that we are not aware of any such other contingent liabilities that would be expected to be disclosed.

**Other financial information**

The [describe document] which has been used as a basis for the [describe information in the circular] has been [prepared/derived] from the Group's accounting records.

**General**

During the course of your work you been provided with all of the information and explanations which we believe may be relevant to your work and there are no other matters of which you should be aware.

Yours faithfully

For and on behalf of the directors of [Client]

Appendix 6

(Ref: Para. 62)

**EXAMPLE COMFORT LETTER – U.S. STYLE**

***(Representation Letter provided)***

The following illustrative letter represents an example US Style comfort letter that can be tailored for specific engagement circumstances.

Illustration 1: The offering involves a public securities offering in the United States of America.

[The Board of Directors / Audit Committee]

[Company Limited]

[Address]

The Lead Manager and Dealers

[Addressee]

[Date]

Dear Sirs

**PROPOSED [insert type of offering] ISSUE BY [insert issuer name] (“the Issuer”)**

We report in accordance with our letter of arrangement dated [Date]. We have audited, in accordance with Australian Standards on Assurance Engagements ASAE 3xxx *Auditors' Comfort Letters* issued by the Auditing and Assurance Standards Board, the consolidated balance sheets of [insert client] and its controlled entities (the “Company”) as at [Date] and the consolidated income statements, statements of changes in equity and cash flow statements for each of the three years in the period ended [Date], included in the Offering Circular (as defined herein) for the sale of [Insert Details] (collectively, the “Securities”) of [Insert client] to non-U.S. persons outside the United States of America pursuant to Regulations under the U.S. Securities Act of 1933, as amended, (the “Securities Act”). Our reports with respect thereto are included in the Offering Circular. We have also reviewed in accordance with ASAE 3xxx *Auditors' Comfort Letters*, the unaudited consolidated balance sheets of the Company as at [Date] and the related consolidated income statements, statements of changes in equity and cash

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flow statements for the six-month periods ended [Date] included in the offering circular. The preliminary offering circular dated [Date] is referred to herein as the "Offering Circular."

This letter is being furnished in reliance upon your representation to us that:

- (a) You are knowledgeable with respect to the due diligence review process that would be performed if this placement of the Securities was being registered pursuant to the Securities Act; and
- (b) In connection with the offering covered by the Offering Circular, the review process you have performed is substantially consistent with the due diligence review process that you would have performed if this placement of the Securities were being registered pursuant to the Securities Act.

This letter is intended to be used only by the addressees of this letter in connection with the offer or sale of the Securities outside the United States of America. It is not to be used in the United States of America.

In connection with the Offering Circular:

1. We are independent auditors with respect to the Company under the Australian *Corporations Act 2001* and the Accounting Professional Standards Ethics Board's APES 110, *Code of Ethics for Professional Accountants*.
2. We have not audited any financial statements of the Company as of any date or for any period subsequent to [Date]. The purpose (and therefore the scope) of our audit for the year ended [Date] was to enable us to express our opinion on the financial statements as at [Date] and for the year then ended, but not on the financial statements for any interim period within that year. Therefore, we are unable to and do not express any opinion on: the unaudited consolidated balance sheets at [Date]; the unaudited consolidated income statements, statements of changes in equity and cash flow statements for the six-month periods ended [Date], included in the Offering Circular; or the financial position, results of operations, or cash flows as of any other date or for any period subsequent to [Date].
3. For purposes of this letter, we have read the minutes of the meetings of the shareholders, the Board of Directors, the Audit and Risk Committee, the Nominations Committee, the Human Resources & Compensation Committee and the Sustainability Committee of the

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Company, as set forth in the minute books through to [Date], officials of the Company having advised us that minutes of all such meetings through that date were set forth therein, and have carried out other procedures to [Date] as follows (our work did not extend to the period from [Date] to [Date]):

(a) With respect to the six-month periods ended [Date] we have performed the procedures specified by the Australian Auditing and Assurance Standards Board for a review of interim financial information as described in ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* on the unaudited consolidated balance sheets at [Date] and the unaudited consolidated income statements, statements of changes in equity and cash flow statements for the six-month periods ended [Date], included in the Offering Circular.

(b) With respect to the period from [Date], we have:

(i) Read the unaudited consolidated financial statements for [Date] furnished to us by the Company, and agreed the amounts contained therein to the Company's accounting records, Company officials having advised us that no such financial statements as of any date or for any period subsequent to [Date] were available; and

(ii) Inquired of Company officials who have responsibility for financial and accounting matters as to whether the unaudited consolidated financial statements referred to under b(i) are stated on a basis substantially consistent with that of the audited financial statements included in the Offering Circular.

The foregoing procedures do not constitute an audit or review conducted in accordance with Australian Auditing Standards. Also, they would not necessarily reveal matters of significance with respect to comments in the following paragraphs. Accordingly, we make no representation as to the sufficiency of the foregoing procedures for your purposes.

4. Nothing came to our attention as a result of the foregoing procedures that caused us to believe that:

(a) Any material modifications should be made to the unaudited financial statements described in 3(a) above, included in the Offering Circular, for them to be in

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conformity with Australian Accounting Standards for interim financial statements; or

- (b) At *[Date]* there was any change in issued and fully paid shares, increase in long-term debt, increase in total liabilities, increase in net current liabilities, or any decrease in total equity of the Company as compared with amounts shown in the *[Date]* unaudited consolidated balance sheet, included in the Offering Circular, or for the period from *[Date]* to *[Date]*, there were any decreases, as compared with the corresponding period in the preceding year, in revenue from continuing operations or net profit, except in all instances for increases or decreases that the Offering Circular discloses have occurred or may occur.

5. As mentioned under 3(b) above, Company officials have advised us that no financial statements as of any date or for any period subsequent to *[Date]* are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after *[Date]* have, of necessity, been even more limited than those with respect to the periods referred to in 3. above. We have inquired of certain Company officials who have responsibility for financial and accounting matters (the "Persons Responsible for Financial and Accounting Matters") as to whether, at *[Date]*, there was any change in issued and fully paid shares or increase in long-term debt of the Company as compared with the amounts shown on the *[Date]* unaudited consolidated balance sheet included in the Offering Circular.

6. On the basis of these inquiries and our reading of the minutes identified in 3. above, nothing came to our attention that caused us to believe that at *[Date]* there was any change in issued and fully paid shares or increase in long-term debt of the Company as compared with the amounts shown in the *[Date]* unaudited consolidated balance sheet, included in the Offering Circular.

The foregoing procedures do not constitute an audit or review conducted in accordance with Australian Auditing Standards. Also, they would not necessarily reveal matters of significance with respect to comments in this paragraph. Accordingly, we make no representation as to the sufficiency of the foregoing procedures for your purposes.

7. At your request, we have also read the items identified by you on the attached selected pages of the Offering Circular and have performed the following procedures, which were applied as indicated with respect to the items explained below. Certain dollar amounts and

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percentages included in the Offering Circular have been rounded or truncated as deemed appropriate by the Company. In all instances where we noted agreement of dollar and other amounts or ratios, such agreement is after giving consideration of such rounding or truncating.

8. We make no representations as to whether the transaction will take place or the amount of the Securities to be sold in the transaction.
9. Our audits of the consolidated financial statements for the periods referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the periods referred to therein, or any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated above and, accordingly, we express no opinion thereon.
10. It should be understood that we make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in paragraph 6. above; also, such procedures would not necessarily reveal any material misstatement of the information identified in paragraph 6. above. Further, we have addressed ourselves solely to the foregoing data as set forth in the Offering Circular and make no representations regarding the adequacy of disclosure or regarding whether any material facts have been omitted.
11. This letter is solely for the information of the addressees and to assist the Initial Purchasers in conducting and documenting their investigation of the affairs of the Company in connection with the offering of the Securities covered by the Offering Circular and is not to be used, circulated, quoted or otherwise referred to for any other purpose, including but not limited to the registration, purchase or sale of securities, nor is it to be filed with or referred to in whole or in part of the Offering Circular or any other document, except that reference may be made to it in the Purchase Agreement or in any list of closing documents pertaining to the offering of the securities covered by the Offering Circular.

Yours faithfully

Partner

Firm

**Appendix 7**

(Ref: Para. 62)

**EXAMPLE COMFORT LETTER – NON U.S.  
STYLE**

*(Representation Letter provided)*

The following illustrative letter represents an example Non-US Style comfort letter that can be tailored for specific engagement circumstances.

Illustration 1: The offering involves a public securities offering in the United States of America

[The Board of Directors / Audit Committee]  
[Company Limited]  
[Address]

The Lead Manager and Dealers  
[Addressee]

[Date]

Dear Sirs

**PROPOSED** [*insert type of offering*] **ISSUE BY** [*insert issuer name*] (“**the Issuer**”)

We attach as Appendix I a copy of the Offering Circular entitled [*insert name*] and dated [*insert date*] which we have initialled for identification purposes. We attach as Appendix II a copy of the engagement letter dated [*insert date*] (the “Engagement Letter”), the terms of which have been agreed between us, are deemed to have been incorporated in this comfort letter and govern the matters addressed by this comfort letter and its use. The terms of the Engagement Letter are amended by the terms of this comfort letter to the extent expressly set out herein.

This letter is addressed to the Directors of the Issuer, to the Lead Manager (“the Lead Manager”) and to each of the [*other managers whose names are set out above*] [*the Managers identified in Appendix I of the Engagement Letter*] who have agreed to participate in the proposed issue of [*the Securities*] (“the Issue”) provided they have validly authorised the Lead

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Manager to accept the Engagement Letter on their behalf. Together with the Lead Manager, they are referred to as “the Managers”.

This letter is furnished solely for the private information of its addressees in the context of the due diligence procedures that you undertake, or intend to be undertaken, in connection with the contents of the Offering Circular for the purpose of any defence in such context that you may wish to advance in any claim or proceeding in connection with the contents of the Offering Circular on the basis set out in the Engagement Letter. Accordingly this letter is addressed to you for that purpose and may not be relied on by you or used for any other purpose, nor be referred to in any other document (except that reference may be made to its existence in any contract or other communication between the Issuer and/or the Managers and/or ourselves), nor made available to any other party (except that a copy may be included in the bible of transaction documents memorialising the Issue prepared for the Issuer and the Managers).

We will not accept any responsibility to any other party to whom our letter is shown, or into whose hands it may come (including any Manager who has not validly authorised the Lead Manager to accept the Engagement Letter).

In accordance with the terms of the Engagement Letter referred to above we have read the sections of the Offering Circular identified below.

We have performed the engagement in accordance with Australian Standard on Assurance Engagements ASAE 34xx *Auditors' Comfort Letters*, issued by the Australian Auditing and Assurance Standards Board.

***Financial Information***

On pages [*insert pages* ], the Offering Circular sets out certain financial information for the [three] years [and six/three months] ended [*insert dates*] of the Issuer. We have read this information and have compared it with that shown in the audited financial statements [and the unaudited published interim financial statements for the [six/three] months ended [*date*]] of the Issuer. We confirm that this financial information has been accurately extracted from the audited financial statements for the relevant years [or, as the case may be, the published reviewed interim financial statements for such period].

***Other Financial Information***

For the purposes of this letter, we have also read the items that you have identified as indicated on the attached copy of the Offering Circular [by the symbols explained below] and confirm that the relevant items have been accurately extracted or derived from their respective sources or have been correctly calculated as follows:

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- Compared to the audited financial statements of the Issuer at *[insert date]* and found them to be in agreement.
- Compared to and found to be in agreement with *[describe document]* which the Issuer has represented was *[prepared/derived]* from the accounting records. We have not traced the information to the accounting records themselves.
- Recomputed the *[percentages/ratios etc.]* and found them to be correctly calculated.

***Changes in Financial Position***

For the purpose of this letter, we have performed the following negative procedures:

1. We have:
  - (a) read the minutes of meetings of *[identify bodies]* of the Issuer held since *[insert the date of its last published annual financial statements]* as set out in minute books at *[insert date]* (the “cut off date”) (*together with/excluding*) the papers provided to the board for that meeting), which the directors have advised us are complete; and
  - (b) read the *[insert date of latest]* unaudited management accounts for the *[insert number of months ]* months ended *[insert date]* (the “[*Month, this year*] management accounts”) (which the directors have advised us are the most recent management accounts available) and the corresponding unaudited management accounts from the previous year (the “[*Month, last year*] management accounts”).

Our objective in reading the documents referred to in Paragraphs 1(a) and (b) above is to identify those matters which, in our view, might, prima facie, be expected to impact the figures and ratios set out in Paragraph (3) below. In the case of the minutes referred to in Paragraph (1) (a) above, our objective is also to identify such matters in those minutes from which it is evident without further enquiry that the events reported or decisions of the Board [will/would] be given accounting recognition in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in the next published financial statements of the Issuer following the date of this letter [if those financial statements were being

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prepared in accordance with Australian Accounting Standards] (being matters that will be disclosed under Paragraph (5) (c) below).

2. We have made enquiries of [give name and positions of directors, managers and other staff of the Issuer with responsibility for financial and accounting matters to whom enquiries were addressed] (the "Persons Responsible for Financial and Accounting Matters") as to whether:
  - (a) those matters identified by us in the course of the work undertaken pursuant to Paragraph (1) above have been reflected in the [month, this year] management accounts upon which the figures and ratios referred to in Paragraph (3) below are based; and
  - (b) the [Month, this year] management accounts have been prepared and presented on a basis consistent with the accounting policies normally adopted by the Issuer and applied in preparing the [insert date of latest] audited financial statements.
3. We have compared the amounts shown in Appendix III prepared by management of the Issuer, (the "Schedule"), relating to [*specify items e.g. revenue, profits before tax, net interest expense, depreciation of fixed assets, share capital, long-term debt, net current assets, total current assets and total current liabilities*] to the [month, this year] management accounts, [month, last year] management accounts or [insert date of latest] audited financial statements as appropriate and found them to be in agreement. [We have recomputed the ratios set out in the schedule on the bases set out therein and found them to be correctly calculated.]]
4. The procedures described above do not constitute an audit or review made in accordance with any generally accepted auditing standards. Nor do they provide any assurance that the [month, this year] management accounts have been prepared on a basis consistent with the [month, last year] management accounts, that such management accounts have been prepared in a reliable manner or that either have been prepared on a basis consistent with the [insert date of latest] audited financial statements. Consequently, our procedures would not necessarily reveal matters of significance with respect to the comments made in the following Paragraphs and we make no representations as to the sufficiency for your purposes of any such procedures.
5. Solely on the basis of the foregoing procedures we note and draw to your attention:

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- (a) [Insert findings in relation to the matters referred to in Paragraph (3) above which are relevant to the conclusion in Paragraph (6) below;]
- (b) [Insert changes, if any, identified in the basis of preparing or presenting the accounts reviewed or, if there are none, state this; and]
- (c) [Insert matters revealed by the minutes of the Issuer from which it is evident without further enquiry that the events reported or decisions of the Board will be given accounting recognition [in accordance with the applicable professional guidance referred to in the final Paragraph of Paragraph (1)] in the next published financial statements of the Issuer following the date of this letter or, if there are none, state this.]
6. [Except for the matter(s) detailed in Paragraph (5) above], nothing came to our attention as a result of the foregoing procedures that caused us to believe that:
- (a) at [insert date of latest management accounts] there were any decreases in the [specify items e.g. share capital, net current assets, total current assets] or increase in [specify items e.g. long-term debt, current liabilities] of the Issuer compared with the corresponding figures in the [insert date of latest] audited financial statements; and
- (b) in the period from [insert date of first day after end of last audited financial statements] to [date of latest management accounts] there was any decrease in [specify items e.g. revenue, profit before tax] or increase in [specify items e.g. interest expense, costs of goods sold], compared to the corresponding period in the preceding year as shown in the [month, last year] management accounts.
7. Since the Directors have advised us that no financial statements have been prepared up to any date subsequent to [insert date of latest management accounts], the procedures carried out by us with respect to changes in financial statement items after [insert date of latest management accounts] have of necessity been even more limited than those carried out for the period up to that date. Up to the cut off date, we have made enquiries of the persons responsible for financial and accounting matters identified in Paragraph (2) above as to:

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- (a) whether there has been any decrease in [*specify items e.g. share capital, net current assets, net assets [same items as in Paragraph (6)]*] or increase in [*specify items e.g. long term debt [same items as in Paragraph (6)]*] at the cut off date as compared with the amounts shown in the [*insert date of latest*] audited financial statements of the Issuer; and
- (b) whether for the period from [*insert date of first day after end of last audited financial statements*] up to the cut-off date there have been any decreases in [*specify items e.g. revenue, profit before tax [same items as in Paragraph (6)]*] as compared with the corresponding period in the preceding year.

The persons responsible for financial and accounting matters identified in Paragraph (2) above confirmed that [*save for the matters set out in Paragraph (5) above and save for [insert changes communicated by persons responsible for financial and accounting matters ]*] they were not aware of any such increase in [*specify items*] or decreases in any of the other items in Paragraph (7) (a) or (b) above. On the basis of the responses to these enquiries and our reading of the minutes as described in Paragraph (1) above, nothing has come to our attention which causes us to believe that [, *save for the matters set out in Paragraph (5)(a) above,*] there has been any such increase or decrease.

***General***

Any opinions expressed on financial information outside the context of the Engagement Letter were or are expressed solely in the context of the specific terms and conditions governing their preparation. In particular, the terms of the Engagement Letter and any action pursuant to it shall be additional to and shall not detract from or change in any way any legal rights which any party to this letter may otherwise have acquired, whether in contract or in tort, in connection with our audits of the financial statements of the Issuer. Save as may be expressly recorded in this letter, we do not accept any responsibility for any other reports or letters beyond any responsibility that we owed to those to whom our reports or letters were addressed at the date of their issue.

Our work did not extend to the period from the cut-off date to the date of this letter.

This comfort letter may only be relied upon in respect of the matters to which it refers and as of its date. In relying upon this comfort letter, you agree (save as otherwise expressly agreed in the Engagement Letter) that we have no responsibility to and we will not perform any work subsequent to the date of this comfort letter nor to consider, monitor, communicate or report any

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events or circumstances which may occur or may come to light subsequent to the date of this letter.

This letter is not intended to be relied on in the jurisdiction of the United States of America and we accept no responsibility for any use that you may make of it in the United States of America. Subject always to the previous sentence, it may be disclosed, referred to and/or produced as provided for in paragraph 10 of the Engagement Letter.

Yours faithfully

Partner

Firm Name

Draft

**Appendix 8**

(Ref: Para. 64)

**EXAMPLE AUDITORS' LETTER – U.S. STYLE**

***(No Representation Letter Received)***

The following illustrative letter represents an example U.S. Style auditor's comfort letter that can be tailored for specific engagement circumstances.

Illustration 2: The offering involves the public securities offering.

[The Board of Directors / Audit Committee]  
[Company Limited]  
[Address]

The Lead Manager and Dealers  
[Addressee]

[Date]

Dear Sirs

We have audited the consolidated financial statements of [*the company*] and subsidiaries as of [*date*].

Our report with respect thereto is included in the offering circular. The offering circular dated [*date*], is herein referred to as the *offering circular*.

We have performed the engagement in accordance with Australian Standard on Assurance Engagements ASAE 34xx *Auditors' Comfort Letters*, issued by the Australian Auditing and Assurance Standards Board.

We have not audited any financial statements of the company as of any date or for any period subsequent to [*date*]; although, we have conducted an audit for the year ended [*date*], the purpose (and, therefore, the scope) of the audit was to enable us to express our opinion on the consolidated financial statements as of [*date*], and for the year then ended, but not on the financial statements for any interim period within that year. Therefore, we are unable to and do not express any opinion on the unaudited financial statements as of [*date*].

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1. At your request, we have read the minutes of meetings of the stockholders, the board of directors, and [*include other appropriate committees, if any*] of the company as set forth in the minute books at [*date*], officials of the company having advised us that the minutes of all such meetings through that date were set forth therein and having discussed with us the unapproved minutes of meetings held on [*dates*], we have carried out other procedures to [*date*], as follows:
- (a) With respect to the [*three-month*] periods ended [*date*], we have:
    - (i) Read the unaudited financial statements as of [*date*]. Officials of the company have advised us that no financial statements as of any date or for any period subsequent to [*date*], were available.
    - (ii) Inquired of certain officials of the company who have responsibility for financial and accounting matters whether the unaudited condensed consolidated financial statements referred to in (a)(i) are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements included in the offering circular. Those officials stated that the unaudited condensed consolidated financial statements are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements.
  - (b) With respect to the period from [*date*] to [*date*], we have:
    - (i) Read the unaudited condensed consolidated financial statements of the company for [*date*], furnished us by the company, and agreed the amounts included therein with the company's accounting records. Officials of the company have advised us that no financial statements as of any date or for any period subsequent to [*date*], were available.
    - (ii) Inquired of certain officials of the company who have responsibility for financial and accounting matters whether (1) the unaudited condensed consolidated financial statements referred to in

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(b)(i) are stated on a basis substantially consistent with that of the audited consolidated financial statements included in the offering circular, (2) at [date], there was any change in the capital stock, increase in long-term debt, or any decrease in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown in the [date], unaudited condensed consolidated balance sheet included in the offering circular, and (3) for the period from [date] to [date], there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net sales, or in the total or per-share amounts of income before extraordinary items or of net income.

Those officials stated that:

- ◆ the unaudited condensed consolidated financial statements referred to in (b)(ii) are stated on a basis substantially consistent with that of the audited consolidated financial statements included in the offering circular,
- ◆ at [date], there was no change in the capital stock, no increase in long-term debt, and no decrease in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown in the [date], unaudited condensed consolidated balance sheet included in the offering circular, and
- ◆ there were no decreases for the period from [date] to [date], as compared with the corresponding period in the preceding year, in consolidated net sales or in the total or per-share amounts of income before extraordinary items or of net income.

- (c) As mentioned in 1(b), company officials have advised us that no financial statements as of any date or for any period subsequent to [date], are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after [date], have, of necessity,

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been even more limited than those with respect to the periods referred to in 1(a) and 1(b). We have inquired of certain officials of the company who have responsibility for financial and accounting matters whether (i) at [date], there was any change in the capital stock, increase in long-term debt, or any decreases in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown on the [date], unaudited condensed consolidated balance sheet included in the offering circular or (ii) for the period from [date], there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net sales or in the total or per-share amounts of income before extraordinary items or of net income.

Those officials referred to above stated that (i) at [date], there was no change in the capital stock, no increase in long-term debt, and no decreases in consolidated net current assets or stockholders' equity of the consolidated companies as compared with amounts shown on the [date], unaudited condensed consolidated balance sheet, and (ii) there were no decreases for the period from [date] to [date], as compared with the corresponding period in the preceding year, in consolidated net sales or in the total or per-share amounts of income before extraordinary items or of net income.

2. For purposes of this letter, we have also read the items identified by you on the attached copy of the securities offering and have performed the following procedures, which were applied as indicated with respect to the symbols explained below:
- (a) Compared the amount with the [Predecessor Company] financial statements for the period indicated and found them to be in agreement.
  - (b) Compared the amount with the [Predecessor Company] financial statements for the period indicated included in the securities offering and found them to be in agreement.
  - (c) Compared the amount with [Company]'s financial statements for the period indicated included in the securities offering and found them to be in agreement.
  - (d) Compared with a schedule or report prepared by the Company and found them to be in agreement.

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3. Our audits of the consolidated financial statements for the periods referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the periods referred to therein, nor for any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated above, and, accordingly, we express no opinion thereon.
4. It should be understood that we have no responsibility for establishing (and did not establish) the scope and nature of the procedures enumerated in paragraphs 1 to 3 above; rather, the procedures enumerated therein are those the requesting party asked us to perform. Accordingly, we make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in the preceding paragraphs; also, such procedures would not necessarily reveal any material misstatement of the amounts or percentages listed above as set forth in the offering circular. Further, we have addressed ourselves solely to the foregoing data and make no representations regarding the adequacy of disclosures or whether any material facts have been omitted. This letter relates only to the financial statement items specified above and does not extend to any financial statement of the company taken as a whole.
5. The foregoing procedures do not constitute an audit conducted in accordance with Australian Auditing Standards. Had we performed additional procedures or had we conducted an audit or a review of the company's [date], condensed consolidated financial statements in accordance with generally accepted auditing standards other matters might have come to our attention that would have been reported to you.
6. These procedures should not be taken to supplant any additional inquiries or procedures that you would undertake in your consideration of the proposed offering.
7. This letter is solely for your information and to assist you in your inquiries in connection with the offering of the securities covered by the offering circular, and it is not to be used, circulated, quoted, or otherwise referred to for any other purpose, including but not limited to the registration, purchase, or sale of securities, nor is it to be filed with or referred to in whole or in part in the offering document or any other document, except that reference may be made to it in any list of closing documents pertaining to the offering of the securities covered by the offering document.

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8. We have no responsibility to update this letter for events and circumstances occurring after *[date]*.

Yours faithfully

Partner

Firm

Draft

**Appendix 9**

(Ref: Para.55)

**EXAMPLE BRING DOWN COMFORT LETTER**

The following illustrative letter includes a bring down comfort letter and that can be tailored for specific engagement circumstances.

Illustration: The offering involves a public securities offering issued subsequently to the original comfort letter.

[The Board of Directors / Audit Committee]  
[Company Limited]  
[Address]

The Lead Manager and Dealers  
[Addressee]

[Date]

**Dear Sirs**

We refer to our letter of *[insert date]* relating to the *[Offering Memorandum]* dated *[insert date]* of Client Company Limited (the "Company"). We reaffirm as of the date hereof, and as though made on the date hereof, all statements made in that letter, except that for the purposes of this letter:

1. The registration statement to which this letter relates is as amended on *[effective date]*.
2. The reading of minutes described in *[paragraph number]* of that letter has been carried out through *[the new cut-off date]*.
3. The procedures and inquiries covered in *[paragraph number]* of that letter were carried out to *[the new cut-off date]* (our work did not extend to the period from *[date of letter]*, inclusive).
4. The period covered in *[paragraph number]* of that letter is changed to the period from *[Date]* officials of the Company having advised us that no such financial statements as of any date or for any period subsequent to *[Date]*, were available.
5. The references to *[Date]*, in *[paragraph number]* of that letter are changed to *[Date]*.

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6. This letter is solely for the information of the addressees and to assist the [manager/agent] in conducting and documenting their investigation of the affairs of the Company in connection with the offering of securities covered by the [Offering Memorandum], and it is not to be used, circulated, quoted or otherwise referred to for any purpose, including but not limited to the purchase or sale of securities, nor is it to be filed with or referred to in whole or in part in the [Offering Memorandum] or any other document, except that reference may be made to it in the Purchase Contract, or in any list of closing documents pertaining to the offering of the securities covered by the [Offering Memorandum].

Yours faithfully

Partner

Firm

Draft