

EXPOSURE DRAFT

ED XX/11
(July 2011)

**Proposed Standard on
Assurance Engagements
ASAE 34XX Assurance
Engagements involving
Corporate Fundraisings
and/or Prospective Financial
Information**

Issued for Comment by the **Auditing and Assurance Standards Board**

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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 30 September 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

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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*Assurance Engagements involving Corporate Fundraisings and/or
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PREFACE

Reasons for Issuing ED XX/11

The AUASB issues Standard on Assurance Engagements ASAE 34XX *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* 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.

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Main Proposals

This proposed Standard on Assurance Engagements establishes requirements and provides application and other explanatory material for undertaking and reporting on assurance engagements relating to corporate fundraisings and prospective financial information included in, or to be included in, a public document, or a non-public document.

Proposed Operative Date

It is intended that this proposed Standard on Assurance Engagements will be operative for assurance engagements related to corporate fundraising and/or the examination of prospective financial information commencing on or after 1 January 2012.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASAE 34XX *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* by no later than 30 September 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 additional significant costs to/benefits for auditors and the business community arising from compliance with the requirements of this proposed Standard? If there are significant costs, do these outweigh the benefits to the users of assurance services?
5. Are there any other significant public interest matters that constituents wish to raise?
6. Should this proposed Standard be split according to the type of financial information?

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7. Should the section covering assurance on the proper compilation of pro forma financial information be included in a separate Standard?

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 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, 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

Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information

Application

1. This Standard on Assurance Engagements applies to assurance engagements relating to:
 - (a) the undertaking and reporting on historical and/or prospective financial information related to a fundraising, included in, or to be included in, a public document;
 - (b) the undertaking and reporting on historical and/or prospective financial information related to a fundraising, not included in, or to be included in a public document, that is intended to be distributed to users internal and/or external to the entity; and
 - (c) the undertaking and reporting on the proper compilation of pro forma financial information that is intended to be distributed to users external to the entity.

Operative Date

2. This Standard on Assurance Engagements is operative for assurance engagements that commence on or after **[insert date]**.

Introduction

Scope of this Standard on Assurance Engagements

3. This ASAE deals with the responsibilities of the assurance practitioner when undertaking and reporting on financial information prepared by a responsible party in respect of corporate fundraisings (including initial public offerings, takeovers, schemes of arrangements and other corporate transactions) and/or the examination of prospective financial information. It deals with the

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responsibilities of the assurance practitioner when undertaking and reporting on prospective financial information. References in this ASAE to “fundraisings” is taken to mean corporate fundraisings, and/or the examination of prospective financial information for fundraisings, or other purposes, and/or the proper compilation of pro forma financial information, unless otherwise stated.

4. This ASAE applies regardless of whether such financial information is included, or to be included in, a public document, or a non-public document. References in this ASAE to “the document” are taken to mean a public document, or non-public document, related to a corporate fundraising and/or the examination of prospective financial information.
5. The assurance practitioner may be requested to undertake and provide assurance on a single type of financial information, or a combination related to the fundraising, or the compilation process covering the financial information (rather than the financial information itself). Furthermore, the financial information may relate to a single entity or multiple entities (in the case of a merger or acquisition). Examples of different types of financial information include:
 - (a) historical financial information; and/or
 - (b) pro forma historical financial information; and/or
 - (c) prospective financial information; and/or
 - (d) pro forma forecast.
6. References in this ASAE to “financial information” are taken to mean the specific financial information on which the assurance practitioner intends to express an assurance conclusion, unless otherwise stated.
7. This ASAE sets out the requirements and related application and other explanatory material for each type of financial information in separate sections, however it is acknowledged that assurance engagements related to fundraisings may often involve the assurance practitioner being asked to undertake and report on a combination of financial information. In such circumstances, the assurance practitioner conducts the assurance engagement in accordance with the requirements related to the type of financial information in the appropriate section and reports the assurance conclusion for each

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financial information type in an individual assurance report, or combined assurance report. Where a composite assurance report is prepared, the assurance conclusions on each type of financial information are presented in clearly distinguished separate sections to prevent any misunderstanding on the nature of the assurance provided on each type of financial information.

Types of Assurance

8. Assurance engagements related to a fundraising, or the examination of prospective financial information not related to a fundraising, are ordinarily conducted to express limited assurance on financial information where that financial information is pro forma or prospective in nature. Where the financial information is historical, the assurance engagement may be conducted to express reasonable assurance. Additionally, where the assurance practitioner performs an assurance engagement to express an opinion on the proper compilation of pro forma financial information, the assurance provided is ordinarily limited assurance. However, nothing in this ASAE precludes the assurance practitioner from exercising professional judgement to determine the type of assurance that is appropriate in the engagement circumstances. (Ref: Para. 0-A2)

Non-Assurance Services

9. The assurance practitioner may be requested by the responsible party to perform both assurance and non-assurance services. This ASAE applies only to assurance services. (Ref: Para. A3-A4)

Relationship with Other AUASB Standards

10. This ASAE deals with specific considerations in the application of ASRE 2405 *Review of Historical Financial Information Other than a Financial Report* and ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* to assurance engagements relating to the undertaking and reporting on fundraisings. In particular, where the purpose of the assurance engagement is to obtain:
- (a) limited assurance on historical financial information or pro forma historical financial information, the assurance engagement is performed in accordance with this ASAE, in conjunction with ASRE 2405;

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- (b) reasonable assurance on historical financial information, the assurance engagement is performed in accordance with this ASAE, in conjunction with Australian Auditing Standards, applied as appropriate;
 - (c) reasonable or limited assurance on pro forma forecast, or prospective financial information, the assurance engagement is performed in accordance with this ASAE, in conjunction with ASAE 3000; and/or
 - (d) reasonable or limited assurance on the proper compilation of pro forma financial information, the assurance engagement is performed in accordance with this ASAE, in conjunction with ASAE 3000.
11. This ASAE does not override the requirements of ASRE 2405, ASAE 3000, Australian Auditing Standards, or Assurance Standards, which may apply in the engagement circumstances. It does not purport to deal with all the considerations that may be relevant in the engagement circumstances.

Objectives

12. In conducting an assurance engagement relating to fundraisings, the overall objectives of the assurance practitioner are:
- (a) to obtain assurance about whether the financial information (or the proper compilation of pro forma financial information) is free from material misstatement, whether due to fraud or error, thereby enabling the assurance practitioner to express an opinion on whether the financial information (or the proper compilation of financial information); and
 - (b) to report on the financial information (or the proper compilation of the pro forma financial information) in accordance with this ASAE.

Definitions

13. For the purposes of this Standard on Assurance Engagements, the following terms have the meanings attributed below:

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- (a) Applicable criteria means the criteria used by the responsible party in the preparation of financial information included in the document. The criteria used depend on the nature of the financial information, and may be established by the applicable financial reporting framework.
- (b) Applicable financial reporting framework means the financial reporting framework adopted by the responsible party in the preparation of the financial information that is acceptable in view of the nature of the entity, and the objective of the financial information. It may be represented by the recognition and measurement principles contained in Australian Accounting Standards, applicable law or regulation, and/or the accounting policies adopted by the responsible party.
- (c) Assurance report means an written report prepared by an independent assurance practitioner:
- (i) If the assurance report is included in a public document, it is commonly referred to as an Investigating Accountant's Report.
 - (ii) If the assurance report is not included in a public document, but which is prepared in connection with a fundraising, for distribution to users external to the entity or within the entity, other than the preparers of the financial information, it is commonly referred to as a Private Report.
- (d) AUASB Standards means standards issued by the Auditing and Assurance Standards Board (AUASB) comprising:
- (i) Australian Auditing Standards;
 - (ii) Standards on Review Engagements; and
 - (iii) Standards on Assurance Engagements.
- (e) Base financial information means financial information that is unadjusted, and is the starting point to which pro forma adjustments are applied by the responsible party. Base financial information is ordinarily historical in nature, however, it can also be prospective (for example a profit

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forecast). It may also be referred to as unadjusted financial information.

- (f) Best-estimate assumptions means assumptions made by the responsible party as to future events and actions expected to take place at the date the prospective financial information is prepared. Such assumptions must have a “reasonable basis”¹ and be supportable by appropriate evidence.
- (g) Compiled means the process undertaken by the responsible party to gather, classify, summarise and present financial information to illustrate the impact of a significant event(s) or transaction(s) on base (unadjusted) financial information of an entity, as if the event had occurred or the transaction had been undertaken, at a specified date.
- (h) Corporate fundraising means any transaction undertaken to raise debt or equity funds, or issue equity, and/or offer and/or respond to an offer of, cash and/or scrip consideration to effect a transaction through the issuance of a public document, or non-public document (“the document”). It includes initial public offerings, fundraisings², takeovers, schemes of arrangement, or other corporate restructure. Fundraisings may include transactions related to shares, debentures³, or interests in a registered managed investment scheme.
- (i) Engaging party means the body or person(s) that requested the services of the assurance practitioner for the assurance engagement. The engaging party is ordinarily the responsible party, as defined in paragraph (cc) of this ASAE. References in this ASAE to “responsible party” are taken to include engaging party unless otherwise stated.
- (j) Entity means the entity whose securities are being offered for fundraising.
- (k) Event(s) or transaction(s) means underlying event(s) or transaction(s) relating to a fundraising that:

¹ See RG 170 *Prospective Financial Information* issued by the Australian Securities and Investments Commission (ASIC) which applies to prospective financial information included, or to be included in, a public document issued in Australia.

² See Section 700 of the *Corporations Act 2001*.

³ See *Corporations Act 2001*, section 92(3).

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- (i) is (are) primarily the subject of the document; or
 - (ii) is (are) not the subject of the document but the effect(s) of which impact the financial information.
- (l) Financial information means information of a financial nature prepared by the responsible party in the form of:
- (i) historical financial information; and/or
 - (ii) pro forma historical financial information; and/or
 - (iii) prospective financial information; and/or
 - (iv) pro forma forecast;
- prepared on a standalone, or aggregated, basis.
- (m) Historical financial information means information expressed in financial terms in relation to a particular entity, which is derived primarily from that entity's accounting system and relate to events occurring in past time periods or about conditions or circumstances at points in time in the past. It may be audited or unaudited and with or without adjustment(s).⁴
- (n) Hypothetical assumptions means assumptions about future events, and management actions which are not necessarily expected to take place, such as when some entities are in a start-up phase or are considering a major change in the nature of operations. Hypothetical assumptions, by their nature, may not have a reasonable basis, or be supportable by appropriate evidence.
- (o) Limited assurance engagement means an assurance engagement where the objective of the assurance practitioner is to reduce the assurance engagement risk to a level that is acceptable in the circumstances of the assurance engagement, but where the risk is greater than for

⁴ The concepts and discussions on the different forms of historical financial information relevant to an audit engagement are defined 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 determining the nature of historical financial information for an assurance engagement.

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a reasonable assurance engagement. A limited assurance engagement is commonly referred to as a review.

- (p) Management means the person(s) with executive responsibility for the conduct of the operations or individual business units of the entity. For some entities, in some circumstances, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner-manager.
- (q) Materiality means in relation to financial information that if certain information is omitted, misstated, or not disclosed, it has the potential to affect decisions of users of the document, or the discharge of accountability by the responsible party of the entity.
- (r) Material inconsistency means information within the document that materially contradicts the financial information that is the subject of the assurance report.
- (s) Misstatement of fact means information that is incorrectly stated or presented in the document. A material misstatement of fact may undermine the credibility of financial information that is the subject of the assurance report.
- (t) Non-public document means a document provided to internal or external parties in relation to a fundraising, which is not included in, or to be included in, a public document. References to “the document” in this ASAE are taken to include a non-public document, unless otherwise stated.
- (u) Pro forma adjustments means adjustments applied to (unadjusted) base financial information based on the responsible party’s stated basis.
- (v) Pro forma financial information means base financial information that is adjusted for pro forma adjustments and prepared on a stated basis of preparation by the responsible party, which is prepared in accordance with an applicable financial reporting framework, subject to assumptions relevant to the fundraising. Pro forma financial information may be either:

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- (i) pro forma historical which has base financial information that is historical in nature, adjusted for pro forma adjustments ; or
 - (ii) pro forma forecast which has base financial information that is either a forecast; or, a mix of historical and forecast financial information; adjusted for pro forma adjustments.
- (w) Properly compiled means when the responsible party has in all material respects, performed the compilation of pro forma financial information on the basis stated.
- (x) Prospective financial information means financial information of a predictive character, prepared based on assumptions (applicable criteria) made by the responsible party about future events that may occur in the future, and/or on expected actions by the entity. It is commonly referred to as a “forecast”. Prospective financial information may be either a:
- (i) forecast, which is prepared based on the responsible party’s best-estimate assumptions as to future events, expected to take place on the dates described, and the actions expected to be taken at the date the financial information is prepared. It is commonly referred to as a “director’s forecast”; or
 - (ii) projection⁵, which is prepared, based on hypothetical assumptions; or a mixture of best-estimate and hypothetical assumptions.
- (y) Public document means a disclosure document issued to existing or prospective shareholders, unit holders, security holders or holders of a relevant interest in the entity or another entity, relating to the entity’s securities, or other securities of another entity, on which it is intended will be

⁵ See RG 170 for more information on prospective financial information prepared in the form of a projection, which is applicable to financial information included in a public document. In Australia, a public document that includes a projection supported by material hypothetical assumptions is unlikely to have reasonable grounds and as such is ordinarily not permitted to be included in a public document.

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made an investment decision. The following are examples of public documents:⁶

- (i) Prospectus is a full public document used in fundraisings prepared by an entity that is a corporation in accordance with relevant sections of the *Corporations Act 2001*.⁷
- (ii) Short-Form Prospectus is a prospectus that contains references to materials previously lodged with Australian Securities and Investments Commission (ASIC), instead of including in the body of the prospectus the relevant information discussed in such materials.⁸
- (iii) Low document offering.
- (iv) Profile Statement is a brief statement that may be sent out with offers, with ASIC's approval, instead of a prospectus.⁹
- (v) Offer Information (Scheme) Statement is a document that may be used instead of a prospectus under certain criteria set by the *Corporations Act 2001*.¹⁰
- (z) Product Disclosure Statement (PDS) is a type of document used in fundraisings where the entity is a trust or other type of managed investment scheme.
- (aa) Reasonable assurance engagement means an assurance engagement where the objective of the assurance practitioner is to reduce the 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 assurance practitioner's conclusion.
- (bb) Relevant Date means as applicable:

⁶ See Section 706 of the *Corporations Act 2001*.

⁷ See Sections 710, 711, and 713 of the *Corporations Act 2001*.

⁸ See Section 712 of the *Corporations Act 2001*.

⁹ See Sections 705 and 721 of the *Corporations Act 2001*.

¹⁰ See Section 709 of the *Corporations Act 2001* for the criteria as to when an Offer Information Statement may be used instead of a prospectus.

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- (i) the allotment date;
 - (ii) the effective date of the relevant proposed fundraising;
 - (iii) the implementation date of the relevant proposed merger transaction; or
 - (iv) in the case of a scheme of arrangement, the date of the shareholders/unit-holders meeting to vote on the scheme.
- (cc) Responsible party means those charged with governance of the entity (ordinarily the Board of Directors), who are also responsible for the preparation and issuance of the financial information included in the document. It may mean the management of the entity in circumstances where the assurance practitioner has been required to provide assurance to those charged with governance in relation to financial information prepared by management. The responsible party may also be referred to as the engaging party, as defined in paragraph (i) of this ASAE.
- (dd) Scheme of arrangement means an arrangement undertaken in accordance with Part 5.1 of the *Corporations Act 2001*.
- (ee) Stated basis of preparation means the recognition and measurement basis on which pro forma financial information has been prepared.
- (ff) Subsequent events means events occurring between the date of the assurance practitioner's work on the financial information being completed and the issuance of the assurance report; and facts that become known to the assurance practitioner after the date of the assurance report and prior to the relevant date. Subsequent events may also be known as "new circumstances".
- (gg) Third parties means parties who will, or are intended to, receive the assurance report, and who are not the responsible party of the financial information, including those charged with governance (where they are not the responsible party of the financial information); management (where they are not the responsible party of

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the financial information); banks and other financial institutions.

- (hh) Takeover means the acquisition of control of listed or unlisted entities conducted in accordance with Chapter 6 of the *Corporations Act 2001*.

Requirements

Ethical Requirements

14. The assurance practitioner shall comply with relevant ethical requirements, including independence, in accordance with ASA 102.¹¹

Quality Control

15. The assurance practitioner shall establish and maintain a system of quality control in accordance with ASQC 1.¹²

Professional Scepticism

16. The assurance practitioner shall plan and perform the engagement with professional scepticism, recognising that circumstances may exist that cause the financial information, or the proper compilation of the pro forma financial information, to be materially misstated.

Professional Judgement

17. The assurance practitioner shall exercise professional judgement in planning and performing assurance engagements involving financial information, or the proper compilation of financial information, relating to a fundraising.

Complying with Standards that are relevant to the engagement

18. The assurance practitioner shall comply with this ASAE, and other AUASB Standards applied as appropriate to the engagement.

¹¹ See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

¹² See ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.

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19. The assurance practitioner shall not represent compliance with this ASAE, unless the assurance practitioner has complied with the requirements of both this ASAE, and other AUASB Standards applied as appropriate to the engagement.

Inability to Comply with the Requirements of this ASAE or other AUASB Standards

20. Where in rare and exceptional circumstances, factors outside the assurance practitioner's control prevent the assurance practitioner from complying with an essential procedure contained within a relevant requirement¹³ in this ASAE, the assurance practitioner 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
 - (c) justification of how alternative procedures achieve the objective(s) of the requirement.
21. When the assurance practitioner is unable to perform the appropriate alternative procedures, the assurance practitioner shall consider the implications for the assurance engagement.

Historical financial information

22. Paragraphs 23 to 76 of this ASAE deal with special considerations in an assurance engagement related to a fundraising that involves historical financial information.

¹³ The concepts and discussion on which requirements are relevant in the circumstances of the 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* (paragraphs 22 and Aus 23.1), and may be helpful in determining how to ensure compliance with relevant requirements for assurance engagements related to a corporate fundraising.

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Assurance Engagement Acceptance

Preconditions for Acceptance

23. The assurance practitioner shall prior to agreeing the terms of the assurance engagement proposed by the responsible party, determine whether applicable criteria for the preparation of the historical financial information is acceptable.
24. The assurance practitioner shall obtain agreement from the responsible party that they: (Ref: Para. A1- X)
- (a) understands and accepts the terms of the assurance engagement, including the assurance practitioner's reporting responsibilities and type of assurance to be expressed;
 - (b) acknowledges and understands its responsibility for:
 - (i) the preparation of the historical financial information in accordance with the applicable criteria;
 - (ii) the selection, development and adequate disclosure of the applicable criteria in the document,
 - (iii) the disclosure of the time period covered by the historical financial information;
 - (iv) the preparation of the document¹⁴ in which the financial information will be presented;
 - (v) such internal control as the responsible party determines is necessary to enable the preparation of the financial information that is free from material misstatement; and
 - (c) will provide the assurance practitioner with:

¹⁴ The *Corporations Act 2001* places specific requirements on directors in relation to the preparation of public documents, including presentation of financial information included therein. For example, see section 92(3).

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- (i) unrestricted access to all information relevant to the historical financial information requested by the assurance practitioner;
- (ii) unrestricted access to those within the entity from whom the assurance practitioner determines it necessary to obtain evidence; or the responsible party's experts; and
- (iii) a written representation letter covering all matters requested by the assurance practitioner in relation to the engagement within the timeframe required.

Other Factors Affecting Engagement Acceptance

25. The assurance practitioner shall accept the engagement only when:
(Ref: Para. A6)

- (a) on the basis of preliminary knowledge of the assurance engagement circumstances, nothing has come to the assurance practitioner's attention to indicate that:
 - (i) the requirements of the relevant ethical principles described in ASA 102, will not be satisfied;
 - (ii) the applicable criteria to be applied in the preparation of the historical financial information is unacceptable; and
- (b) the basis upon which the engagement is to be performed has been agreed through establishing that the preconditions, as stated in paragraph 24 of this ASAE, for an assurance engagement are present;
- (c) the assurance practitioner has a rational purpose;
(Ref: Para. A6)
- (d) the assurance practitioner is satisfied that the responsible party possesses the necessary professional competencies;
- (e) the assurance practitioner has the capabilities, competence and necessary qualifications to perform the engagement;
and

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- (f) the assurance practitioner believes that the assurance report will be used for its intended purpose.
26. If the preconditions for the assurance engagement or other factors affecting engagement acceptance, as set out in paragraph 23 and paragraph 25 of this ASAE are not present, the assurance practitioner shall discuss the matter with the responsible party. If changes cannot be made to meet the preconditions, the assurance practitioner shall not accept the engagement as an assurance engagement unless required by applicable law or regulation.
27. The assurance practitioner shall agree to perform any non-assurance services only in accordance with relevant ethical requirements and applicable professional standards,¹⁵ having particular regard to independence. (Ref: Para. A8)

Agreeing on the Terms of the Assurance Engagement

28. The assurance practitioner shall agree the terms of the assurance engagement with the responsible party in writing. (Ref: Para. A9-A10)
29. The agreed terms of the assurance engagement shall include:
(Ref: Para. A10-A14)
- (a) the objective and scope of the assurance engagement, including:
- (i) the assurance practitioner's understanding of the purpose of the assurance engagement;
 - (ii) confirmation that the assurance practitioner will conduct the engagement in accordance with this ASAE;
 - (iii) the nature, source, time period covered and purpose of the historical financial information;
 - (iv) a statement that the assurance practitioner is not responsible for the preparation of the historical financial information;

¹⁵ See APES 110 *Code of Ethics for Professional Accountants*, (November 2009) issued by the Accounting Professional and Ethical Standards Board.

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- (v) the proposed wording of the assurance opinion and type of assurance (limited or reasonable) that is expected to be provided;
- (vi) a statement that the engagement cannot be relied upon to identify fraud(s), error(s), illegal action(s) or other irregularities that may exist within the entity;
- (b) a summary of assurance procedures to be performed;
- (c) the responsibilities of the assurance practitioner, including:
 - (i) compliance with relevant ethical requirements, including independence;
 - (ii) performing assurance procedures on the financial information to determine if it has been prepared in accordance with the applicable criteria;
 - (iii) issuing a written assurance report;
 - (iv) where applicable, providing consent to the responsible party to include the assurance practitioner's name and assurance report in the document;
- (d) the responsibilities of the responsible party including those set out in paragraph 23 of this ASAE; and
- (e) such other terms and conditions that the assurance practitioner determines are appropriate in the assurance engagement circumstances.

Changes in the Terms of the Assurance Engagement (Ref: Para. A15-A16)

- 30. The assurance practitioner shall not agree to a change in the terms of the assurance engagement where there is no reasonable justification for doing so. If such a change is made, the assurance practitioner shall not disregard evidence that was obtained prior to the change.
- 31. If the terms of the assurance engagement are to change, the assurance practitioner and the responsible party shall agree on, and record the new terms of the assurance engagement in an engagement letter or other suitable form of written agreement.

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32. If the assurance practitioner is unable to agree to a change in the terms of the assurance engagement, and is not permitted by the responsible party to continue the original assurance engagement, the assurance practitioner shall:
- (a) withdraw from the assurance 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 other parties, such as those charged with governance, owners or regulators.

Planning the Assurance Engagement

33. The assurance practitioner shall plan the assurance engagement in accordance with this ASAE.

Planning Activities

34. The assurance practitioner shall use professional judgement to determining the nature, timing, and extent of assurance procedures to perform on the historical financial information, in order to achieve the engagement objectives. (Ref: Para. X)
35. The assurance practitioner's planning considerations shall include: (Ref: Para. A18)
- (a) what the agreed terms of engagement required the assurance practitioner to opine on;
 - (b) setting the scope, timing and direction of the assurance engagement;
 - (c) the type of underlying event(s) or transaction(s) that require the preparation of the historical financial information;
 - (d) obtaining an understanding of the entity, sufficient to be able to evaluate whether the responsible party has identified and applied all suitable criteria for the preparation of the historical financial information;
 - (e) any previous dealings with the entity, including whether the assurance practitioner has audited or reviewed prior period financial report(s);

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- (f) obtaining an understanding of the historical financial information including the time period covered, adjustments made, applicable criteria used, intended use and the extent to which it is affected by the responsible party's judgements, sufficient to design and perform assurance procedures;
- (g) whether, based on preliminary knowledge obtained through the planning process, the applied criteria used in the preparation of the historical financial information has been incorrectly applied; obtaining an understanding of the other information included in the document, to assess whether it is consistent with the historical financial information;
- (h) whether the assurance practitioner will need to contact the entity's auditor or other assurance practitioner in order to understand what type of audit or review opinion was expressed on the most recent financial report;
- (i) understanding the requirements of any applicable law or regulation;¹⁶
- (j) setting materiality levels for planning and performing the engagement and evaluating the likelihood of material misstatements;¹⁷
- (k) considering assurance engagement risk;
- (l) evaluating whether the use of (an) expert(s) is/are required;
- (m) the expertise and experience of those persons preparing the historical financial information;
- (n) the engagement team resources required for the engagement and how they will be managed, directed and supervised;
and

¹⁶ Prospective financial information included in a public document under the *Corporations Act 2001* is required to be based on reasonable grounds¹⁶ to be considered not misleading. See section 728(2) and section 769C of the *Corporations Act 2001*. See ASIC's RG 170 *Prospective Financial Information*, paragraphs 170.17 and 170.20. See ASIC's RG 170 *Prospective Financial Information*, for further guidance on what constitutes "reasonable grounds", as well as some non-exhaustive examples of indicative factors that may suggest or demonstrate reasonable grounds.

¹⁷ 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 corporate fundraising engagements.

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- (o) obtaining an understanding of internal control over the process used to prepare the historical financial information.

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Reliance on the work of another Assurance Practitioner (Ref: Para. A23)

36. If the assurance practitioner plans to place reliance¹⁸ on historical financial information that has been audited or reviewed by another assurance practitioner, the assurance practitioner shall:
- (a) consider the scope, professional competence, work performed and conclusion expressed by the other assurance practitioner;
 - (b) determine whether there is a need to perform additional procedures on the historical financial information;
 - (c) be satisfied that the work is adequate for the assurance practitioner's purposes; and
- consider if the other assurance practitioner has provided written acknowledgement that the assurance practitioner is able to rely on the work performed; or, if not, what additional procedures, if any, are required for the assurance practitioner's purposes in order to place reliance on the other assurance practitioner's work.
37. Where the other assurance practitioner's opinion was modified, determine the implications for the assurance engagement:
- (a) consider the assurance practitioner's ability to undertake the engagement in accordance with the agreed terms; and
 - (b) consider the potential impact, if any, on the assurance procedures to be performed.

Performing the Engagement

Assurance Procedures

38. The assurance practitioner shall use professional judgement to design and perform procedures in order to obtain sufficient appropriate evidence on the historical financial information, on which to base either a:

¹⁸ The concepts and discussions on auditor's using the work of other experts are contained in ASA 620 *Using the Work of an Auditor's Expert* and may be helpful in determining the extent of reliance.

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- (a) a limited assurance opinion in accordance with this ASAE and ASRE 2405; (Ref: Para. A28) or
 - (b) a reasonable assurance opinion in accordance with this ASAE and ASAE 3000.
39. The assurance practitioner's assessment of risk may change during the course of the assurance engagement as additional evidence is obtained. In circumstances where the assurance practitioner obtains evidence from performing further assurance procedures, or if new information is obtained, either of which is inconsistent with the evidence on which the assurance practitioner originally based the assessment, the assurance practitioner shall revise the assessment and modify the further planned assurance procedures accordingly.
40. The assurance practitioner shall remain alert throughout the engagement for any event(s), condition(s), transaction(s), or error(s) that may:
- (a) cast doubt over the reliability, accuracy, or completeness of the information used as evidence for the historical financial information; and/or
 - (b) require changes or additions to the assurance procedures to resolve.

Using the Work of the Responsible Party's Expert

41. If information to be used as evidence has been prepared using the work of the responsible party's expert, the assurance practitioner shall use professional judgement to evaluate the significance of that expert's work for the assurance practitioner's purposes:
- (a) evaluate the competence, capabilities, objectivity and independence of that expert;
 - (b) obtain a understanding of the work of the expert;
 - (c) evaluate the appropriateness of that expert's work as evidence for the purpose of the assurance engagement;¹⁹

¹⁹ See ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, paragraph 28; ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, paragraphs 47-55, and ASA 620 *Using the Work of an Auditor's Expert*.

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- (d) determine if the expert's work impacts on the assurance practitioner's conclusion; and
- (e) where applicable, determine if the expert has consented to the inclusion of the expert's report in the document.

Using the work of the Assurance Practitioner's Expert

42. If information to be used as evidence has been prepared using the work of the assurance practitioners' expert, the auditor shall evaluate, to the extent necessary, having regard to the significant of that expert's work for the assurance practitioners purposes:
- (a) evaluate the competence, capabilities, and objectivity of that expert;
 - (b) obtain an understanding of the work of the expert;
 - (c) evaluate the appropriateness of that expert's work as evidence for the purposes of the assurance engagement;²⁰
 - (d) determine if the expert's work impacts on the assurance practitioner's conclusion; and
 - (e) where applicable, determine if the expert has consented to the inclusion of the expert's report in the document.

Adjustments identified by the Assurance Practitioner

43. When during the conduct of the assurance engagement a matter comes to the assurance practitioner's attention that causes the assurance practitioner to believe that it is necessary to make a material adjustment to the historical financial information for it to be prepared in accordance with the applicable criteria, the assurance practitioner shall communicate this matter as soon as practicable to the responsible party. (Ref: Para. A30)
44. Where the responsible party refuses to make the adjustment, the assurance practitioner shall determine the implications for the assurance engagement and the assurance report.

²⁰ See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, paragraphs 47-55, and ASA 620 *Using the Work of an Auditor's Expert*.

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Evaluating the Sufficiency and Appropriateness of Evidence Obtained

(Ref: Para. A31)

45. The assurance practitioner shall evaluate whether they have obtained sufficient appropriate evidence²¹ on which to express an assurance conclusion on the historical financial information.

Other Information included in the document (Ref: Para. X)

46. When the document containing the historical financial information and assurance report includes other information, the assurance practitioner shall request from the responsible party a copy of that document and read its entire contents to identify any material inconsistencies with, or material misstatements of fact in relation to, the historical financial information.

47. If the assurance practitioner:

- (a) identifies a material inconsistency between the other information and the historical financial information; or
- (b) becomes aware of a material misstatement of fact in that other information that is related to the historical financial information; or
- (c) identifies a potentially misleading or deceptive statement in relation to the historical financial information;

the assurance practitioner discusses the matter(s) identified with the responsible party and takes further action as appropriate, including determining the implications for the assurance engagement and the assurance report.

48. If the assurance practitioner and the responsible party agree to a revision, the assurance practitioner should request an updated copy of the document in order to ensure the revisions have been made.
49. If the responsible party refuses to make the revisions, the assurance practitioner considers whether to:

²¹ The concepts and discussions on the sufficiency and appropriateness of evidence related to an audit engagement are contained in ASA 500 *Audit Evidence* and may be helpful in evaluating the evidence for corporate fundraising engagements.

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- (a) obtaining legal advice on the appropriate course of the action for the assurance practitioner;
- (b) including in the assurance report an Other Matter paragraph²² that describes the material inconsistency and/or misstatement of fact;
- (c) withdrawing consent for the responsible party to include the assurance report in the document; and/or
- (d) withdrawing from the assurance engagement, where the withdrawal is possible under applicable law or regulation.

Going Concern Considerations (Ref: Para. A34-A37)

- 50. The assurance practitioner shall perform an assessment of the entity's ability to continue as a going concern, unless in the assurance engagement circumstances, the assurance practitioner determines that such an assessment is not relevant.²³
- 51. The assurance practitioner shall obtain sufficient appropriate evidence regarding the appropriateness of the responsible party's use of the going concern assumption in the preparation of the historical financial information.
- 52. If the assurance practitioner concludes the entity is not a going concern, the assurance practitioner shall consider the implications for the assurance engagement and the assurance report.

Consideration of Events up to the date of the Assurance Report

(Ref: Para. A38)

- 53. The assurance practitioner shall consider the impact of any event, transaction, or error of which they become aware, that may materially impact the historical financial information, for the time period up to and including the date of the assurance report.

²² The concepts and discussion on the use of an Other Matter paragraph relevant to an audit engagement are contained in ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraphs 8-Aus 8.1, and may be helpful in determining its form, content and location in the Investigating Accountant's Report applicable to an assurance engagement.

²³ The concepts and discussions on the going concern assessment relevant to a financial report audit engagement are contained in ASA 570 *Going Concern*, and may be helpful in performing a going concern assessment in an assurance engagement relating to financial information. Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, paragraphs 25-26 contains relevant guidance on the going concern assessment.

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54. The assurance practitioner shall discuss with the responsible party any such event, transaction, or error identified in paragraph 53 of this ASAE, with a view to concluding as to whether the effect on the historical financial information is material, and needs to be adjusted for and/or disclosed in the historical financial information, the document, and/or the assurance report.

Consideration of Events Identified after the date of the Assurance Report (Ref: Para. A39-A1)

55. If the assurance practitioner becomes aware of events, transactions or errors after the date of the issuance of the assurance report and before the relevant date that may have caused the assurance practitioner to amend the assurance report had the assurance practitioner known of them at the date of that assurance report, the assurance practitioner shall:
- (a) discuss such events and/or transactions with the responsible party; and
 - (b) consider what further action is appropriate in the engagement circumstances.
56. The assurance practitioner shall revoke any consent previously provided, to include the assurance report in the document, if the matter(s) referred to in paragraph's 1 or 55 of this ASAE are not, in the assurance practitioner's judgement, appropriately addressed by the responsible party.

Written Representations

57. The assurance practitioner shall request written representations from the responsible party at the completion of the assurance engagement containing the following: (Ref: Para. A1-A42)
- (a) an acceptance of the assurance engagement letter terms and conditions;
 - (b) an acknowledgement that the assurance practitioner's engagement has been conducted in accordance with this ASAE;
 - (c) an acknowledgement that the engagement terms includes the type of engagement the assurance practitioner will

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- conduct and the type of assurance conclusion that will be expressed;
- (d) an acknowledgement of the intended use of the historical financial information;
 - (e) confirmation that the going concern basis of preparation of the historical financial information is appropriate in the document;
 - (f) confirmation that there are no material changes to be made to the historical financial information between the date of the assurance report and the relevant date;
 - (g) an acknowledgement by the responsible party of the following responsibilities:
 - (i) the preparation and presentation of the historical financial information for the periods stated in accordance with the applicable criteria;
 - (ii) determining the applicable time periods to be covered by the historical financial information;
 - (iii) the preparation and issuance of the document in which the historical financial information is included;
 - (iv) all other information that is not the subject of the assurance engagement, but which is included in the document;
 - (v) complying with the requirements of all applicable laws or regulations;
 - (vi) providing the assurance practitioner with all requested information, including any matter, event, adjustment, or transaction that may be relevant to the historical financial information, as well as access to all other information relevant to the historical financial information;
 - (vii) the entity's recognition and measurement accounting policies have been consistently applied

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- in the preparation of the historical financial information;
- (viii) establishing and maintaining an adequate internal control structure in order to facilitate the preparation of reliable historical financial information;
 - (ix) advising the assurance practitioner of any matter, event or issue that has arisen or been discovered subsequent to the preparation of the historical financial information that may impact, or require adjustment to, the historical financial information;
 - (x) providing the assurance practitioner with a listing of all known uncorrected immaterial misstatements, that have not been made in the historical financial information; together with an acknowledgement that they are responsible for confirming that such misstatements are immaterial; and
 - (h) such other written representations that the assurance practitioner determines are appropriate in the engagement circumstances.
58. The date of the representation letter shall be as near as practicable to, but not after, the date of the assurance report.
59. The assurance practitioner shall evaluate the representations received from the responsible party for their reasonableness and consistency with other information and evidence obtained.
60. If one or more of the requested written representations are not provided, or the assurance practitioner has sufficient doubt about the competence, integrity or reliability of those providing the written representations, the assurance practitioner shall:
- (a) discuss the matter with the responsible party;
 - (b) evaluate the implications on the reliability of evidence obtained; and

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- (c) take appropriate actions, including determining the effect on the assurance conclusion and the assurance report.
(Ref: Para. A43-A45)

Forming the Assurance Conclusion (Ref: Para. 0-A1)

- 61. The assurance practitioner shall form a conclusion about the historical financial information. In forming the conclusion the assurance practitioner shall consider:
 - (a) the assurance practitioner's conclusion in paragraph 51 of this ASAE regarding the sufficiency and appropriateness of evidence obtained; and
 - (b) an evaluation of whether any uncorrected misstatements are material, either individually or in aggregate, to the historical financial information.
- 62. If the assurance practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists, and the assurance practitioner shall determine whether it is appropriate to continue the assurance engagement. If the assurance practitioner has determined it is appropriate to continue the assurance engagement, the assurance practitioner shall prepare an assurance report that expresses a qualified or disclaimer of conclusion, as appropriate on the historical financial information.
- 63. The assurance practitioner shall discuss with the responsible party any conclusion that is intended to be modified prior to preparing the assurance report. If the responsible party does not agree to make the necessary changes to appropriately resolve the matter giving rise to the intended modification, the assurance practitioner shall consider the implications for the assurance engagement and the assurance report.

Preparing the Assurance Report

- 64. The assurance practitioner shall provide a written assurance report to the responsible party containing a clear expression of the assurance practitioner's conclusion on the historical financial information included in the document. (Ref: Para. A47-A48)
- 65. If applicable, the assurance practitioner's conclusion on the historical financial information shall be clearly separated from other types of financial information within the assurance report.

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Basic Elements of the Assurance Report

66. The assurance report shall include the following basic elements:
(Ref: Para. A1-A1)
- (a) a title that clearly indicates the report is an independent assurance report;
 - (b) an addressee;
 - (c) a background section that identifies the purpose of the assurance report; and where applicable, and the fact that it will be included in the document;
 - (d) a scope section that:
 - (i) identifies the historical financial information being reported on, including the time period covered;
 - (ii) refers to the section of the document that outlines the applicable criteria used in the preparation of the historical financial information; where applicable, states that the assurance report has been prepared for inclusion in a specific document, and, accordingly, is not suitable for any other purpose;
 - (iii) a statement that identifies the entity(s) whose historical financial information is the subject of the assurance report, and where applicable, the responsible party;
 - (iv) states that the assurance engagement was performed in accordance with this ASAE;
 - (v) states that the firm of which the assurance practitioner is a member of, applies ASQC 1; and
 - (vi) states that the assurance practitioner has complied with relevant ethical requirements;
 - (e) a clearly identified section that details for the historical financial information:
 - (i) the source of the historical financial information;

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- (ii) whether it has been previously audited or reviewed by whom, and the type of conclusion expressed;
 - (iii) the type of engagement conducted by the assurance practitioner, the level of assurance, and the type of conclusion planned; an summary of assurance procedures performed;
- (f) statements by the assurance practitioner that the engagement did not include:
 - (i) if applicable, updating any previously audited or reviewed financial information used as a source of the historical financial information; or
 - (ii) an audit of the historical financial information;
- (g) where applicable, the assurance report shall include an Emphasis of Matter paragraph alerting users of the assurance report that the historical financial information is prepared in accordance with applicable criteria for inclusion in the document, and that as a result, the historical financial information may not be suitable for another purpose;
- (h) the assurance practitioner's conclusion on the historical financial information:
 - (i) in a limited assurance engagement:
 - ◇ with an unmodified conclusion, that nothing has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the historical financial information is not presented fairly, in all material respects, in accordance with the applicable criteria as disclosed in section [x] of the document; or
 - ◇ with a modified conclusion, a clear description of all the reasons for the modification properly described in a Basis for Modification qualification paragraph, with the effects appropriately quantified,

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- to the extent reasonably practical, and disclosed in the assurance report; or
- (ii) in a reasonable assurance engagement:
 - ◇ with an unmodified conclusion, the conclusion shall be in a positive form; and shall state that the historical financial information is presented fairly, in all material respects, in accordance with the applicable criteria, as disclosed in section [x] of the document; or
 - ◇ with a modified conclusion, a clear description of all the reasons for the modification properly described in a Basis for Modification qualification paragraph, with the effects appropriately quantified, to the extent reasonably practical, and disclosed in the assurance report; and
 - (i) a section covering events up to and including the date of the assurance report that includes a statement confirming whether any material transactions or events outside the entity's ordinary business have come to the assurance practitioner's attention that would require comment, or adjustment to, the historical financial information, and if applicable, their potential impact to the extent it can be reasonably estimated;
 - (j) an independence, or disclosure of interest, statement;
 - (k) the assurance practitioner's signature;
 - (l) the date of the assurance practitioner's report that shall be the date the assurance practitioner signs the report; and
 - (m) the assurance practitioner's address.
67. If the assurance practitioner is required by law or regulation to use a specific layout or wording in the assurance report, the assurance practitioner shall evaluate whether users might misunderstand the assurance obtained; and if so, whether additional explanation in the assurance practitioner's report can mitigate possible misunderstanding. The assurance practitioner shall not report

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compliance with this ASAE or other AUASB Standards in the assurance report unless it includes, at a minimum, each of the elements identified in paragraph 66 of this ASAE.

Unmodified and Modified Conclusions

Unmodified conclusions (Ref: Para. A1-A50)

68. The assurance practitioner shall express an unmodified conclusion when the assurance practitioner concludes:
- (a) in the case of a limited assurance engagement, that, based on the procedures performed, nothing has come to the attention of the assurance practitioner that causes the assurance practitioner to believe that the historical financial information is not presented fairly, in all material respects, in accordance with the applicable criteria, or
 - (b) in the case of a reasonable assurance engagement, that the historical financial information is prepared, in all material respects, in accordance with the applicable criteria.

Modified conclusions (Ref: Para. 0-0)

69. The assurance practitioner shall express a modified conclusion when the following circumstances exist, and in the assurance practitioner's professional judgement, the effect of the matter is or may be material:
- (a) when the assurance practitioner's conclusion is that based on the evidence obtained, the historical financial information is not free from material misstatement; or
 - (b) when the assurance practitioner's conclusion, having obtained sufficient appropriate evidence, is that misstatements, individually or in the aggregate, are material but not pervasive, to the historical financial information; or
 - (c) when the assurance practitioner is unable to obtain sufficient appropriate evidence to conclude that the historical financial information is free from material misstatement; or
 - (d) the assurance practitioner is unable to obtain sufficient appropriate evidence on which to base the conclusion, but

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the assurance practitioner concludes that the possible effects on the historical financial information of undetected misstatements, if any, could be material but not pervasive; or

- (e) the assurance practitioner shall express an adverse conclusion when the assurance practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the historical financial information; or
- (f) the assurance practitioner shall disclaim a conclusion when the assurance practitioner is unable to obtain sufficient appropriate evidence on which to base the conclusion, and the assurance practitioner concludes that the possible effects on the historical financial information of undetected misstatements, if any, could be both material and pervasive.

70. If the assurance practitioner expresses a modified conclusion because of a scope limitation, but is also aware of a matter(s) that causes the historical financial information to be materially misstated, the assurance practitioner shall include in the assurance report a clear description of both the scope limitation and the matter(s) that causes the historical financial information to be materially misstated.

Emphasis of Matter Paragraph

71. If the assurance practitioner concludes that it is necessary to draw users' attention to a matter presented or disclosed in the historical financial information or the accompanying explanatory notes, on the basis that the matter is of such importance that it is fundamental to users' understanding of the historical financial information, the assurance practitioner shall include an Emphasis of Matter paragraph in the assurance report.

Use of Going Concern Assumption Appropriate but a Material Uncertainty Exists (Ref: Para. A51-A51(b))

72. If the assurance practitioner concludes there is a material uncertainty related to events or conditions that individually or collectively may cast significant doubt on the entity's ability to continue as a going concern, the assurance practitioner shall:

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- (a) express a qualified or adverse conclusion, as appropriate, in the assurance report when the responsible party does not make appropriate changes in document; or
- (b) include an Emphasis of Matter Paragraph in the assurance report when the responsible party makes appropriate changes in the document.²⁴

Consent to the Inclusion of the Assurance Report in a Public Document

(Ref: Para. A52-A53)

- 73. The assurance practitioner shall consider applicable law or regulation when providing consent in writing for the inclusion of the assurance report in the document.
- 74. Where the assurance practitioner considers it inappropriate for the assurance report to be included in the document, consent shall either not be provided, or be revoked prior to the relevant date of the document's release.

Documentation

- 75. The assurance practitioner shall prepare documentation on a timely basis.
- 76. The assurance practitioner shall prepare documentation that is sufficient to enable an experienced assurance, having no previous connection with the assurance engagement, to understand:
(Ref: Para. A54-A55)
 - (a) the nature, timing and extent of the assurance procedures performed to comply with this ASAE and applicable legal and regulatory requirements;
 - (b) the results of the procedures performed, and the evidence obtained; and
 - (c) significant matters arising during the assurance engagement, the conclusions reached thereon, and

²⁴ The concepts and discussions on the circumstances under which an emphasis of matter is included in an auditor's report are contained in *ASA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*. It may be helpful in assisting the assurance practitioner decide if an Emphasis of Matter paragraph is appropriate for the assurance engagement relating to corporate fundraisings.

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significant professional judgements made in reaching those conclusions.

Pro Forma Historical Financial Information

77. Paragraphs 78 to 97 of this ASAE deal with additional special considerations in the application of the Historical Financial Information requirements in paragraph's 22 to 76 (inclusive) to historical financial information that has had by pro forma adjustments applied, resulting in pro forma historical financial information.

Assurance Engagement Acceptance

Preconditions for Acceptance

78. In addition to the requirements in paragraph 23 and 24 of this ASAE, the assurance practitioner shall prior to agreeing the terms of the assurance engagement, obtain the agreement from the responsible party that it accepts its responsibility for selecting:
- (a) the source of the base financial information that is used, and that such a source will be historical financial information;
 - (b) the basis of preparation for the pro forma historical financial information; and
 - (c) the pro forma adjustments to be made to the historical financial information.

Other Factors Affecting Engagement Acceptance

79. The assurance practitioner shall follow the requirements in paragraph's 25 to 27 of this ASAE.

Agreeing on the Terms of the Assurance Engagement

80. In addition to the requirements in paragraph 29(c) of this ASAE, the agreed terms of the assurance engagement shall include that the assurance practitioner is responsible for performing assurance procedures applicable to the engagement and the limited assurance conclusion being provided. (Ref: Para. A56)

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Changing the Terms of the Engagement

81. The assurance practitioner shall follow the requirements in paragraphs 30 to 32 of this ASAE.

Planning the Assurance Engagement

Planning Activities

82. In addition to the requirements in paragraph's 33 to 35 of this ASAE the assurance practitioner's planning considerations shall include:
(Ref: Para. A58)
- (a) determining the source of the base financial information, whether it has been previously audited or reviewed, and what type of opinion was issued; and
 - (b) understanding the basis for, and calculations underlying the pro forma adjustments.

Reliance on the work of another Assurance Practitioner

83. The assurance practitioner shall follow the requirements in paragraphs 36 and 37 of this ASAE.

Performing the Engagement

Assurance Procedures

84. In addition to the requirements in paragraph's 38 to 40 of this ASAE, the assurance practitioner shall design and perform the following procedures on the pro forma historical financial information:
(Ref: Para. A60)
- (a) if the source of the base financial information has not been previously audited or reviewed, perform such procedures as is necessary to obtain sufficient appropriate evidence on which to rely for the assurance engagement purposes;
 - (b) determine the differences, if any between the pro forma historical financial information's basis of preparation and the corresponding audited or reviewed historical financial information;

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- (c) determine whether the pro forma adjustments are:
 - (i) supported by appropriate evidence;
 - (ii) based on grounds that have a reasonable basis;
 - (iii) consistent with the entity's recognition and measurement accounting policies as disclosed in section [X] of the document;
 - (iv) attributable to the underlying event(s) or transaction(s);
 - (v) are mathematically correct; and
- (d) determine whether the resultant pro forma financial information reflects the results of applying the pro forma adjustments to the base financial information;
- (e) identify whether any other material adjustments are necessary to materially reflect the effects of the fundraising transaction, or other transaction for which pro forma adjustments have been made, and:
 - (i) if such an adjustment is required, the assurance practitioner shall discuss the matter with the responsible party; and
 - (ii) if the adjustment is not made, the assurance practitioner shall consider the implications for the assurance engagement and the assurance report.

Using the Work of the Responsible Party's Expert

85. The assurance practitioner shall follow the requirements in paragraph 41 of this ASAE.

Using the Work of the Assurance Practitioner's Expert

86. The assurance practitioner shall follow the requirements in paragraph 42 of this ASAE.

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Adjustments Identified by the Assurance Practitioner

87. The assurance practitioner shall follow the requirements in paragraphs 43 to 44 of this ASAE.

Evaluating the Sufficiency and Appropriateness of Evidence Obtained

88. The assurance practitioner shall evaluate whether they have obtained sufficient appropriate evidence²⁵ on which to express an assurance conclusion on the pro forma historical financial information.

Other Information included in the document

89. The assurance practitioner shall follow the requirements in paragraphs 46 to 49 of this ASAE.

Going Concern Considerations

90. The assurance practitioner shall follow the requirements in paragraphs 50 to 52 of this ASAE.

Consideration of Events Up to the date of the Assurance Report

91. The assurance practitioner shall follow the requirements in paragraphs 53 and 54 of this ASAE.

Consideration of Events Identified after date of the Assurance Report

92. The assurance practitioner shall follow the requirements in paragraphs 55 and 56 of this ASAE.

Written Representations

93. In addition to the requirements in paragraph's 57 to 60 of this ASAE, the assurance practitioner shall request the responsible party to include in the written representation letter an acknowledgement of their responsibility for:

- (a) the preparation of the pro forma historical financial information for the time periods stated, in accordance with the stated basis of preparation;

²⁵ The concepts and discussions on the sufficiency and appropriates of evidence related to an audit engagement are contained in ASA 500 *Audit Evidence* and may be helpful in evaluating the evidence for corporate fundraising engagements.

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- (b) selecting the stated basis of preparation of the pro forma historical financial information;
- (c) selecting and applying the pro forma adjustments; and
- (d) where applicable, ensuring that any assumptions used have reasonable grounds for inclusion in the pro forma historical financial information.

Forming the Assurance Conclusion

- 94. In addition to the requirements in paragraph 61 of this ASAE, the assurance practitioner shall form a conclusion about the pro forma historical financial information. In forming the conclusion, the assurance practitioner shall consider the assurance practitioner's conclusion in paragraph 88 of this ASAE regarding the sufficiency and appropriateness of evidence obtained.
- 95. The assurance practitioner shall follow the requirements in paragraph's 62 and 63 of this ASAE.

Preparing the Assurance Report

- 96. The assurance practitioner shall follow the requirements in paragraphs 64 and 65 of this ASAE.

Basic Elements of the Assurance Report

- 97. In addition to the requirement in paragraph 66 of this ASAE, the assurance report shall include:
 - (a) statements in the background section that:
 - (i) identifies the pro forma historical financial information being reported on, including the time period covered;
 - (ii) identifies whether the historical financial information used as the base for the pro forma historical financial information has been previously audited or reviewed; and
 - (iii) refers to the section of the document that outlines the basis of preparation of the pro forma historical financial information;

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- (b) a statement by the assurance practitioner that the assurance engagement did not include either updating any previous audit or review of financial information used in the preparation of the pro forma historical financial information; or an audit of the pro forma historical financial information itself;
- (c) the assurance practitioner's limited conclusion on the pro forma historical financial information:
 - (i) with a unmodified conclusion, a statement that nothing has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the pro forma historical financial information set out in the document does not present fairly, in all material respects, the stated basis of preparation as disclosed in section [x] of the document; (Ref: Para. A61) or
 - (ii) with a modified conclusion, a clear description of all the reasons for the modification properly described, with the effects appropriately quantified, to the extent reasonably practical, and disclosed in the assurance report.

Unmodified and Modified conclusions

98. The assurance practitioner shall follow the requirements in paragraphs 68 to 71 of this ASAE.

Use of the Going Concern Assumptions Appropriate but a Material Uncertainty Exists

99. The assurance practitioner shall follow the requirements in paragraph 72 of this ASAE.

Consent to the Inclusion of the Assurance Report in a Public Document

100. The assurance practitioner shall follow the requirements in paragraphs 73 to 74 of this ASAE.

Documentation

101. The assurance practitioner shall follow the requirements in paragraphs 75 and 76 of this ASAE.

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Prospective Financial Information

102. Paragraph's 103 to 156 inclusive of this ASAE deal with the special considerations in performing assurance engagements in relation to prospective financial information in the form of a forecast, prepared based on the responsible party's best-estimate assumptions. For prospective financial information that is additionally adjusted by pro forma adjustments, being a pro forma forecast, refer to the requirements in paragraphs 157 to 179 of this ASAE.

Assurance Engagement Acceptance

Preconditions for Acceptance (Ref: Para. A62-A63)

103. The assurance practitioner shall prior to agreeing the terms of the assurance engagement, determine whether the applicable financial reporting framework for the preparation of the prospective financial information proposed by the responsible party is acceptable.
104. The assurance practitioner shall obtain agreement from the responsible party that it:
- (a) understands and accepts the terms of the assurance engagement, including the assurance practitioner's reporting responsibilities and type of assurance to be expressed being limited;
 - (b) acknowledges and understands its responsibility for:
 - (i) the preparation and presentation of prospective financial information:
 - ◇ based on assumptions that have reasonable grounds²⁶ and not on the basis of material hypothetical assumptions;
 - ◇ that covers a defined time period;
 - ◇ that is not misleading; and

²⁶ What constitutes a "reasonable basis" for preparation depends on the specific circumstances of the assurance engagement but may include where the information has a relevant factual foundation. Where the prospective financial information is intended to be included in a public document, refer RG 170 for more guidance.

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- ◇ where applicable, has reasonable grounds for inclusion in a public document;²⁷
- (ii) the preparation and issuance of the document²⁸ in which the prospective financial information will be presented;
- (iii) such internal control as the responsible party determines is necessary to prepare the prospective financial information;
- (c) will provide the assurance practitioner with:
 - (i) access to all information relevant to the prospective financial information, including the source data used in developing the assumptions used;
 - (ii) access to the whole document in which the prospective financial information is included;
 - (iii) additional information requested by the assurance practitioner for the purpose of the assurance engagement;
 - (iv) unrestricted access to those within the entity from whom the assurance practitioner determines it necessary to obtain evidence;
 - (v) unrestricted access to the responsible party's experts, where appropriate; and
 - (vi) a written representation letter covering all matters requested by the assurance practitioner within the timeframe required.

Other Factors Affecting Engagement Acceptance

105. The assurance practitioner shall accept the engagement only when:

²⁷ Where the prospective financial information is intended to be included in a public document, refer RG 170 for guidance on what constitutes reasonable grounds.

²⁸ The *Corporations Act 2001* and the Corporations Regulations place specific requirements on directors in relation to the preparation of documents that are public documents, including presentation of financial information included therein.

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- (a) on the basis of preliminary knowledge of the assurance engagement circumstances, nothing has come to the assurance practitioner's attention to indicate that the:
 - (i) requirements of the relevant ethical principles described in ASA 102, will not be satisfied;
 - (ii) prospective financial information has been prepared on the basis of assumptions that clearly do not have a reasonable basis, hypothetical assumptions only, or includes material hypothetical assumptions; (Ref: Para: A1(a))
 - (iii) the stated basis of preparation of the prospective financial information is unacceptable; and
 - (iv) the financial information used as the source of the prospective financial information has been previously audited or reviewed, or will be reviewed as part of the terms of the assurance engagement;
 - (b) the basis upon which the engagement is to be performed has been agreed through establishing that the preconditions, as set out in paragraph 103 of this ASAE, for an assurance engagement are present;
 - (c) the assurance practitioner is satisfied that those persons who are to perform the assurance engagement possess the necessary professional competencies;
 - (d) the assurance engagement has a rational purpose; (Ref: Para. A66)
 - (e) the assurance practitioner believes the prospective financial information will be appropriate for its intended use; and
 - (f) the assurance practitioner believes that the assurance report will be used for its intended purpose.
106. If the preconditions for the assurance engagement, as set out in paragraph 103 of this ASAE are not present, the assurance practitioner shall discuss the matter with the responsible party. If changes cannot be made to meet the preconditions, the assurance

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practitioner shall not accept the engagement as an assurance engagement unless required by applicable law or regulation.

107. The assurance practitioner shall agree to perform any non-assurance services in connection with the assurance engagement only in accordance with relevant ethical requirements and applicable professional standards,²⁹ having particular regard to independence. (Ref: Para. A68)

Agreeing on the Terms of the Assurance Engagement

108. The assurance practitioner shall agree the terms of the assurance engagement with the responsible party in writing. (Ref: Para. A1-A69)

109. The agreed terms of the assurance engagement shall include:

- (a) the objective(s) and scope of the assurance engagement, including:
 - (i) the assurance practitioner's understanding of the purpose of the assurance engagement;
 - (ii) confirmation that the assurance practitioner will conduct the engagement in accordance with this ASAE;
 - (iii) the nature, source, time period covered, and purpose of the prospective financial information;
 - (iv) if applicable, the nature, source, and time period covered of any financial information used as the source of the prospective financial information, and that will be subject to review as part of the engagement;
 - (v) a statement that the assurance practitioner is not responsible for the preparation of the prospective financial information, or the selection of the assumptions used in its preparation;
 - (vi) where practical, a statement that the assurance practitioner will disclaim responsibility for any

²⁹ See APES 110 *Code of Ethics for Professional Accountants*, (November 2009) issued by the Accounting Professional and Ethical Standards Board.

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- reliance on the assurance report, or on the prospective financial information to which it relates, to any party other than the responsible party, or for any purpose other than that for which the assurance report was prepared;
- (vii) the proposed wording of the assurance conclusion, including that the type of assurance that is expected to be provided is limited assurance;
 - (viii) the fact that the engagement cannot be relied upon to identify fraud(s), error(s), illegal action(s) or other irregularities that may exist within the entity;
- (b) a summary of assurance procedures to be performed; (Ref: Par. X)
- (c) the responsibilities of the assurance practitioner, including:
- (i) compliance with relevant ethical requirements, including independence;
 - (ii) performing assurance procedures on the prospective financial information;
 - (iii) issuing a written report for the intended purpose;
 - (iv) where applicable, and once satisfied it is appropriate to, providing consent in the required form to the responsible party for including the assurance practitioner's name and assurance report in the document; (Ref: Para. A74)
- (d) the responsibilities of the responsible party including those set out in paragraph 104 of this ASAE; and
- (e) such other terms and conditions that the assurance practitioner determines are appropriate in the circumstances of the assurance engagement. (Ref: Par. X)

Changes in the Terms of the Assurance Engagement (Ref: Para. A1-A76)

110. The assurance practitioner shall not agree to a change in the terms of the assurance engagement where there is not a reasonable justification for doing so. If such a change is made, the assurance

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practitioner shall not disregard evidence that was obtained prior to the change. (Ref: Para. A1)

111. If the terms of the assurance engagement change, the assurance practitioner and the responsible party shall agree on, and record the new terms of the assurance engagement in an assurance engagement letter or other suitable form of written agreement. (Ref: Para. A76)
112. If the assurance practitioner is unable to agree to a change of the terms of the assurance engagement, and is not permitted by the responsible party to continue the original engagement, the assurance practitioner 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 other parties, such as those charged with governance, owners or regulators.

Planning the Assurance Engagement

113. The assurance practitioner shall plan the assurance engagement in accordance with this ASAE.

Planning Activities

114. The assurance practitioner shall use professional judgement to determine the nature, timing, and extent of assurance procedures to perform on the prospective financial information, in order to achieve the engagement objectives. (Ref: Para. A77)
115. The assurance practitioner's planning considerations shall include: (Ref: Para. A79)
- (a) what the agreed terms of engagement require the assurance practitioner to opine on;
 - (b) setting the scope, timing and direction of the assurance engagement;
 - (c) obtaining an understanding of the entity sufficient to be able to evaluate whether the responsible party has identified and applied all suitable applicable criteria and material

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- best-estimate assumptions required for the preparation of the prospective financial information;
- (d) the type of underlying event(s) or transaction(s) that require the preparation of the prospective financial information and the extent of understanding required of the nature of any entity involved;
 - (e) any previous dealings with the entity including whether the assurance practitioner has:
 - (i) audited or reviewed prior period financial report(s) that may have been used as the source of the prospective information;
 - (ii) an understanding of the accuracy of previously prepared prospective financial information by the responsible party as compared to actual results;
 - (f) obtaining an understanding of the prospective financial information including the time period covered, basis of underlying best-estimate assumptions, intended use, the reliability of the prospective financial information, use of comparatives, and the extent to which it is affected by the responsible party's judgements sufficient to design and perform assurance procedures; whether, based on preliminary knowledge obtained through the planning process, the applied criteria used in the preparation of the prospective financial information has been incorrectly applied; (Ref: Para. A82)
 - (g) obtaining an understanding of the other information included in the document, to assess whether it is consistent with the prospective financial information;
 - (h) whether the assurance practitioner will need to contact the entity's auditor or other assurance practitioner in order to understand what type of audit or review opinion was expressed on the most recent financial report;

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- (i) understanding the requirements of any applicable law or regulation;³⁰
- (j) setting materiality levels for planning and performing the engagement and evaluating the likelihood of material misstatements;³¹
- (k) considering assurance engagement risk;³²
- (l) evaluating whether the use of (an) expert(s) is/are required;
- (m) the engagement team resources required for the engagement and how they will be managed, directed and supervised;
- (n) the expertise and experience of those persons preparing the prospective financial information; and
- (o) obtaining an understanding of internal control over the process used to prepare the prospective financial information.

Reliance on the work of another Assurance Practitioner (Ref: Para. A83)

116. If the assurance practitioner plans to place reliance³³ on historical financial information that may be used as source data, or support for, the prospective financial information, the assurance practitioner assesses if that historical financial information has been audited or reviewed by another assurance practitioner. In such cases, the assurance practitioner shall:

³⁰ Prospective financial information included in a public document under the *Corporations Act 2001* is required to be based on reasonable grounds³⁰ to be considered not misleading. See section 728(2) and section 769C of the *Corporations Act 2001*. See ASIC's RG 170 *Prospective Financial Information*, paragraphs 170.17 and 170.20. See ASIC's RG 170 *Prospective Financial Information*, for further guidance on what constitutes "reasonable grounds", as well as some non-exhaustive examples of indicative factors that may suggest or demonstrate reasonable grounds.

³¹ 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 corporate fundraising engagements.

³² 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*, and may be helpful to assurance practitioners when determining assurance engagement risk in the conduct of an assurance engagement.

³³ The concepts and discussions on auditor's using the work of other experts are contained in ASA 620 *Using the Work of an Auditor's Expert* and may be helpful in determining the extent of reliance in the conduct of an assurance engagement.

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- (a) consider the scope, professional competence, work performed and conclusion expressed by the other assurance practitioner;
- (b) determine whether there is a need to perform additional procedures on the historical financial information;
- (c) be satisfied that the work is adequate for the assurance practitioner's purposes; and

consequently, consider how the historical financial information can provide a measure for assessing the reasonableness of the assumptions used in the preparation of the prospective financial information.

117. Where the other assurance practitioner's opinion was modified, determine the implications for the assurance engagement:

- (a) consider the assurance practitioner's ability to undertake the engagement in accordance with the agreed terms; and
- (b) consider the potential impact, if any, on the assurance procedures to be performed.

Performing the Engagement

Assurance Procedures

118. The assurance practitioner shall use professional judgement to design and perform procedures in order to obtain sufficient appropriate evidence on the basis of the best-estimate assumptions, and the preparation of prospective financial information on which to base a limited assurance conclusion, including:
- (a) developing an expectation of the prospective financial information for use when performing analytical procedures;
 - (b) consider the reasonableness and appropriateness of the time period covered by the prospective financial information;
 - (c) whether the source of the prospective financial information has been extracted from an appropriate source and whether it has been reviewed, and if so, the type of opinion expressed;

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- (d) whether the source of the base financial information includes historical financial information, and has not been previously reviewed; (Ref: Para. A93)
- (e) determine whether the assumptions used in the preparation are: (Ref: Para. 127)
 - (i) supported by appropriate evidence;
 - (ii) based on best-estimate assumptions and not material hypothetical assumptions;
 - (iii) based on grounds that have a reasonable basis;
 - (iv) consistent with the entity's recognition and measurement accounting policies as disclosed in section [X] of the document;
 - (v) attributable to the underlying event(s) or transaction(s);
 - (vi) are mathematically correct; and
- (f) identify whether any material adjustments are necessary to materially reflect the effects of the fundraising transaction(s) or event(s), and to ensure the prospective financial information is not materially misstated, and:
 - (i) if such an adjustment(s) is required, the assurance practitioner shall discuss the matter with the responsible party; and
 - (ii) if the adjustment(s) is not made, the assurance practitioner shall consider the implications for the assurance engagement and the assurance report; and
- (g) consider whether the prospective financial information reflects the applied criteria;
- (h) consider whether the stated basis of preparation for the prospective financial information has been applied incorrectly; (Ref: Para. A95) and

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- (i) where applicable, consider whether the prospective financial information is prepared on a basis consistent with that of the entity's historical financial information, pro forma historical financial information, or pro forma forecast included in the document.
119. The assurance practitioner's assessment of risk may change during the course of the assurance engagement as additional evidence is obtained. In circumstances where the assurance practitioner obtains evidence from performing further assurance procedures, or if new information is obtained, either of which is inconsistent with the evidence on which the assurance practitioner originally based the assessment, the assurance practitioner shall revise the assessment and modify the further planned assurance procedures accordingly.
120. The assurance practitioner shall remain alert throughout the engagement for any event(s), condition(s), transaction(s), or error(s) that may:
- (a) cast doubt over the reliability, accuracy or completeness of the information used as evidence for the prospective financial information, or the underlying assumptions; and/or
 - (b) require changes, or additions, to the assurance procedures in order to resolve.

Using the Work of the Responsible Party's Expert

121. If information to be used as evidence has been prepared using the work of the responsible party's expert, the assurance practitioner shall use professional judgement to evaluate the significance of that expert's work for the assurance practitioner's purposes:
(Ref: Para. A98)
- (a) evaluate the competence, capabilities, objectivity and independence of that expert;
 - (b) obtain an understanding of the work of the expert;

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- (c) evaluate the appropriateness of that expert's work as evidence for the purposes of the assurance engagement;³⁴
- (d) determine if the expert's work impacts on the assurance practitioner's conclusion; and
- (e) where applicable, determine if the expert has consented to the inclusion of the expert's report in the document.

Using the Work of the Assurance Practitioners' Expert

122. If information to be used as evidence has been prepared using the work of the assurance practitioners' expert, the auditor shall evaluate, to the extent necessary, having regard to the significant of that expert's work for the assurance practitioners purposes:

- (a) evaluate the competence, capabilities, and objectivity of that expert;
- (b) obtain an understanding of the work of the expert;
- (c) evaluate the appropriateness of that expert's work as evidence for the purposes of the assurance engagement;³⁵
- (d) determine if the expert's work impacts on the assurance practitioner's conclusion; and
- (e) where applicable, determine if the expert has consented to the inclusion of the expert's report in the document.

Adjustments identified by the Assurance Practitioner

123. When during the conduct of the assurance engagement a matter comes to the assurance practitioner's attention that causes the assurance practitioner to believe that it is necessary to make a material adjustment to the prospective financial information or the underlying assumptions, for them to be prepared in accordance with the stated basis of preparation, the assurance practitioner shall

³⁴ See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, paragraphs 47-55, and ASA 620 *Using the Work of an Auditor's Expert*.

³⁵ See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, paragraphs 47-55, and ASA 620 *Using the Work of an Auditor's Expert*.

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communicate this matter as soon as practicable to the responsible party. (Ref: Para. A99)

124. Where the responsible party refuses to make the adjustment, the assurance practitioner shall determine the implications for the assurance engagement and the assurance report.

Evaluating the Sufficiency and Appropriateness of Evidence Obtained

125. The assurance practitioner shall evaluate whether they have obtained sufficient appropriate evidence³⁶ on which to express a limited assurance conclusion on the prospective financial information.
(Ref: Para. A100)

126. If the responsible party's assumptions on which the prospective financial information are based are determined by the assurance practitioner not to be reasonable, the assurance practitioner shall consider the assumptions to be hypothetical and shall determine the implications for the assurance engagement and the assurance report, taking into account any applicable law or regulation.³⁷
(Ref: Para. X)

Other Information included in the document (Ref: Para. X)

127. When the document containing the prospective financial information and assurance report includes other information, the assurance practitioner shall request from the responsible party a copy of that document and read its entire contents to identify any material inconsistencies with, or material misstatements of fact in relation to, the prospective financial information.
128. If the assurance practitioner:
- (a) identifies a material inconsistency between the other information and the prospective financial information; or
 - (b) becomes aware of a material misstatement of fact in that other information that is related to the prospective financial information; or

³⁶ The concepts and discussions on the sufficiency and appropriateness of evidence related to an audit engagement are contained in ASA 500 *Audit Evidence* and may be helpful in evaluating the evidence for fundraising engagements.

³⁷ See RG 170.

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- (c) identifies a potentially misleading or deceptive statement in relation to the prospective financial information;

the assurance practitioner discusses the matter(s) identified with the responsible party and takes further action as appropriate, including determining the implications for the assurance engagement and the assurance report.

129. If the assurance practitioner and the responsible party agree to a revision, the assurance practitioner should request an updated copy of the document in order to ensure the revisions have been made.
130. If the responsible party refuses to make the revisions, the assurance practitioner considers whether to:
- (a) obtaining legal advice on the appropriate course of the action for the assurance practitioner;
- (b) including in the assurance report an Other Matter paragraph³⁸ that describes the material inconsistency and/or misstatement of fact;
- (c) withdrawing consent for the responsible party to include the assurance report in the document; and/or
- (a) withdrawing from the assurance engagement, where the withdrawal is possible under applicable law or regulation.

Going Concern Considerations

131. The assurance practitioner shall determine if an assessment of the entity's going concern considerations is relevant to the assurance engagement.³⁹ (Ref: Para. A103)
132. If the assurance practitioner determines that an assessment of the entity's ability to continue as a going concern is relevant, the

³⁸ The concepts and discussion on the use of an Other Matter paragraph relevant to an audit engagement are contained in ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraphs 8-Aus 8.1, and may be helpful in determining its form, content and location in the Investigating Accountant's Report applicable to an assurance engagement.

³⁹ The concepts and discussions on the going concern assessment relevant to an audit engagement are contained in ASA 570 *Going Concern*, and may be helpful in performing a going concern assessment in an assurance engagement. Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, paragraphs 25-26 contains relevant guidance on the going concern assessment.

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assurance practitioner shall perform such an assessment in order to obtain sufficient appropriate evidence regarding the appropriateness of the responsible party's use of the going concern assumption in the preparation of the prospective financial information. (Ref: Para. A104)

133. If the assurance practitioner concludes the entity is not a going concern, the assurance practitioner shall consider the implications for the assurance engagement and the assurance report.
(Ref: Para. A106)

Consideration of Events up to the date of the Assurance Report

(Ref: Para. A107)

134. The assurance practitioner shall consider the impact of any event, transaction, assumption, or error of which they become aware, that may materially impact the prospective financial information, for the time period up to and including the date of the assurance report.
135. The assurance practitioner shall discuss with the responsible party any such event, transaction, assumption, or error identified in paragraph 134 of this ASAE, with a view to concluding as to whether the effect on the prospective financial information is material, and needs to be adjusted for and/or disclosed in the prospective financial information; the document; and/or the assurance report.

Consideration of Events Identified after the date of the Assurance Report

(Ref: Para. A108-X)

136. If the assurance practitioner becomes aware of events, transactions or errors after the date of the issuance of the assurance report and before the relevant date that may have cause the assurance practitioner to amend the assurance report had the assurance practitioner known of them at the date of that assurance report, the assurance practitioner shall:
- (a) discuss such events and/or transactions with the responsible party; and
 - (b) consider what further action is appropriate in the engagement circumstances.
137. The assurance practitioner shall revoke any consent previously provided, to include the assurance report in the document, if the matter(s) referred to in paragraph's 135 and/or 136 of this ASAE are

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not, in the assurance practitioner's professional judgement, appropriately addressed by the responsible party.

Written Representations

138. The assurance practitioner shall request written representations from the responsible party at the completion of the assurance engagement containing the following: (Ref: Para. A110)
- (a) an acceptance of the assurance engagement letter terms and conditions;
 - (b) an acknowledgement that the assurance practitioner's engagement has been conducted in accordance with this ASAE;
 - (c) an acknowledgement that the engagement terms included the type of engagement the assurance practitioner would conduct and that a limited assurance conclusion would be expressed;
 - (d) an acknowledgement of the intended use of the prospective financial information;
 - (e) confirmation of the completeness of material assumptions used, and the consistency and accuracy of their application in the preparation of the prospective financial information;
 - (f) confirmation that the material assumptions remain appropriate, even though the underlying information may have been accumulated over a period of time;
 - (g) confirmation that the going concern basis of preparation of the prospective financial information is appropriate in the document;
 - (h) confirmation that there are no material changes to be made to the prospective financial information between the date of the assurance report and the relevant date;
 - (i) an acknowledgement of the responsible party's responsibilities for:

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- (i) the preparation and presentation of the prospective financial information for the periods stated in accordance with the applicable criteria;
- (ii) determining the applicable time periods to be covered by the prospective financial information;
- (iii) the selection of material best-estimate assumptions based on reasonable grounds;
- (iv) the preparation and issuance of the document in which the prospective financial information is included;
- (v) all other information that is not the subject of the assurance engagement, but which is included in the document;
- (vi) complying with the requirements of all applicable laws or regulations;
- (vii) providing the assurance practitioner with all requested information, including any matter, event, adjustment, assumption, or transaction that may be relevant to the prospective financial information, as well as access to all other information relevant to the prospective financial information;
- (viii) the entity's recognition and measurement accounting policies have been consistently applied to the prospective financial information;
- (ix) establishing and maintaining an adequate internal control structure in order to facilitate the preparation of reliable prospective financial information;
- (x) advising the assurance practitioner of any matter, event or issue that has arisen or been discovered subsequent to the preparation of the prospective financial information that may impact, or require adjustment to, that prospective financial information;

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- (xi) providing the assurance practitioner with a listing of all known uncorrected immaterial misstatements, that have not been made in the prospective financial information; together with an acknowledgement that they are responsible for confirming that such misstatements are immaterial; and
 - (j) such other written representations that the assurance practitioner determines are appropriate in the engagement circumstances.
139. The date of the representation letter shall be as near as practicable to, but not after, the date of the assurance report.
140. The assurance practitioner shall evaluate the representations received from the responsible party for their reasonableness and consistency with other information and evidence obtained.
(Ref: Para. A111)
141. If one or more of the requested written representations are not provided, or the assurance practitioner has sufficient doubt about the competence, integrity or reliability of those providing the written representations, the assurance practitioner shall: (Ref: Para. A112-A113)
- (a) discuss the matter with the responsible party;
 - (b) evaluate the implications for the reliability of evidence obtained; and
 - (c) take appropriate actions, including determining the effect on the assurance conclusion and the assurance report.

Forming the Assurance Conclusion

142. The assurance practitioner shall form a conclusion about the prospective financial information. In forming that conclusion, the assurance practitioner shall consider the assurance practitioner's conclusion in paragraph 125 of this ASAE regarding the sufficiency and appropriateness of evidence obtained.
143. If the assurance practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists, and the assurance practitioner shall determine whether it is appropriate to continue the assurance engagement. If the assurance practitioner has determined it is

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appropriate to continue the assurance engagement, the assurance practitioner shall express a qualified conclusion, or disclaimer of conclusion, as appropriate on the prospective financial information.

144. The assurance practitioner shall discuss with the responsible party any conclusion that is intended to be modified prior to preparing the assurance report. If the responsible party does not agree to make the necessary changes to appropriately resolve the matter giving rise to the intended modification, the assurance practitioner shall consider the implications for the assurance engagement and the assurance report.

Preparing the Assurance Report

145. The assurance practitioner shall provide a written assurance report to the responsible party containing a clear expression of the assurance practitioner's conclusion on the prospective financial information included in the document. (Ref: Para. A116)
146. If applicable, the assurance practitioner's conclusion on the prospective financial information shall be clearly separated from other types of financial information within the assurance report. (Ref: Para. A117)

Basic Elements of the Assurance Report

147. The assurance report shall include the following basic elements: (Ref: Para. A1-A119)
- (a) a title that clearly indicates the report is an assurance report;
 - (b) an addressee;
 - (c) a background section that identifies the purpose of the assurance report; and the fact that it will be included in a specific document;
 - (d) a scope section that:
 - (i) identifies the prospective financial information being reported on, including the time period covered;

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- (ii) refers to the section of the document that outlines the basis of preparation of the prospective financial information;
 - (iii) where applicable, states that the assurance report has been prepared for inclusion in a specific document and, accordingly, is not suitable for any other purpose;
 - (iv) a statement that identifies the entity(s) whose prospective financial information is the subject of the assurance report, and where applicable, and the responsible party;
 - (v) states that the assurance engagement was performed in accordance with this ASAE;
 - (vi) states that the firm of which the assurance practitioner is a member of, applies ASQC 1; and
 - (vii) states that the assurance practitioner has complied with relevant ethical requirements;
- (e) a clearly identified section that details for the prospective financial information:
- (i) the source of the prospective financial information;
 - (ii) the type of engagement conducted by the assurance practitioner, and that the planned level of assurance was limited; and
 - (iii) an summary of assurance procedures performed;
- (f) statements by the assurance practitioner that:
- (i) the engagement did not include:
 - ◇ if applicable, updating any previously audited or reviewed financial information used as the source of the prospective financial information; or
 - ◇ an audit of the prospective financial information;

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- (ii) the prospective financial information does not represent the entity's actual results;
- (g) the assurance practitioner's limited assurance conclusion:
 - (i) if the conclusion is unmodified, that nothing has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the best-estimate assumptions do not provide an reasonable basis for the prospective financial information; and
 - (ii) in all material respects, the prospective financial information:
 - ◇ is not properly prepared on the basis of the best-estimate assumptions as disclosed in section [X] of the document; and
 - ◇ does not present fairly the recognition and measurement policies adopted by the entity in accordance with the applicable financial reporting framework, as disclosed in section [X] of the document; and
 - (iii) the prospective financial information itself is unreasonable; or
 - (iv) if the conclusion is modified, provide a clear description of all the reasons for the modification properly described, with the effects appropriately quantified, to the extent reasonably practical, and disclosed in the assurance report;
- (h) a section covering events up to and including the date of the assurance report, that includes a statement confirming whether any material transactions or events outside the entity's ordinary business have come to the assurance practitioner's attention that would require comment, or adjustment to, the prospective financial information, and where applicable, their potential impact, to the extent it can be reasonably estimated;
- (i) statements that:

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- (i) the actual results are likely to be different from the prospective financial information since anticipated events frequently do not occur as expected and the variation could be material; and
 - (ii) in the case of prospective financial information that includes hypothetical assumptions, clearly identifies such assumptions and states they have no significant impact on the project outcome;
 - (j) a statement disclaiming the assurance practitioner's responsibility for the achievability of the results indicated by the prospective financial information;
 - (k) an independence, or disclosure of interest, statement;
 - (l) an Financial Services Guide, if applicable,
 - (m) the assurance practitioner's signature;
 - (n) the date of the assurance practitioner's report that shall be the date the assurance practitioner signs the report; and
 - (o) the assurance practitioner's address.
148. If the assurance practitioner is required by law or regulation to use a specific layout or wording in the assurance report, the assurance practitioner shall evaluate whether users might misunderstand the assurance obtained; and if so, whether additional explanation in the assurance practitioner's report can mitigate possible misunderstanding. The assurance practitioner shall not report compliance with this ASAE or other AUASB Standards in the assurance report unless it includes, at a minimum, each of the elements identified in 147 of this ASAE.

Modified conclusions

149. The assurance practitioner shall express a modified conclusion when the following circumstances exist and, in the assurance practitioner's professional judgement, the effect of the matter is or may be material:
- (a) when the assurance practitioner's conclusion is that one or more material assumptions do not provide a reasonable basis for prospective financial information prepared on the

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basis of best-estimate assumptions, or includes material hypothetical assumptions; the assurance practitioner shall express an adverse conclusion;

- (b) when the assurance practitioner's conclusion is that the prospective financial information is not free from material misstatement, the assurance practitioner shall express a qualified conclusion or adverse conclusion;
- (c) when the assurance practitioner's conclusion is the effects, or possible effects, of a matter are not so material or pervasive as to require an adverse conclusion or a disclaimer of conclusion, the assurance practitioner shall express a qualified conclusion;
- (d) when there has been a material scope limitation and the possible effect is so pervasive and material that the assurance practitioner concludes that no level of assurance can be provided, the assurance practitioner shall express a qualified conclusion or a disclaimer of conclusion; or
- (e) when the assurance practitioner is unable to obtain sufficient appropriate evidence on which to base the conclusion, and the assurance practitioner concludes that the possible effects of the undetected matters, if any, that cause the prospective financial information not to be properly prepared, could be material and pervasive, the assurance practitioner shall express a disclaimer of conclusion.

150. If the assurance practitioner 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 assurance practitioner shall include in the assurance report a clear description of both the scope limitation and the matter(s) that causes that the prospective financial information to be materially misstated.

Emphasis of Matter Paragraph

151. If the assurance practitioner concludes that it is necessary to draw users' attention to a matter presented or disclosed in the prospective financial information or the accompanying explanatory notes, on the basis that the matter is of such importance that it is fundamental to users' understanding of the prospective financial information, the

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assurance practitioner shall include an Emphasis of Matter paragraph in the assurance report.

Use of Going Concern Assumption Appropriate but a Material Uncertainty Exists (Ref: Para. A120)

152. If the assurance practitioner concludes there is a material uncertainty related to events or conditions that individually or collectively may cast significant doubt on the entity's ability to continue as a going concern, the assurance practitioner shall:
- (a) express a qualified or adverse conclusion, as appropriate, in the assurance report when the responsible party does not make appropriate changes in the document; or
 - (b) include an Emphasis of Matter Paragraph in the assurance conclusion when the responsible party makes appropriate changes in the document.⁴⁰

Consent to the Inclusion of the Assurance Report in a Public Document
(Ref: Para. A121-A122)

153. The assurance practitioner shall consider applicable law or regulation when providing consent in writing to the inclusion of the assurance report in the document.
154. Where the assurance practitioner considers it inappropriate for the assurance report to be included in the document, consent shall either not be provided, or be revoked prior to the relevant date of the document's release.

Documentation (Ref: Para. A123-A124)

155. The assurance practitioner shall prepare documentation on a timely basis.
156. The assurance practitioner shall prepare documentation that is sufficient to enable an experienced assurance, having no previous connection with the assurance engagement, to understand:
(Ref: Para. X to X)

⁴⁰ The concepts and discussions on the circumstances under which an emphasis of matter paragraph be in an auditor's report are contained in ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* and may be helpful in assisting the assurance practitioner decide if it is appropriate for the assurance engagement relating to corporate fundraisings.

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- (a) the nature, timing and extent of the assurance procedures performed to comply with this ASAE and applicable legal and regulatory requirements;
- (b) the results of the procedures performed, and the evidence obtained; and
- (c) significant matters arising during the assurance engagement, the conclusions reached thereon, and significant professional judgements made in reaching those conclusions.

Pro forma Forecast

157. Paragraph's 158 to 175 inclusive of this ASAE deal with additional special considerations in the application of Prospective Financial Information to prospective financial information that has been adjusted by pro forma adjustments.

Assurance Engagement Acceptance

Preconditions for Acceptance (Ref: Para. A125)

158. In addition to the requirements in paragraph's 103 to 104 of this ASAE, the assurance practitioner shall prior to agreeing the terms of the assurance engagement determine whether the applicable financial reporting framework for the preparation of the pro forma forecast proposed by the responsible party is acceptable.
159. The assurance practitioner shall obtain agreement from the responsible party that it acknowledges and understands its responsibility for the preparation and presentation of the pro forma forecast based on:
- (a) assumptions that have reasonable grounds and not on the basis of material hypothetical assumptions, and
 - (b) pro forma adjustments.

Other Factors Affecting Engagement Acceptance

160. The assurance practitioner shall comply with the requirements in paragraph's 105 to 107 of this ASAE.

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Agreeing on the Terms of the Assurance Engagement

161. The assurance practitioner shall comply with the requirements in paragraph's 108 to 109 of this ASAE.

Planning the Assurance Engagement

Planning Activities

162. In addition to the requirements in paragraph 113 to 117 of this ASAE, the assurance practitioner's planning considerations shall include obtaining an understanding of the basis for the pro forma adjustments made to the prospective financial information.
(Ref: Para. X)

Performing the Engagement

Assurance Procedures

163. In addition to the requirements in paragraph's 118 to 120 of this ASAE, the assurance practitioner shall design and perform the following procedures on the pro forma forecast:

- (a) consider the reasonableness and appropriateness of the applicable criteria and time period covered by the pro forma forecast;
- (b) determine whether the pro forma adjustments are:
 - (i) in accordance with the entity's recognition and measurement accounting policies disclosed in section [X] of the document; and
 - (ii) attributable to the underlying event(s) or transaction(s);
- (c) determine whether the resultant pro forma forecast reflects the results of applying the pro forma adjustments to the prospective financial information;
- (d) whether the pro forma forecast disclosures in the document are consistent with the assurance practitioner's understanding; and

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- (e) where applicable, the pro forma forecast is prepared on a basis that is consistent with that of the entity's historical financial information, pro forma historical financial information; or prospective financial information included in the document.

Using the Work of the Responsible Party's Expert

164. The assurance practitioner shall comply with the requirements in paragraph 121 of this ASAE.

Using the Work of the Assurance Practitioner's Expert

165. The assurance practitioner shall comply with the requirements in paragraph 122 of this ASAE.

Adjustments identified by the Assurance Practitioner

166. The assurance practitioner shall comply with the requirements in paragraph's 123 and 124 of this ASAE.

Evaluating the Sufficiency and Appropriateness of Evidence Obtained

167. The assurance practitioner shall comply with the requirements in paragraph's 125 and 126 of this ASAE

Other Information Included in the Document

168. The assurance practitioner shall comply with the requirements in paragraph's 127 to 130 of this ASAE. (Ref: Para X)

Going Concern Considerations

169. The assurance practitioner shall comply with the requirements in paragraph's 131 to 133 of this ASAE. (Ref: Para. X)

Consideration of Events up to the date of Assurance Report

170. The assurance practitioner shall comply with the requirements in paragraph's 134 to 135 of this ASAE. (Ref: Para. X)

Consideration of Events after the date of Assurance Report

171. The assurance practitioner shall comply with the requirements in paragraph's 136 to 137 of this ASAE. (Ref: Para. X)

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Written Representations

172. In addition to the requirements in paragraph's 138 to 141 of this ASAE, the assurance practitioner shall request the responsible party to include in the written representation letter an acknowledgement of the responsible party's responsibilities for:
- (a) the preparation and presentation of the pro forma forecast based on the underlying assumptions and the applicable criteria;
 - (b) determining the applicable time periods to be covered by the pro forma forecast; and
 - (c) selecting and applying the pro forma adjustments used in the preparation of the pro forma forecast.

Forming the Assurance Conclusion

173. In addition to the requirements in paragraph's 142 and 143 of this ASAE, the assurance practitioner shall form a conclusion on the pro forma forecast. In forming the conclusion, the assurance practitioner shall consider the assurance practitioner's conclusion in paragraph X of this ASAE regarding the sufficiency and appropriateness of evidence obtained.

Preparing the Assurance Report

174. The assurance practitioner shall comply with the requirements in paragraph's 145 and 146 of this ASAE. (Ref: Para. X)

Basic Elements of the Assurance Report

175. In addition to the requirement in paragraph's 145 to 148 of this ASAE, the assurance report on pro forma forecast, shall include the following:
- (a) statements in the background section that:
 - (i) identifies the pro forma forecast being reported on, including the time period covered;
 - (ii) refers to the section of the document that outlines the stated basis of preparation of the pro forma forecast;

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- (iii) refers to the section of the document which includes the relevant disclosures that explain the basis of preparation of the pro forma forecast;
- (b) a clearly identified section that details for the pro forma forecast:
 - (i) the source of the prospective financial information used for the pro forma forecast, and whether it has been previously audited or reviewed;
 - (ii) that the responsible party is responsible for the source of the prospective financial information and the pro forma forecast, including any best-estimate assumptions on which it is based;
- (c) statements by the assurance practitioner that:
 - (i) the engagement did not include:
 - ◇ if applicable, updating any previously reviewed financial information that may have been used in the preparation of the pro forma forecast; or
 - ◇ an audit of the pro forma forecast;
 - (ii) the pro forma forecast does not represent a forecast of the entity's actual results;
- (d) the assurance practitioner's limited conclusion:
 - (i) if the conclusion is unmodified, that nothing has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the best-estimate assumptions, including the applicable criteria, do not provide an reasonable basis for the pro forma forecast; and
 - ◇ In all material respects, the pro forma forecast is not properly prepared, on the basis of the best-estimate assumptions as disclosed in section [X] the document, and the pro forma adjustments as

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disclosed in section [X] of the document;
and

- ◇ does not presents fairly, the pro forma forecast in accordance with the recognition and measurement accounting policies adopted by the entity in accordance with the applicable financial reporting framework, except for, assumptions necessary to comply with the stated basis of preparation as disclosed in section [X] of the document; and

- ◇ the pro forma forecast is unreasonable; or

- (i) if the conclusion is modified, includes a clear description of all the reasons for the modification properly described, with the effects appropriately quantified, to the extent reasonably practical, and disclosed in the assurance report.

Modified Conclusions

176. The assurance practitioner shall comply with the requirements in paragraph's 149 to 152 of this ASAE. (Ref: Para. X)

Use of the Going Concern Assumption Appropriate but a Material Uncertainty exists

177. The assurance practitioner shall comply with the requirements in paragraph 152 of this ASAE. (Ref: Para. X)

Consent to the Inclusion of the Assurance Report in a Public Document

178. The assurance practitioner shall comply with the requirements in paragraph's 153 and 154 of this ASAE. (Ref: Para X)

Documentation

179. The assurance practitioner shall comply with the requirements in paragraph's 155 and 156 of this ASAE. (Ref: Para. X)

Proper Compilation of Pro Forma Financial Information

Engagement Acceptance

Preconditions for Acceptance (Ref: Para. A130)

180. The assurance practitioner shall prior to agreeing the terms of the assurance engagement to report on the proper compilation of pro forma financial information included in the document, determine whether the applicable financial reporting framework for the proper compilation of the pro forma financial information proposed by the responsible party is acceptable.
181. In addition to the requirements in paragraph 24 of this ASAE, The assurance practitioner shall obtain agreement from the responsible party:
- (a) that it acknowledges and understands its responsibility for:
 - (i) adequately disclosing and describing the applicable criteria to the intended users if these are not publicly available;
 - (ii) compiling the pro forma financial information on the basis stated;
 - (iii) the preparation of the base financial information to the extent applicable;
 - (iv) the assurance practitioner's role does not involving taking responsibility for the compilation of the pro forma financial information;
 - (v) the selection of the time period covered by the pro forma financial information; and
 - (vi) the selection, development and application of the applicable criteria used in the compilation process, and the adequate disclosures of such criteria in the document; and
 - (b) that it will provide the assurance practitioner with:
 - (i) access to all information (including, where required, information of acquirees in a business

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combination), such as records, documentation and other material, relevant to the proper compilation of the pro forma financial information;

- (ii) additional information that the assurance practitioner may request from the responsible party for the purpose of the assurance engagement;
- (iii) access to those within the entity and the entity's advisors from whom the assurance practitioner determines it necessary to obtain evidence relating to the proper compilation of the pro forma financial information; and
- (iv) where required, access to appropriate individuals within acquirees in a business combination.

Other Factors Affecting Engagement Acceptance

182. In addition to the requirements in paragraph's 25 to 27 of this ASAE, the assurance practitioner shall accept the assurance engagement only when:

- (a) on the basis of a preliminary knowledge of the assurance engagement circumstances and discussion with the responsible party, the assurance practitioner is able to determine that it is unlikely that the pro forma financial information will be materially misstated;
- (b) the assurance practitioner has a reasonable expectation of obtaining the information necessary for the assurance engagement;
- (c) the prescribed conclusion wording specified by applicable law or regulation, if any, to determine that the assurance practitioner will likely be able to express the conclusion so prescribed based on performing the procedures specified in this ASAE; and
- (d) where applicable law or regulation requires base financial information used in the compilation process to have been previously audited or reviewed, that such an audit or review has occurred, and an auditor's report or review conclusion issued.

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Agreeing on the Terms of the Assurance Engagement

183. In addition to the requirements in paragraphs' 28 and 29 of this ASAE, the agreed terms of the assurance engagement shall include the following assurance practitioner responsibilities: (Ref: Para. A131)
- (a) the assurance practitioner will provide limited assurance on the proper compilation of the pro forma financial information;
 - (b) the assurance practitioner will determine whether the applicable criteria selected by the responsible party is suitable; and
 - (c) the assurance practitioner is responsible for performing assurance procedures on the proper compilation of the pro forma financial information to determine if it has been compiled in accordance with the basis stated.

Changes in the Terms of the Assurance Engagement

184. The assurance practitioner shall comply with the requirements in paragraph's 30 to 32 of this ASAE. (Ref: Para X)Planning the Assurance Engagement

Planning Activities

185. The assurance practitioner shall obtain an understanding of: (Ref: Para. A132-A137)
- (a) the nature of the entity and where applicable, any acquiree or divestee including:
 - (i) their operations;
 - (ii) their assets and liabilities;
 - (iii) the way they are structured and how they are financed; and
 - (iv) relevant industry, legal and regulatory and other external factors pertaining to the entity and any acquiree or divestee;

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- (b) the event(s) or transaction(s) in respect of which the pro forma financial information is being compiled;
 - (c) the responsible party's compilation of the pro forma financial information;
 - (d) whether the entity has had an prior audit or review conducted in respect of its historical financial information; and
 - (e) the applicable financial reporting framework, and the accounting and financial reporting practices of the entity and of any acquiree or divestee, including their selection and application of accounting policies.
186. The procedures planned to be performed during the assurance engagement depend on the assurance practitioner's professional judgement, having regard to the assurance practitioner's understanding of the nature of the entity, the event(s) or transaction(s) in respect of which the pro forma financial information has been compiled, materiality considerations with respect to the proper compilation of the pro forma financial information, and other relevant engagement circumstances. (Ref: Para. A138)

Performing the assurance engagement

Assurance Procedures

187. The assurance practitioner shall design and perform the following procedures on the proper compilation of the pro forma financial information:
- (a) determine whether the responsible party has used an appropriate source of the base financial information; (Ref: Para. A1-A144)
 - (b) determine whether the source of the base financial information has been audited or reviewed:
 - (i) if it has been previously audited or reviewed, determine the type of opinion expressed; (Ref: Para. A1-A141) OR

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- (ii) if there has been no audit or review, the assurance practitioner shall perform procedures to be satisfied that the source of the base financial information is appropriate; (Ref: Para. A142)
- (c) determine whether the responsible party has identified the appropriate pro forma adjustments necessary to illustrate the impact of the event or transaction at the date or for the period of the illustration;
- (d) determine whether the pro forma adjustments are in accordance with the basis stated and are:
(Ref: Para. A145-A146)
 - (i) are directly attributable to the underlying event(s) or transaction(s);
 - (ii) are factually supportable. If acquiree or divestee financial information is included in the pro forma adjustments and there is no audit or review report on the source of such financial information, the assurance practitioner shall perform procedures to be satisfied that the financial information is factually supportable;
 - (iii) are consistent with the entity's applicable financial reporting framework and its accounting policies under that framework;
 - (iv) captures all adjustments necessary to illustrate the material impact of the event(s) or transaction(s) at the date, or for the stated time period; and
 - (v) are arithmetically correct;
- (e) assess whether the applicable criteria used in the basis stated is consistent and do not conflict with relevant law or regulation, and unlikely to result in pro forma financial information that is misstated. (Ref: Para. A148)
- (f) evaluate the overall presentation of the pro forma financial information, including consideration of: (Ref: Para. A149)
 - (i) the overall presentation and structure of the pro forma financial information, including whether it

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is clearly distinguished from other financial information;

- (ii) whether the pro forma financial information and related explanatory notes illustrate the impact of the event(s) or transaction(s);
- (iii) whether the assurance practitioner has become aware of any significant events subsequent to the date of the source of the base financial information that may require reference to, or disclosure in, the pro forma financial information; and

- (g) obtain a copy of the document containing the pro forma financial information, and read and consider the other information included in that document to identify material inconsistencies, if any, with the pro forma financial information.

188. If a modified audit opinion or review conclusion has been expressed with respect to the source of the base financial information or the source of the acquiree or divestee financial information, the assurance practitioner considers applicable law or regulation in evaluating what further action to take and: (Ref: Para. A150)

- (a) discusses the matter with the responsible party;
- (b) considers the potential consequences of such an opinion on the proper compilation of the pro forma financial information; and
- (c) considers whether there is any effect on the assurance practitioners' ability to report in accordance with the terms of the assurance engagement, including any effect on the assurance practitioners' report.

Adjustments identified by the Assurance Practitioner

189. If, on the basis of the procedures performed, the assurance practitioner identifies that the responsible party has: (Ref: Para A152)

- (a) used a source of the base financial information that is not appropriate; or

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- (b) omitted a pro forma adjustment that should be included, or inappropriately applied a pro forma adjustment;
- (c) included in the document a material inconsistency or misstatement of fact between the pro forma financial information and the other information included in the document,

the assurance practitioner shall discuss the matter with the responsible party. If corrections of the matter are necessary and the responsible party refuses to make such corrections, the assurance practitioner shall determine the implications for the engagement and the assurance report.

Evaluating the Sufficiency and Appropriateness of Evidence Obtained

190. The assurance practitioner shall evaluate whether they have obtained sufficient appropriate evidence on which to express an assurance conclusion on the proper compilation of the pro forma financial information, including whether it: (Ref: Para. A151)
- (a) is free from material omissions or inappropriate application of any element thereof; and
 - (b) contains adequate disclosure of the applicable criteria used in the basis stated.

Written Representations

191. In addition to the requirements in paragraph 57 of this ASAE, the assurance practitioner shall request the responsible party to include in the written representation letter an acknowledgement of their responsibility for: (Ref: Para. A153)
- (a) the compilation of the pro forma financial information has identified all appropriate pro forma adjustments necessary to illustrate the impact of the event or transaction at the date, or for the time period, of the illustration;
 - (b) the omission of any pro forma adjustments from the compilation of the pro forma financial information because they are not in accordance with the basis stated and such omission does not render the pro forma financial information misstated; and

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- (c) the pro forma financial information has been properly compiled to reflect all the significant effects of the event(s) or transaction(s), and in a way that does not result in the pro forma financial information being misstated.

Evaluating the Sufficiency and Appropriateness of Evidence Obtained

(Ref: Para. A31)

192. The assurance practitioner shall evaluate whether they have obtained sufficient appropriate evidence on which to express an limited or reasonable assurance conclusion, as appropriate, about the compilation of the pro forma financial information being:
- (a) free from material omissions; and
 - (b) adequately refers to, or describes and discloses, the applicable criteria.⁴¹

Forming the Assurance Conclusion

193. The assurance practitioner shall form a conclusion about whether the pro forma financial information has been properly compiled by the responsible party based on the applicable criteria. In forming the conclusion, the assurance practitioner shall consider the assurance practitioner's conclusion in paragraph 191 of this ASAE regarding the sufficiency and appropriateness of evidence obtained for the level of assurance required.

Preparing the Assurance Report

Basic Elements of the Assurance Report

194. The assurance report shall include the following basic elements:
- (a) a title that clearly indicates that the report is an assurance report;
 - (b) an addressee(s), as agreed in the terms of engagement;
 - (c) a background section that identifies

⁴¹ The concepts and discussions on the sufficiency and appropriates of evidence related to an audit engagement are contained in ASA 500 *Audit Evidence* and may be helpful in evaluating the evidence for corporate fundraising engagements.

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- (i) the pro forma financial information;
 - (ii) the source of the base financial information, whether it has been audited or reviewed, and the type of opinion expressed; the time period covered by, or the date of, the pro forma financial information; and
 - (iii) a reference to the applicable criteria in accordance with which the compilation of the pro forma financial information has been performed, and the source of the applicable criteria;
- (d) states that the responsible party is responsible for compiling the pro forma financial information on the basis stated; a description of the assurance practitioner's responsibilities, including statements that:
- (i) describe the type of engagement conducted by the assurance practitioner, the level of assurance and the type of conclusion planned;
 - (ii) the assurance practitioner's responsibility is to express an conclusion about whether the pro forma financial information has been properly compiled by the responsible party on the basis stated;
 - (iii) for purposes of this engagement:
 - ◇ the assurance practitioner is not responsible for updating or reissuing any reports or opinions on any base financial information used in the compilation of the pro forma financial information; and
 - ◇ the assurance practitioner has not performed an audit or review of the pro forma financial information itself, nor, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information;
- (e) states that the assurance engagement was performed in accordance with this ASAE;

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- (f) states that the firm of which the assurance practitioner is a member of, applies ASQC 1;
- (g) states that the assurance practitioner has complied with relevant ethical requirements;
- (h) statements that:
 - (i) the assurance engagement to report on the proper compilation of pro forma financial information involves performing procedures to obtain evidence about whether:
 - ◇ the responsible party has an appropriate basis for presenting the significant effects directly attributable to the event or transaction;
 - ◇ the related pro forma adjustments give appropriate effect to that identified basis; and
 - ◇ the pro forma financial information reflects the proper application of those adjustments to the base financial information;
 - (ii) the procedures selected depend on the assurance practitioner's judgement, having regard to the assurance practitioners; understanding of the nature of the entity, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances; and
 - (iii) the assurance engagement also involves evaluating the overall presentation of the pro forma financial information;
- (i) the assurance practitioner's conclusion:
 - (i) in the case of a limited assurance engagement:
 - ◇ with an unmodified conclusion, that, based on the procedures performed,

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- nothing has come to the attention of the assurance practitioner that causes the assurance practitioner to believe that the pro forma financial information is not properly compiled, in all material respects, by the responsible party on the basis stated; or
- ◇ with a modified conclusion a clear description of all the reasons for the modification properly described, with the effects appropriately quantified, to the extent reasonably practicable and disclosed in the assurance report; or
- (ii) in the case of a reasonable assurance engagement:
 - ◇ with an unmodified conclusion, that the pro forma financial information is properly compiled by the responsible party on the basis stated; or
 - ◇ with a modified conclusion, a clear description of all the reasons for the modification properly described, with the effects appropriately quantified, to the extent reasonably practical, and disclosed in the assurance report;
- (j) a section covering events up to and including the date of the assurance report:
 - (i) including a statement confirming whether any material transactions or events outside the entity's ordinary business have come to the assurance practitioner's attention that would require comment, or adjustment to, the pro forma financial information, and
 - (ii) if applicable, their potential impact;
- (k) an independence, or disclosure of interest, statement;
- (l) the assurance practitioner's signature;

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- (m) the date of the assurance practitioner's report that shall be the date the assurance practitioner signs the report; and
- (n) the assurance practitioner's address.

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Application and Other Explanatory Material

Type of Assurance (Ref: Para. 8)

- A1. The assurance practitioner ordinarily undertakes and reports on financial information related to a fundraising in order to express a limited assurance conclusion. A limited assurance engagement consists of making enquiries, primarily of the responsible party and applying analytical and other review procedures. Assurance engagements related to the reporting on the proper compilation of financial information may be conducted in order to express either a limited or reasonable assurance conclusion.
- A2. Engagements involving historical financial information ordinarily express a reasonable assurance conclusion, however non-historical financial information (for example, pro forma forecast and prospective financial information), by nature, are ordinarily conducted with a view to expressing a limited assurance conclusion. Reasonable assurance can also be expressed on the proper compilation of pro forma financial information.

Non-Assurance Services (Ref: Para.9)

- A3. The assurance practitioner may agree to, and provide non-assurance services in connection with the agreed terms of engagement. Non-assurance services do not result in an assurance conclusion being expressed by the assurance practitioner,⁴² and consequently are not within the scope of this ASAE. The assurance practitioner may decide that such non-assurance services may be included in a separate engagement letter from the assurance services, or combined into a single engagement letter.
- A4. Examples of non-assurance services that may be performed by the assurance practitioner include:
- (a) the preparation and issuance of a Materiality Letter to an entity's due diligence committee related to the fundraising;
 - (b) participation in the entity's due diligence committee; and

⁴² Refer *Framework for Assurance Engagements* (April 2010) for further guidance on the elements of an assurance engagement (Para. 20) and consulting engagements (paragraphs 12-Aus 16.1).

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- (c) agreed upon procedures engagements, where no assurance conclusion is expressed (for example, a report of factual findings in respect of subsets of financial information included in the public document or the document; or earnings per share calculations).⁴³

Historical Financial Information

Engagement Acceptance

Preconditions for Acceptance (Ref: Para. 23)

- A5. The responsible party is ultimately responsible for the preparation and presentation of all information (including any assumptions and applied criteria used as the basis for the historical financial information) in the document. The responsible party may engage other experts (for example, tax advisors, business advisors, or legal counsel) who may prepare, assist with the preparation, or provide independent advice on, the information included in the document; however it is the responsible party who retains responsibility for such information. The only exception to this being that the responsible party is not responsible for the content of reports prepared by other parties/experts, which are included, by consent, in the document.

Other Factors Affecting Engagement Acceptance

- A6. The assurance practitioner should be satisfied, based on preliminary knowledge that the assurance engagement has a rational purpose. Examples where this may not be the case include (Ref: Para. 25(c))
 - (a) if there will be a significant limitation on the scope of the assurance practitioner's work; or
 - (b) if engagement circumstances lead the assurance practitioner to believe that the responsible party intends to associate the assurance practitioner's name with the financial information in an inappropriate manner.
- A7. If the responsible party is not also the engaging party, the assurance practitioner ordinarily considers the effect this may have on their ability to access records, documentation and other information that

⁴³ See ASRS 4400 *Agreed-Upon Procedures* issued by the AUASB.

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may be needed by the assurance practitioner to complete the assurance engagement.

- A8. In circumstances where the assurance practitioner is a member of a firm which is also providing to the entity non-assurance services in respect of the document, the assurance practitioner should consider relevant ethical requirements (including independence), and the requirements of applicable law, regulation or professional standards when considering whether to accept the assurance engagement. Examples of non-assurance services commonly provided include participation in the entity's due diligence committee, preparation of taxation information and other consulting services. The provision of such non-assurance services by the assurance practitioner is not within the scope of this ASAE. (Ref: Para. 27)

Agreeing on the Terms of the Assurance Engagement

- A9. Acknowledgement by the responsible party in writing via acceptance of the assurance engagement letter provides evidence that the appropriate relationship exists, that the responsible party accepts its responsibilities, and establishes a basis for a common understanding of the responsibility of each party. It also avoids misunderstandings of the agreed terms. The responsible party who is requested to sign the assurance engagement letter should 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 assurance engagement or the entity may not be in existence when the assurance engagement commences (for example, a new company structure). In such cases, the assurance practitioner considers whether to update and re-issue the assurance engagement letter terms for a change of responsible party. (Ref: Para. 28)
- A10. In the absence of a written acknowledgement of responsibility by the responsible party, via acceptance of the assurance engagement letter, the assurance practitioner should consider whether it is appropriate to accept the assurance engagement. Accepting the assurance engagement may be appropriate when, for example, other sources, such as applicable law, regulation, or a contract, acknowledge, or indicate such responsibility in sufficient detail the terms of the assurance engagement. For example, under the *Corporations*

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Act 2001,⁴⁴ the directors of an entity are deemed responsible for the financial information included in a public document used in offering securities.

- A11. The assurance practitioner exercises professional judgement as to what assurance procedures are summarised in the assurance engagement letter, taking into account the nature of the financial information, and the assurance engagement circumstances. Examples of procedures that could be detailed are:
- (a) analytical review procedures;
 - (b) review and consideration of key work papers, accounting records and other documents prepared by the responsible party and other experts; and
 - (c) enquiry of, and discussion with, the responsible party, those charged with governance, management, experts, and other parties related to the historical financial information;
 - (d) examination, on a test basis, of evidence supporting the historical financial information, including its basis of preparation; and
 - (e) 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.
- A12. The assurance practitioner may include such terms and conditions as in their professional judgement are appropriate to the assurance engagement. They may include:
- (a) documented important deadlines/timelines for the completion of the assurance engagement. This may include deadlines such as the expected date of publication of the document and when the assurance practitioner's consent is required;

⁴⁴ See Section 717 of the *Corporations Act 2001* for an overview of the procedures for offering securities.

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- (b) arrangements regarding the planning and performance of the assurance engagement; including the composition of the assurance engagement team (including any experts);
- (c) arrangements for the assurance practitioner to:
 - (i) attend meetings such as the due diligence committee meetings (if appropriate under the terms of the assurance engagement);⁴⁵
 - (ii) receive draft and final versions of the document in a timely manner when requested; and
 - (iii) use the service(s) of the responsible party's experts and/or the assurance practitioner's experts; and
 - (iv) communicate directly with the entity's external auditor and/or other professional advisers regarding matters relevant to the historical financial information.

A13. The form and context of any published consent that the assurance practitioner has agreed to include in the document; for example, in respect of public documents prepared in accordance with the *Corporations Act 2001*⁴⁶ and lodged with the Australian Securities and Investments Commission (ASIC) entities intending to distribute the document in both electronic and paper form, the responsible party must also obtain the assurance practitioner's consent to the inclusion of their report in both forms of the document.⁴⁷

A14. Appendix 2 provides an illustrative example engagement letter for an assurance engagement.

Changes in the Terms of the Assurance Engagement

A15. Examples of when requests from the responsible party may be received include a change to reflect a change in circumstances affecting the need for the service, a misunderstanding of the nature of the assurance services to be provided. The assurance practitioner considers the justification for the proposed change on the conduct

⁴⁵ 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.

⁴⁶ See Section 716 of the *Corporations Act 2001*.

⁴⁷ See ASIC Regulatory Guide 107 *Electronic Prospectuses*.

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and reporting of the assurance engagement, as well as any evidence that was obtained prior to the change, prior to the assurance practitioner agreeing to the change. Changes that may be unacceptable to the assurance practitioner include: (Ref: Para. 30-31)

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

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

Planning the Assurance Engagement

A17. Planning the assurance engagement ordinarily involves obtaining an understanding of the historical financial information, its preparation, and other assurance engagement circumstances to identify and understand events and transactions that may have a significant impact on the historical financial information, or on the assurance report. The assurance practitioner is required to use professional judgement to determine the extent of the understanding that is needed of the nature of the historical financial information and other assurance engagement circumstances.⁴⁸ The assurance practitioner ordinarily considers whether that understanding is sufficient to assess the risks that the historical financial information may be materially misstated. (Ref: Para. 1)

Planning Activities

A18. The type of planning activities the assurance practitioner performs depends on the level of understanding of the entity the assurance practitioner may already have. Such an understanding may have

⁴⁸ The concepts and discussions on complete set of 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 determining the components of a complete set of financial statements applicable to an assurance engagement.

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been obtained from prior audit or review engagements performed. If this is the case, the assurance practitioner would ordinarily have acquired an understanding of the entity and its operations. This understanding would ordinarily 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 had not changed in the current time period. It could then be used, for example, to provide a measure for assessing the reasonableness of the best-estimate assumptions used in the preparation of the historical financial information. Note that in certain engagement circumstances, the assurance practitioner may not be able to obtain such a detailed understanding. For example, in takeover or merger fundraising transaction, the assurance practitioner may not be able to access one of the entity's financial information, other than that available in the public domain. Hence, the level of understanding will be necessarily more limited, as will the nature of the assurance conclusion.

- A19. If the assurance practitioner does not have an prior understanding of the entity, the following planning activities assist the assurance practitioner in determining the nature, timing and extent of procedures to be performed:
- (a) understanding whether the entity is in a start-up phase, or has been in operation for a number of years. If the entity is in start-up phase, the assurance practitioner ordinarily expands their planning activities so as to be able to obtain sufficient knowledge and understanding of the entity; and
 - (b) understanding the nature and type of entity including its size, complexity, ownership and regulatory structure, strategies, industry, key products/services, competitors, regulatory environment, management structure, and financial resources.
- A20. Understanding the historical financial information involves:
- (a) understanding the source of the historical financial information (audited/reviewed financial information or otherwise), and whether any of the source information has been subject to a prior audit or review;
 - (b) understanding the applied criteria developed, selected and used by the responsible party to meet their requirements in the preparation of the historical financial information. As

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detailed in ASAE 3000,⁴⁹ the applied criteria ordinarily has particular characteristics that the assurance practitioner is able to use in their evaluation of whether the applicable criteria has been applied by the responsible party. These characteristics include relevance, completeness, reliability, neutrality, and understandability; (Ref: Para. 115(g))

- (c) understanding the basis of preparation of the historical financial information (including the extent to which statistical, mathematical and computer-assisted techniques are used) and comparisons between this and the most recently audited or reviewed historical financial information;
 - (d) obtaining an understanding of whether comparative information is to be included in the document, and whether it will be restated;
 - (e) identifying relevant financial information available in the public domain; and
 - (f) developing expectations for use when performing analytical procedures.
- A21. Materiality is ordinarily 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 assurance practitioner's evaluation of the historical financial information, and the intended user's interests.⁵⁰ In determining materiality, the assurance practitioner uses 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 entity's prospects.
- A22. Assurance engagement risk comprises inherent risk, control risk and detection risk and the assurance practitioner considers these risk components in terms of the assurance engagement circumstances; in particular the nature of the financial information and whether a reasonable or limited assurance conclusion is sought. These

⁴⁹ See ASAE 3000, paragraphs 35-39 (inclusive).

⁵⁰ 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 assurance practitioners when determining materiality in the conduct of an assurance engagement.

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considerations are then reflected in the extent of the planned procedures to be performed and the evidence-gathering process.

Reliance on the work of another Assurance Practitioner (Ref: Para. 36)

A23. The assurance practitioner should consider whether to request reliance on the work of another assurance practitioner, in respect of previously issued audit or review reports on historical financial information, and then to what extent such reliance should be taken. The assurance practitioner considers:

- (a) Whether the assurance practitioner can obtain access to the audit working papers.
- (b) Whether the other assurance practitioner permits reliance to be placed on the work.
- (c) The purpose for which the other work was performed.
- (d) Audit materiality levels set.
- (e) Audit approach taken.
- (f) Audit differences (if any) identified.
- (g) Type of opinion expressed in the auditor's report, and if applicable, reasons for a modified opinion.
- (h) Whether the assurance practitioner is able to conclude that the base financial information has been prepared in accordance with the Australian Accounting Standards and/or the stated accounting policies of the entity.

A24. Even if the assurance practitioner requests the other assurance practitioner to permit reliance on their previously issued assurance report by the assurance practitioner for the purpose of the current assurance engagement, it is often the case that the other assurance practitioner will not permit such reliance. This is due to their assurance report being prepared and issued for a purpose other than the subject of the current assurance engagement. In the absence of the assurance practitioner being able to place reliance, the assurance practitioner needs to carefully consider what additional assurance procedures are required to be planned and performed on the source financial information used in the preparation of the historical

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financial information, in order to obtain sufficient and appropriate evidence necessary for the assurance engagement.⁵¹

Performing the assurance engagement

Assurance Procedures

- A25. The assurance procedures ordinarily involve performing analytical review of the historical financial information, enquiries of the responsible party and other relevant parties, and obtaining evidence. Where the assurance practitioner identifies matters requiring further investigation, further assurance procedures are designed and performed, to reduce assurance engagement risk to an appropriate level.
- A26. The extent of procedures and evidence required depends on the agreed terms of the assurance engagement and the type of assurance to be obtained. When designing and performing assurance procedures, the assurance practitioner considers the adequacy, relevance and reliability of the information obtained to be used as evidence.⁵² The assurance practitioner ordinarily performs the following assurance procedures (Ref: Para. 0)
- (a) assessing the suitability of the recognition and measurement accounting policies used as applicable criteria for the preparation of the historical financial information;
 - (b) assessing the appropriateness and suitability of any adjustments made compared to the applicable criteria;
 - (c) if comparative information is included, to compare its basis of preparation against the entity's previously audited or reviewed historical financial information; and ensure any restatements made are appropriate;
 - (d) performing analytical procedures;

⁵¹ The concepts and discussions on placing reliance on the work of another auditor relevant to an audit engagement are contained in ASA 620 *Using the work of an Auditor's Expert and ASA 600 Special Considerations - Audit of a Group Financial Report (Including the Work of Component Auditors)* which may be useful to assurance practitioners when determining the extent, if any, of such reliance in the conduct of an assurance engagement.

⁵² The concepts and discussions on obtaining evidence relevant to an audit engagement are contained in ASA 500 *Audit Evidence* which may be useful to assurance practitioners when determining the extent of the evidence required to be obtained in the conduct of an assurance engagement.

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- (e) making enquires of the responsible party, other experts and relevant parties;
 - (f) reviewing the entity's work papers, accounting records and other documents;
 - (g) performing analytical procedures;
- A27. When the assurance practitioner obtains oral representations from the responsible party in respect of matters supporting the financial information, the assurance practitioner ordinarily: (Ref: Para. 1)
- (a) Evaluates their reasonableness and consistency 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.⁵³
 - (d) Documents the key aspects of the oral representation.
- A28. If the assurance engagement terms include the assurance practitioner performing a review of the historical financial information, the nature, timing, and extent of review procedures to be carried out may be influenced by various factors, including: (Ref: Para. 38)
- (a) if the entity's financial report has already been audited or reviewed, and if so whether the audit or review was conducted in accordance with Australian Auditing Standards; and whether a modified opinion was expressed in the auditor's report;
 - (b) whether the historical financial information included in the document is consistent with that of the prior period audited or reviewed historical financial information. For example, such comparatives may have been restated and/or adjusted by the responsible party to ensure consistency of basis of preparation. There may also be cases where the omission of comparatives may be appropriate when a major event or

⁵³ 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 an assurance engagement.

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transaction (e.g. restructuring) has occurred since the comparative time period;

- (c) whether the source (an audited or reviewed financial report) and time period covered by the historical financial information is appropriate under the applicable criteria. The evaluation of the appropriateness of the source and the time period used should include an assessment of whether there are any inconsistencies with the applicable criteria;
- (d) whether the preparation of the historical financial information is consistent with the recognition and measurement principles in Australian Accounting Standards (or other applicable financial reporting framework);
- (e) whether there is a need to make adjustments previously considered immaterial in the prior period audit or review of the financial report;
- (f) responses by the responsible party, the entity's management, the entity's external auditor (if another assurance practitioner audited the financial report) and other experts, to enquiries made by the assurance practitioner.⁵⁴ Such enquiries may relate to whether there were:
 - (i) any changes in accounting policies, financial reporting practices and other reporting requirements that occurred during the time period under examination;
 - (ii) any adjustments required to convert the basis of the financial report presentation from an overseas jurisdiction's generally accepted accounting principles to Australian Accounting Standards (or other applicable Australian reporting framework);
 - (iii) any unadjusted audit differences from the most recently audited or reviewed financial report that may be material for the purposes of the document;

⁵⁴ The concepts and discussions on using the work of another auditor or internal auditor relevant to an audit engagement are contained in Auditing Standard ASA 600 *Special Considerations-Audits of a Group Financial Report (including the Work of Component Auditors)* and Auditing Standard ASA 610 *Using the Work of Internal Auditors* which may be helpful in considering the work of other auditors applicable to an assurance engagement.

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- (iv) the treatment of any provisions and other significant accounting estimates (such as asset revaluations) in the financial report; and
- (v) any significant transactions with related parties, such as assets that have been purchased from an associated entity.

Using the Work of the Responsible Party's Expert (Ref: Para. 41)

A29. The assurance practitioner considers the following when evaluating the work of the responsible party's 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 assurance engagement;
- (c) the assurance practitioner's knowledge of and experience with previous work performed by that expert;
- (d) the extent of review of the expert's work by the assurance practitioner; and
- (e) the results/findings of the experts' work, and whether it is to be included in the document.

Adjustments identified by the Assurance Practitioner

A30. The assurance practitioner should communicate to the responsible party matters relating to the historical financial information, that in their professional judgement require the responsible party to make a material adjustment to the historical 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 assurance practitioner of their findings and provide supporting evidence, as well as their decision on whether they will make the adjustment to the historical financial information. The assurance practitioner is then able to evaluate the evidence provided to consider if the responsible party's decision on the adjustment is acceptable to the assurance practitioner. (Ref: Para. 43)

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Evaluating the Sufficiency and Appropriateness of Evidence Obtained

(Ref: Para. 1-1)

- A31. The assurance practitioner uses professional judgement in determining the sufficiency and appropriateness of the evidence obtained based on the procedures performed. The quantity of evidence obtained by the assurance practitioner is a measure of the sufficiency of the evidence, whilst the quality of the evidence obtained is a measure of its appropriateness; that is, its relevance and its reliability.⁵⁵
- A32. If the assurance practitioner identifies that the historical financial information may be materially misstated, and hence its disclosure in the document is potentially misleading, the assurance practitioner carries out additional procedures, or performs more extensive procedures to enable the assurance practitioner to form a conclusion, including whether a modified conclusion is required.

Other Information included in the document (Ref: Para. 46-47)

- A33. Material inconsistencies in other information that come to the assurance practitioner's attention may raise doubt about the conclusions drawn from evidence previously obtained and possibly, about the basis for the assurance practitioner's conclusion in the assurance report. Assurance practitioners need to pay particular attention to the form and content of the other information (for example if it is in graphical or table form) when looking for inconsistencies. When discussing an apparent material misstatement of fact with the responsible party, the assurance practitioner may not be able to sufficiently evaluate the validity of certain information and the responsible party's responses to the assurance practitioner's enquiries, and may conclude that valid differences of opinion or judgement exist.

Going Concern Considerations (Ref: Para. 50-52)

- A34. The assurance practitioner considers the appropriateness of the going concern assumption of the entity when the nature of the assurance engagement and the financial information subject to assurance means that such an assessment could have implications for the assurance report. Ordinarily the assessment of going concern is

⁵⁵ 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 an assurance engagement.

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appropriate for assurance engagements relating to historical financial information, all types of pro forma financial information and prospective financial information.

- A35. When considering whether the entity is a going concern⁵⁶, the assurance practitioner ordinarily takes into account the entity's prepared forecasts, cash flow statements, and financial position and any other events or conditions that are relevant to the assessment. For example, if the prospects for profitability are not supported by adequate cash flows, then both the forecast financial performance statement and the ongoing viability of the entity are at risk. There may also be mitigating factors that in the assurance practitioner's professional judgement, eliminate the going concern uncertainty. These factors may include:
- (a) unequivocal financial support provided from another entity which has the capacity to provide support, or
 - (b) the underlying transaction or event giving rise to the document (for example, a capital raising) will, if complete successfully, raise sufficient funds to result in the entity becoming a going concern.
- A36. Mitigating factors should be supported by appropriate written evidence. In such circumstances, the assurance practitioner needs to evaluate and document how the unequivocal financial support or proceeds from the fundraising issue will provide funding for future operations of the entity that will result in the entity becoming a going concern. Consideration should be given to any proposed underwriting of any capital raising, and the circumstances in which the proposed underwriting may not occur. The assurance practitioner should also consider requesting a written representation from the responsible party regarding the appropriateness of the going concern assumption.
- A37. If the assurance practitioner does not consider the going concern assumption to be appropriate to the entity, the implications for the assurance report depend on whether the responsible party has modified the basis of preparation of the financial information from that of a going concern:

⁵⁶ The concepts and discussions on performing a going concern assessment of an entity, relevant to an audit engagement are contained in Auditing ASA 570 *Going Concern*, and may be helpful in performing a going concern assessment in an assurance engagement.

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- (a) if the assurance practitioner does not consider the basis to be appropriate, then the conclusion in the assurance report should be modified (adverse conclusion) on the basis of the going concern assumption being inappropriate to the financial information; or
- (b) if the assurance practitioner considers the basis to be appropriate, then the assurance report may include an emphasis of matter paragraph in the assurance conclusion to draw attention to the disclosure of this fact in the historical financial information.

Consideration of Events up to the Date of the Assurance Report

(Ref: Para. 53-1)

A38. The extent of consideration by the assurance practitioner of events or transactions occurring after the date of performing assurance procedures and before the date of the assurance report (commonly referred to as subsequent events) depends on:

- (a) the agreed terms of the engagement for reporting of subsequent events;
- (b) the potential for such events to materially affect the historical financial information in the document in terms of requiring comment on, or adjustment to, the historical financial information; and
- (c) whether such events or transactions causes the historical financial information to be potentially misleading or deceptive;
- (d) whether such events or transactions are within the ordinary business of the entity; and
- (e) the requirements of applicable law, regulation, or professional standards.⁵⁷

⁵⁷ The concepts and discussions on subsequent events relevant to an audit engagement are contained in Auditing Standard ASA 560 *Subsequent Events*, and may be helpful in determining the principles applicable to an assurance engagement.

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Consideration of Events Identified after the date of the Assurance Report (Ref: Para. 55- 56)

- A39. If there are material deficiencies or significant matters omitted from the document, which come to the assurance practitioner's attention after:
- (a) in the case of a public document, it has been lodged with the appropriate regulatory body, and before the relevant date, the assurance practitioner considers the implications for the assurance report, as well as any reporting obligations the assurance practitioner may have to inform the entity issuing the document; or
 - (b) in the case of a document that is not a public document, after it has been finalised and issued to its intended user(s), and before the relevant date, the assurance practitioner considers the implications for the assurance report, as well as any reporting obligations the assurance practitioner may have to inform the entity issuing the document.
- A40. If material deficiencies or significant matters related to the historical financial information are omitted from the document and come to the assurance practitioner's attention prior to the relevant date, the assurance practitioner discusses the omissions with the responsible party. If the responsible party refuses to correct such omissions, the assurance practitioner ordinarily withdraws consent for the entity to include the assurance report in the document, and evaluates if there are any applicable law or regulation that impose particular reporting obligations on the assurance practitioner.

Written Representations

- A41. The assurance practitioner requests and obtains a written representation letter from the responsible party at the completion of the assurance engagement.⁵⁸ The assurance practitioner ordinarily provides the responsible party with a specific list of matters requiring the responsible party's representations. Such matters may already be contained in documentation reviewed by the assurance practitioner, including minutes of meetings, written acceptance of the assurance engagement terms, and due diligence committee

⁵⁸ 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 an assurance engagement.

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reports, and therefore the assurance practitioner only needs to request the inclusion of such matters in the written representation letter if the assurance practitioner considers it appropriate in the assurance engagement circumstances. Appendix 3 provides an illustrative written representation letter. (Ref: Para. 60)

- A42. Oral or written representations made by the responsible party cannot replace other evidence the assurance practitioner 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 historical 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 assurance practitioner should 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.
- A43. If the responsible party does not provide such a letter, or refuses to provide it, the assurance practitioner may qualify or issue a disclaimer of conclusion in the assurance report, on the basis of a limitation on the scope of the assurance engagement. The assurance practitioner may also include a restriction paragraph on the distribution of, or use of, the assurance report. (Ref: Para. 60)
- A44. An inability to obtain sufficient appropriate evidence regarding a matter that has, or may have, a material effect on the evaluation of the historical financial information in the document, when such evidence would ordinarily be available, constitutes a limitation on the scope of the assurance engagement, even if a written representation from the responsible party has been received by the assurance practitioner on the matter. (Ref: Para. 60)

Forming the Assurance Conclusion (Ref: Para. 61-63)

- A45. Applicable law or regulation may preclude the assurance practitioner from expressing a modified conclusion in an assurance report that is included in a public document. Where this is the case, and the assurance practitioner concludes that a modified conclusion is nevertheless appropriate, the assurance practitioner discusses the matter with the responsible party. If the responsible party does not agree to make the changes required to enable the assurance practitioner to issue an unmodified conclusion, the assurance

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practitioner considers whether they are able to withhold the assurance report, withdraw from the assurance engagement, or seek legal advice.

Preparing the Assurance Report

- A46. The assurance report may be prepared solely in respect of a particular type of financial information (for example, pro forma historical financial information) or be a composite report where two or more of types of financial information are the subject of the assurance report (for example historical and prospective financial information). (Ref: Para. 64)
- A47. If the assurance practitioner is preparing a composite assurance report the assurance practitioner needs to ensure:
- (a) the different types of financial information are clearly identified in the document, and separately referred to in the assurance report; and
 - (b) the assurance report clearly identifies and segregates the work carried out, and type of assurance expressed, on the each types of financial information. (Ref: Para. 64)

Basic Elements of the Assurance Report (Ref: Para. 66)

- A48. In respect of an assurance report that is being included in a public document prepared in accordance with the *Corporations Act 2001*, the assurance practitioner also needs to ensure that the assurance report is:
- (a) appropriately cross referenced and consistent with other information disclosed in the public document; and
 - (b) appropriately positioned in the public document in relation to the financial information on which the assurance practitioner provides a conclusion.⁵⁹
- A49. Appendix 4 contains illustrative examples of assurance reports.

⁵⁹ See ASIC's RG 170.

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**Use of Going Concern Assumption Appropriate but a Material
Uncertainty Exists** (Ref: Para. 72)

- A50. The assurance practitioner considers the adequacy of the going concern related disclosures in the document as follows:
- (a) if, in the assurance practitioner's professional judgement, the responsible party's disclosure is considered adequate, in terms of both the description of the principal events or conditions that cast significant doubt on the entity's going concern ability, as well as the fact that a material uncertainty exists related to the events or conditions and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business, then the assurance practitioner expresses an unmodified conclusion, with an Emphasis of Matter paragraph. The Emphasis of Matter paragraph is intended to highlight the existence of the material uncertainty and to draw attention to the responsible party's disclosures; or
 - (b) if in the assurance practitioner's professional judgement disclosure is inadequate, the assurance practitioner expresses a qualified conclusion or adverse conclusion, as appropriate.

Consent to the Inclusion of the Assurance Report in a Public Document
(Ref: Para. 73-74)

- A51. For assurance reports in connection with a public document prepared in accordance with the *Corporations Act 2001*, the assurance practitioner is required to consent to the form and context in which the assurance report is included in that public document.⁶⁰ Consequently, the assurance practitioner ordinarily reads all other information included in the public document to consider whether it contains any material inconsistencies or material misstatements of fact as compared to the historical financial information.
- A52. There may be some circumstances where the assurance practitioner does not consider it appropriate to provide the consent. For example:

⁶⁰ See Section 716 of the *Corporations Act 2001*.

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- (a) where there are material inconsistencies between the historical financial information and other information which remain uncorrected by the responsible party;
- (b) where there are material misstatements of fact relevant to the historical financial information in other information which remain uncorrected by the responsible party; or
- (c) where the assurance practitioner does not consider the assurance report will be used for the intended purpose.

Documentation (Ref: Para. 75)

A53. Sufficient appropriate documentation⁶¹ should include a record of the assurance practitioner's reasoning on all significant matters that required the exercise of professional judgement, together with the assurance practitioner's conclusions on the matters. In areas involving difficult questions of estimate, principle or judgement, the documentation should include the relevant facts that were known by the assurance practitioner at the time the conclusion was reached.

A54. In applying professional judgement to assessing the extent of documentation to be prepared and retained, the assurance practitioner ordinarily considers what would be necessary for another experienced assurance practitioner who has no previous experience with the assurance engagement to obtain an understanding of the work performed and the basis of the significant decisions taken. It is, however, neither necessary nor practicable to document every matter the assurance practitioner considers during the assurance engagement.

Pro Forma Historical Financial Information

Agreeing on the Terms of the Assurance Engagement (Ref: Para. 80)

A55. There may be circumstances in which undertaking and reporting on pro forma financial information itself is not possible. For example, the fundraising may involve a takeover where the assurance practitioner, or the responsible party of the entity does not have access to the other entity's financial information. Such financial information may or may not have been subject to an audit or review,

⁶¹ The concepts and discussions on documentation relevant to an audit engagement are contained in Auditing Standard ASA 230 *Audit Documentation*, and may be helpful in determining appropriate documentation to be obtained in an assurance engagement.

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by another assurance practitioner, depending on the source of the base financial information. In such as case, the assurance practitioner is unable to obtain evidence about how the financial information was prepared (for example, if it was prepared in accordance with Australian Accounting Standards). The responsible party may, in the circumstances, instead request the assurance practitioner to undertake and report on the proper compilation of the aggregated pro forma financial information, rather than the pro forma financial information itself.

- A56. Ordinarily the assurance practitioner only provides limited assurance on pro forma historical financial information, as the adjustments made to the base financial information (which is historical) are based on a stated basis of preparation, which are selected by the responsible party. The assurance practitioner has no responsibility under the terms of the assurance engagement to perform an assessment of the appropriateness or otherwise of the selected stated basis of preparation.

Planning the Assurance Engagement

Planning Activities (Ref: Para. 82)

- A57. In addition to the application and other explanatory material in paragraph A18, the following planning activities assist the assurance practitioner in the planning process:
- (a) understanding what historical financial information has been selected to use as the base for the preparation of the pro forma historical financial information;
 - (b) understanding whether the base financial information has been audited or reviewed, and if so, the extent of work performed, and the type(s) of opinion expressed in the auditor's report;
 - (c) discussing with the responsible party what recognition and measurement accounting policies have been used as the stated basis of preparation;
 - (d) understanding any recent key changes in the entity's business activities, and how they affect the pro forma historical financial information;

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- (e) identifying the pro forma adjustments that have been made, and the transactions or events the effects of which they intend to record;
- (f) understanding the methodology used by the responsible party for adjusting the base financial information by the pro forma adjustments;
- (g) considering whether the use of experts⁶² or other persons with specialised skills is required for the assurance engagement. They may be used, for example, in determining:
 - (i) whether the pro forma adjustments were prepared in accordance with the stated basis of preparation;
 - (ii) the suitability of the stated basis of preparation;
 - (iii) evaluating particular pro forma adjustments (for example adjustments that are complex or highly subjective in nature); and
 - (iv) assessing the impact of certain contractual provisions on the pro forma historical financial information.

A58. Pro forma adjustments are adjustments applied to (unadjusted) base financial information by the responsible party, ordinarily:

- (a) to illustrate the impact of a significant event(s) or transaction(s), as if the event had occurred, or the transaction had been undertaken at an earlier date selected for the purposes of the illustration;
- (b) if an entity is being acquired, to make its basis of preparation of the financial information consistent with the applicable financial reporting framework (including accounting policies) of the acquiring entity;

⁶² The concepts and discussions on placing reliance on the work of another auditor relevant to an audit engagement are contained in ASA 620 *Using the Work of an Auditor's Expert*, which may be useful to assurance practitioners when determining the extent, if any, of such reliance in the conduct of an assurance engagement.

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- (c) to eliminate the effects of unusual or non-recurring transactions that are not part of the normal operations of the entity;
- (d) to allow for a “like-for-like” comparison across particular time periods; and/or
- (e) to correct errors or uncertainties;
- (f) ensure consistency with current accounting policies, or applicable Australian Accounting Standards; and/or
- (g) to reflect post financial reporting period end transactions.

Pro forma adjustments need to have a reasonable basis of preparation and be supported by appropriate evidence.

Performing the assurance engagement (Ref: Para. 84)

Assurance Procedures

A59. In addition to the application and other explanatory material in paragraph A25 of this ASAE, when designing and performing assurance procedures, the assurance practitioner’s procedures on pro forma historical financial information ordinarily include:

- (a) determining, through enquiry and analytical procedures, whether the base historical financial information selected by the responsible party:
 - (i) has been previously audited or reviewed, and the results of that audit or review;
 - (ii) has been prepared from underlying, reliable, accounting records,
 - (iii) has been agreed or reconciled to the underlying accounting records;
 - (iv) reflects any changes made to the recognition and measurement accounting policies from the prior time period, and if so, the nature of the change and its effect;

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- (v) reflects the results of any identified f
misstatements from the prior year’s financial
report;

and therefore provides a reasonable basis for the
preparation of pro forma historical financial information;

- (b) reading the comparable prior time period financial report
and, as appropriate, the most recent annual or interim
financial report;

- (c) where applicable, reading the most recent audit or review
working papers relating to the entity’s financial report to
identify any matters that may affect the base historical
financial information;

- (d) understanding the pro forma adjustments made to the base
historical financial information, and the transactions to
which they relate, including:

- (i) what their purpose is, including whether it is to
reclassify historical amounts, or account for
transaction specific effects;

- (ii) whether they can be supported with evidence by
the responsible party, and are relevant to the
fundraising, or other transactions or events for
which adjustments have been made;

- (iii) whether they are historical in nature, and hence
reflect transaction results achieved in the actual
time period in which they occurred:

- ◇ if the adjustments reflect anticipated
transactions or events that have not yet
happened, or will not happen, they are
known as “as if” adjustments; or

- ◇ if adjustments are made to reflect the
indirect results of events or transactions as
if they had been achieved in a prior time
period or earlier in the current period,
rather than when they were actually
achieved, they are still “as if”
adjustments;

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- (iv) ensuring all pro forma adjustments considered material by the responsible party and the assurance practitioner, to reflect the effects of the transactions or events for which adjustment is being made, are reflected in the resultant pro forma financial information;
- (v) reviewing and assessing the suitability of pro forma adjustments made, as compared to the stated basis of preparation (being the appropriate recognition and measurement accounting policies adopted by the entity, and as disclosed in the document;
- (vi) confirming the mathematical accuracy of the calculations performed in deriving and applying the pro forma adjustments to the historical financial information in order to produce the pro forma historical financial information; and
- (e) performing analytical procedures on the resultant pro forma historical financial information.

Preparing the Assurance Report

Basic Elements of the Assurance Report

- A60. The stated basis of preparation described in the document, should include the extent to which the entity has been consistent with the recognition and measurement principles in the Australian Accounting Standards, except for pro forma adjustments to reflect the fundraisings transaction in the pro forma historical financial information. (Ref: Para. 97(c)(i))

Prospective Financial Information

Assurance Engagement Acceptance

Preconditions for Acceptance (Ref: Para. 103-104)

- A61. The responsible party is ultimately responsible for the preparation and presentation of all information (including all assumptions and applied criteria used in the preparation of the prospective financial information) in the document. The responsible party may engage other experts (for example, tax advisors, business advisors, or legal

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counsel) who may prepare, assist with the preparation, or provide independent advice on, the information included in the document; however it is the responsible party who retains responsibility for such information. The only exception to this being that the responsible party is not responsible for the content of reports prepared by other parties/experts, which are included, by consent, in the document.

- A62. Assurance engagements on prospective financial information ordinarily express a limited assurance conclusion. This is due to the nature of the prospective financial information being related to events and actions that have not yet occurred, and may not occur. Evidence available to support the underlying assumptions may be available, however such evidence is itself generally future orientated and, therefore, speculative in nature. The assurance practitioner is therefore not in a position to express an opinion as to whether the results shown in the prospective financial information will be achieved. Further given the nature of the evidence available in assessing the reasonableness of the assumptions on which the prospective financial information is based, it is ordinarily difficult for the assurance practitioner to obtain a level of satisfaction sufficient to express a reasonable assurance conclusion that the assumptions are free of material misstatement. Consequently, the assurance practitioner ordinarily provides a limited assurance conclusion on the reasonableness of best-estimate assumptions.
- A63. If the base financial information that is the source of the prospective financial information has not been previously subject to an audit or review that has resulted in an unmodified opinion being issued, the assurance practitioner is ordinarily unable to provide a limited assurance conclusion on the prospective financial information. In such circumstances, the assurance practitioner discusses the matter with the responsible party, and may consequently agree to undertake and report on the proper compilation of the prospective financial information rather than the prospective financial information itself.

Other Factors Affecting Engagement Acceptance

- A64. In obtaining an preliminary understanding of whether the assumptions have a reasonable basis, the assurance practitioner considers matters such as: (Ref: Para. 105(a)(ii))
- (a) the nature of the assumptions (best-estimate or hypothetical), and whether their impact are material to the prospective financial material;

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- (b) the economic viability, stability and financial strength of the entity;
- (c) the economic viability and economic substance of the fundraising and the assumptions related to it;
- (d) the availability and quality of the data supporting the best-estimate assumptions (for example the data is sourced from statistical, mathematical or computer-assisted techniques); and
- (e) if applicable, the assurance practitioner's past experience with the accuracy of the entity's previous prospective financial information, as against actual results.

A65. The assurance practitioner should be satisfied based on preliminary knowledge that the assurance engagement has a rational purpose. Examples where this may not be the case include: (Ref: Para. 105(d))

- (a) the prospective financial information does not have reasonable grounds for inclusion in a public document (for example it is a projection);⁶³
- (b) the prospective financial information is materially affected by hypothetical assumptions;
- (c) there will be significant limitations on the scope of the assurance practitioner's work; or
- (d) the engagement circumstances lead the assurance practitioner to believe that the responsible party intends to associate the assurance practitioner's name with the prospective financial information in an inappropriate manner.

A66. If the responsible party is not also the engaging party, the assurance practitioner ordinarily considers the effect this may have on their ability to access records, documentation and other information that may be needed by the assurance practitioner to complete the assurance engagement.

⁶³ For prospective financial information included in a public document, see the *Corporations Act 2001* and Corporations Regulations for requirements. See RG 170 for guidance on what constitutes reasonable grounds for inclusion.

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- A67. In circumstances where the assurance practitioner is a member of a firm which is also providing to the entity non-assurance services in respect of the document, the assurance practitioner should consider relevant ethical requirements (including independence), and the requirements of applicable law, regulation or professional standards when considering whether to accept the assurance engagement. Examples of non-assurance services commonly provided include the preparation of taxation information and other consulting services. The provision of such non-assurance services by the assurance practitioner is not within the scope of this ASAE.⁶⁴ (Ref: Para. A76)

Agreeing on the Terms of the Assurance Engagement

- A68. Acknowledgement by the responsible party in writing via acceptance of the assurance engagement letter provides evidence that the appropriate relationship exists, that the responsible party accepts its responsibilities, and establishes a basis for a common understanding of the responsibility of each party. It also avoids misunderstandings of the agreed terms. The responsible party who is requested to sign the assurance engagement letter should 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 assurance engagement or the entity may not be in existence when the assurance engagement commences (for example, a new company structure). In such cases, the assurance practitioner considers whether to update and re-issue the assurance engagement letter terms for a change of responsible party. (Ref: Para. 108)
- A69. In the absence of a written acknowledgement of responsibility by the responsible party, via acceptance of the assurance engagement letter, the assurance practitioner should consider whether it is appropriate to accept the assurance engagement. Accepting the assurance engagement may be appropriate when, for example, other sources, such as applicable law, regulation, or a contract, acknowledge, or indicate, such responsibility. For example, under the *Corporations Act 2001*,⁶⁵ the directors of an entity are deemed responsible for the prospective financial information included in a public document used in offering securities. (Ref: Para. 108)

⁶⁴ Refer APES 350 *Participation by members in public practice in due diligence committees in connection with a public document* (January 2011), issued by the Accounting Professional and Ethical Standards Board

⁶⁵ See Section 717 of the *Corporations Act 2001* for an overview of the procedures for offering securities.

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- A70. The assurance practitioner exercises professional judgement as to what assurance procedures are summarised in the assurance engagement letter, taking into account the nature of the financial information, and the assurance engagement circumstances. Examples of procedures that could be detailed are: (Ref: Para. 109)
- (a) analytical review procedures;
 - (b) review and consideration of key work papers, accounting records and other documents prepared by the responsible party and other experts;
 - (c) enquiry of, and discussion with, the responsible party, those charged with governance, management, experts, and other parties related to the prospective financial information;
 - (d) examination, on a test basis, of evidence supporting the prospective financial information, and the best-estimate assumptions used; and
 - (e) 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 prospective financial information, and disclosed in the document.
- A71. The assurance practitioner may include such terms and conditions as in their professional judgement are appropriate to the assurance engagement. They may include:
- (a) documented important deadlines/timelines for the completion of the assurance engagement. This may include deadlines such as the expected date of publication of the document and when the assurance practitioner's consent is required;
 - (b) arrangements regarding the planning and performance of the assurance engagement; including the composition of the assurance engagement team (including any experts);
 - (c) arrangements for the assurance practitioner to:

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- (i) attend meetings such as the due diligence committee meetings (if appropriate under the terms of the assurance engagement);⁶⁶
- (ii) receive draft and final versions of the document in a timely manner when requested; and
- (iii) use the service(s) of the responsible party's experts and/or the assurance practitioner's experts; and
- (iv) communicate directly with the entity's external auditor and/or other professional advisers regarding matters relevant to the prospective financial information.

A72. The form and context of any published consent that the assurance practitioner has agreed to include in the document; for example, in respect of public documents prepared in accordance with the *Corporations Act 2001*⁶⁷ and lodged with the Australian Securities and Investments Commission (ASIC) entities intending to distribute the document in both electronic and paper form, the responsible party must also obtain the assurance practitioner's consent to the inclusion of their report in both forms of the document.⁶⁸
(Ref: Para. 109(c)(iv))

A73. Appendix 2 provides an illustrative example engagement letter for a fundraising assurance engagement. (Ref: Para. 109)

Changes in the Terms of the Assurance Engagement (Ref: Para. 110-112)

A74. Examples of when requests from the responsible party may be received include a change to reflect a change in circumstances affecting the need for the service, a misunderstanding of the nature of the assurance services to be provided. The assurance practitioner considers the justification for the proposed change on the conduct and reporting of the assurance engagement, as well as any evidence that was obtained prior to the change, prior to the assurance practitioner agreeing to the change. Changes that may be unacceptable to the assurance practitioner include:

⁶⁶ 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.

⁶⁷ See Section 716 of the *Corporations Act 2001*.

⁶⁸ See ASIC Regulatory Guide 107 *Electronic Prospectuses*.

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

A75. It is important that all changes agreed to by the responsible party and the assurance practitioner be documented in writing to ensure no misunderstanding between the parties of what has been agreed.
(Ref: Para. 111)

Planning the Assurance Engagement

Planning Activities

A76. Planning the assurance engagement ordinarily involves obtaining an understanding of the nature of the prospective financial information, its preparation, and other assurance engagement circumstances to identify and understand events and transactions that may have a significant impact on the prospective financial information, or on the assurance report. The assurance practitioner is required to use professional judgement to determine the extent of the understanding that is needed of the nature of the prospective financial information and other assurance engagement circumstances. The assurance practitioner ordinarily considers whether that understanding is sufficient to assess the risks that the prospective financial information may be materially misstated, and in order to be able to evaluate all significant assumptions used in its preparation.
(Ref: Para. 114)

A77. The type of planning activities the assurance practitioner performs depends on the level of understanding of the entity the assurance practitioner may already have. Such an understanding may have been obtained from prior audit or review engagements performed. If this is the case, the assurance practitioner would ordinarily have acquired an understanding of the entity and its operations. This understanding would ordinarily 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 had not changed in the current time period. It

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could then be used, for example, to provide a measure for assessing the reasonableness of the best-estimate assumptions used in the preparation of the prospective financial information. Note that in certain engagement circumstances, the assurance practitioner may not be able to obtain such a detailed understanding. For example, in takeover or merger fundraising transaction, the assurance practitioner may not be able to access one of the entity's financial information, other than that available in the public domain. Hence, the level of understanding will be necessarily more limited, as will the nature of the assurance conclusion.

A78. If the assurance practitioner does not have a prior understanding of the entity, the following planning activities assist the assurance practitioner in determining the nature, timing and extent of procedures to be performed: (Ref: Para. 115)

- (a) understanding whether the entity is in a start-up phase, or has been in operation for a number of years. If the entity is in start-up phase, the assurance practitioner ordinarily expands their planning activities so as to be able to obtain sufficient knowledge and understanding of the entity; and
- (b) understanding the nature and type of entity including its size, complexity, ownership and regulatory structure, strategies, industry, key products/services, competitors, regulatory environment, management structure, and financial resources.

A79. Understanding the prospective financial information involves:

- (a) understanding whether the prospective financial information is a forecast, a projection, or a combination of a forecast and projection;
- (b) understanding the applied criteria developed, selected and used by the responsible party to meet their requirements in the preparation of the prospective financial information. As detailed in ASAE 3000,⁶⁹ the applied criteria ordinarily has particular characteristics that the assurance practitioner is able to use in their evaluation of whether the applicable criteria has been applied by the responsible party. These characteristics include relevance, completeness, reliability, neutrality, and understandability; (Ref: Para. 115(g))

⁶⁹ See ASAE 3000, paragraphs 35-39 (inclusive).

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- (c) understanding the basis of preparation of the prospective financial information (including the extent to which statistical, mathematical and computer-assisted techniques are used) and comparisons between this and the most recent historical financial information;
- (d) determining the accuracy of any forecast(s) prepared in prior time periods, and the reasons for material variances;
- (e) obtaining an understanding of whether comparative information is to be included in the document, and whether it will be restated;
- (f) identifying relevant financial information available in the public domain; and
- (g) developing expectations for use when performing analytical procedures.

A80. Materiality is ordinarily 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 assurance practitioner's evaluation of the financial information, and the intended user's interests.⁷⁰ In determining materiality, the assurance practitioner uses professional judgement to understand and assess these factors and how they might influence the decisions of intended users of the prospective financial information in evaluating the entity's prospects.

A81. Assurance engagement risk comprises inherent risk, control risk and detection risk and the assurance practitioner considers these risk components in terms of the assurance engagement circumstances; in particular the nature of the prospective financial information and whether a reasonable or limited assurance conclusion is sought. These considerations are then reflected in the extent of the planned procedures to be performed and the evidence-gathering process.

Reliance on the work of another Assurance Practitioner (Ref: Para. 116-117)

A82. The assurance practitioner should consider whether to request reliance on the work of another assurance practitioner, in respect of

⁷⁰ 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 assurance practitioners when determining materiality in the conduct of an assurance engagement.

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previously issued audit or review reports on historical financial information, and then to what extent such reliance should be taken. The assurance practitioner considers:

- (a) Whether the assurance practitioner can obtain access to the audit working papers.
- (b) Whether the other assurance practitioner permits reliance to be placed on the work.
- (c) The purpose for which the other work was performed.
- (d) Audit materiality levels set.
- (e) Audit approach taken.
- (f) Audit differences (if any) identified.
- (g) Type of opinion expressed in the auditor's report, and if applicable, reasons for a modified opinion.

A83. Even if the assurance practitioner requests the other assurance practitioner to permit reliance on their previously issued assurance report by the assurance practitioner for the purpose of the current assurance engagement, it is often the case that the other assurance practitioner will not permit such reliance. This is due to their assurance report being prepared and issued for a purpose other than the subject of the current assurance engagement. In the absence of the assurance practitioner being able to place reliance, the assurance practitioner needs to carefully consider what additional assurance procedures are required to be planned and performed on the source financial information used in the preparation of the prospective financial information, in order to obtain sufficient and appropriate evidence necessary for the assurance engagement.⁷¹

⁷¹ The concepts and discussions on placing reliance on the work of another auditor relevant to an audit engagement are contained in ASA 620 *Using the work of an Auditor's Expert and ASA 600 Special Considerations - Audit of a Group Financial Report (Including the Work of Component Auditors)* which may be useful to assurance practitioners when determining the extent, if any, of such reliance in the conduct of an assurance engagement.

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Performing the assurance engagement

Assurance Procedures

A84. The assurance procedures ordinarily involve performing analytical review of the prospective financial information, enquiries of the responsible party and other relevant parties, and obtaining evidence. Where the assurance practitioner identifies matters requiring further investigation, further assurance procedures are designed and performed, to reduce assurance engagement risk to an appropriate level.

Source of the Prospective Financial Information (Ref: Para. 118(c))

A85. The extent of procedures and evidence required depends on the agreed terms of the assurance engagement, and type of assurance to be obtained. When designing and performing assurance procedures, the assurance practitioner considers the adequacy, relevance and reliability of the information obtained to be used as evidence.⁷² The assurance practitioner ordinarily performs the following assurance procedures on the source of the prospective financial information:

- (a) evaluating the adequacy and reliability of the base financial information, including the extent of evidence (if any) provided by prior audits or reviews;
- (b) if the source of the prospective financial information is a mixture of a forecast and a projection:
 - (i) understanding what documentation is available to support the inclusion of the projection;
 - (ii) determining whether the projection has a material impact on the overall prospective financial information;
 - (iii) assessing whether the responsible party has a reasonable justification for the inclusion of the projection; and

⁷² The concepts and discussions on obtaining evidence relevant to an audit engagement are contained in ASA 500 *Audit Evidence*, which may be useful to assurance practitioners when determining the extent, if any, of evidence required in the conduct of an assurance engagement.

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- (iv) understanding how the forecast and projection have been combined and consistency checked; or
- (c) if the source of the prospective financial information is a forecast:
 - (i) evaluating the accuracy of any prospective financial information prepared in prior time periods as compared to actual financial results, and the reasons provided for significant variances;
 - (ii) considering the basis of preparation of the forecast; and
 - (iii) understanding the extent to which statistical, and mathematical modelling, computer-assisted techniques and other techniques have been used, and the reliability thereof; or
- (d) if the source of the prospective financial information is a mixture of a forecast and historical financial information:
 - (i) considering if the historical financial information has been previously audited or reviewed, assessing the impact of the opinion type; and where possible, reading the associated audit or review working papers relating to the entity's financial report to identify any matters that may affect the source of the prospective financial information or the prospective financial information itself; or
 - (ii) evaluating the appropriateness and reliability of the historical financial information if it has not been previously audited or reviewed, and agreeing the source of the prospective financial information to underlying accounting records.

Best-estimate Assumptions

A86. The assurance practitioner's procedures on the key best-estimate assumptions for the prospective financial information ordinarily include: (Ref: Para. 118(d))

- (a) reading the comparable financial report and, as appropriate, the most recent annual or interim financial information, as

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this may be a yardstick useful starting point for assessing the reasonableness of the assumptions used in the preparation of the prospective financial information; and

- (b) understanding the source and reliability of the evidence supporting the best-estimate assumptions, including:
 - (i) considering them in light of historical financial information; including whether any reclassifications or adjustments have been made to reflect unusual or non-recurring items, or to correct known errors and uncertainties;
 - (ii) understanding the methods used to develop and apply assumptions, and the extent to which they are affected by the responsible party's judgement or are particularly sensitive to variation;
 - (iii) reviewing the entity's work papers accounting records and other documents supporting the underlying assumptions;
 - (iv) evaluating the degree of reliability of the assumptions, including their validity, the likelihood of the assumptions actually occurring; and the effect on the prospective financial information if the assumptions vary;
 - (v) evaluating the risks or factors that may or may not be within the responsible party's control that could result in the forecast not being achieved. A high risk that there may be a significant difference between the prospective financial information and actual results may call into question the suitability and reasonableness of the assumptions used as the basis for the preparation of the prospective financial information and their characterisation as best-estimate;
 - (vi) evaluating whether the assumptions are within the entity's capacity to achieve;
 - (vii) considering the documentation available to support the assumptions; including any immaterial

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- hypothetical assumptions, to ensure there is a basis for their inclusion;
- (viii) determining whether any hypothetical assumptions used are material, are not clearly realistic consistent with the purpose of the prospective financial information; and
 - (ix) considering whether there are material hypothetical assumptions used in the preparation, of the prospective financial information.⁷³

Prospective Financial Information

A87. The assurance practitioner's procedures on the prospective financial information itself ordinarily include: (Ref: Para. 118(g))

- (a) where applicable, considering the interrelationships of elements within the prospective financial information (for example, the statement of financial performance and the cash flow statement);
- (b) performing analytical procedures;
- (c) evaluating the appropriateness of the period of time covered by the prospective financial information, taking into account that it becomes more speculative and less verifiable as the length of the period covered increase.⁷⁴
 - (i) enquiry of the responsible party on the reasons for the choice of time period;
 - (ii) evaluating whether the time period is consistent with the entity's normal reporting period so as to make it comparable, and therefore assists intended users make an informed assessment of the entity's prospects;
 - (iii) considering the operating cycle of the entity;

⁷³ See RG 170

⁷⁴ For example, see ASIC's RG 170 for guidance regarding what timeframe ASIC considers is reasonable for the inclusion of prospective financial information.

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- (iv) considering the degree of reliability of assumptions given the time period;
 - (v) considering the needs of the intended users of the prospective financial information;
 - (vi) considering whether any elapsed portion of the current time period is included in the prospective financial information;
 - (d) performing a sensitivity analysis to test the responsiveness, or otherwise, of the prospective financial information to material changes in key assumptions underlying the information;
 - (e) making clerical checks such as re-computations and reviewing internal consistency; that is, the actions the responsible party intends to take are compatible with each other and there are no inconsistencies in the determination of the amounts that are based on common variables, such as interest rates; of assumptions including those with common variables;
 - (f) assessing the accuracy of any prospective financial information prepared in prior time periods as compared to actual financial results and the reasons provided for significant variances; and
 - (g) performing an assessment whether the prospective financial information is prepared on a reasonable basis, based on evidence obtained throughout the assurance engagement.
- A88. The assurance practitioner determines the appropriateness of the recognition and measurement accounting policies used by the responsible party by:
- (a) understanding the process for their selection and approval;
 - (b) understanding the differences, if any, between the policies adopted in the prospective financial information as compared to the most recent financial report;
 - (c) understanding the differences, if any, between the recognition and measurement accounting principles adopted

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compared to those from applicable Australian Accounting Standards; and

- (d) assessing the suitability of the recognition and measurement policies used as the applicable criteria for the preparation of the prospective financial information.

A89. When the assurance practitioner obtains oral representations from the responsible party in respect of matters supporting the prospective financial information, the assurance practitioner ordinarily:

- (a) Evaluates their reasonableness and consistency 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.⁷⁵
- (d) Documents the key aspects of the oral representation.

Using the Work of the Responsible Party's Expert (Ref: Para. 121)

A90. The assurance practitioner considers the following when evaluating the work of the responsible party's expert:

- (a) the nature of the work performed, and the risks of material misstatement in the expert's work;
- (b) whether the assumptions and methodologies that have been used seem reasonable, and draw on source data that appears to be appropriate;
- (c) the significance of that experts' work in the context of the assurance engagement;
- (d) the assurance practitioner's knowledge of and experience with previous work performed by that expert;
- (e) the extent of review of the expert's work by the assurance practitioner; and

⁷⁵ 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 an assurance engagement.

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- (f) the results/findings of the experts work, and whether it is to be included in the document.

Adjustments identified by the Assurance Practitioner

- A91. The assurance practitioner should communicate matters relating to the prospective financial information that, in their professional judgement, require the responsible party to make a material adjustment to the prospective 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 assurance practitioner of their findings and provide supporting evidence, as well as their decision on whether they will make the adjustment to the prospective financial information. The assurance practitioner is then able to evaluate the evidence provided to consider if the responsible party's decision on the adjustment is acceptable to the assurance practitioner. (Ref: Para. 123)

Evaluating the Sufficiency and Appropriateness of Evidence Obtained

(Ref: Para. 125-126)

- A92. The assurance practitioner uses professional judgement in determining the sufficiency and appropriateness of the evidence obtained based on the procedures performed. The quantity of evidence obtained by the assurance practitioner 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.⁷⁶ The assurance practitioner ordinarily expresses a limited assurance conclusion in respect of both the prospective financial information and use of the best-estimate assumptions as a reasonable basis for the prospective financial information, due to the nature of the evidence available:

- (a) While evidence may be available to support the underlying best-estimate assumptions, such evidence is itself generally future oriented and, therefore, speculative in nature, as distinct from the evidence ordinarily available in the audit or review of historical financial information. Consequently, when reporting on the reasonableness of the responsible party's assumptions, the assurance practitioner ordinarily

⁷⁶ 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 an assurance engagement.

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provides only a limited level of assurance on the assumptions.

- (b) The assurance practitioner is not in a position to conclude as to whether the results shown in the prospective financial information will be achieved. If the results are expressed as a range, the assurance practitioner cannot conclude, or provide any assurance that actual results will fall within the range.
- (c) The assurance practitioner obtains evidence to support an assessment of whether any uncorrected misstatements or adjustments are material, individually or in aggregate, to the prospective financial information.
- (d) The assurance practitioner obtains evidence whether the entity has complied with the recognition and measurements policies of the recognition and measurement policies included in the applicable financial reporting framework (which in Australia is ordinarily those contained in applicable Australian Accounting Standards).

A93. If the assurance practitioner identifies that the prospective financial information may be materially misstated the assurance practitioner carries out additional procedures, or performs more extensive procedures to enable the assurance practitioner to form a conclusion, including whether a modified conclusion is required.

Other Information included in the document (Ref: Para. 127-128)

A94. Material inconsistencies and misstatements of fact in other information that come to the assurance practitioner's attention may raise doubt about the conclusions drawn from evidence previously obtained and possibly, about the basis for the assurance practitioner's conclusion in the assurance report. Assurance practitioners need to pay particular attention to the form and content of the other information (for example if it is in graphical or table form) when looking for inconsistencies. When discussing an apparent material misstatement of fact with the responsible party, the assurance practitioner may not be able to sufficiently evaluate the validity of certain information and the responsible party's responses to the assurance practitioner's enquiries, and may conclude that valid differences of opinion or judgements exist.

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Going Concern Considerations

- A95. Ordinarily in an engagement to report on prospective financial information, the going concern assumption is not relevant to the assurance practitioner's conclusion as the nature of the information is subjective, prospective (based on anticipated events or transactions that have not occurred) and its preparation requires the exercise of considerable judgement by the responsible party.
(Ref: Para. 131)
- A96. If the assurance practitioner considers that performing a going concern assessment⁷⁷ is relevant, the assurance practitioner ordinarily considers the entity's prepared forecasts, cash flow statements, directors' working capital statements, and financial position and any other events or conditions that are relevant to the assessment. For example, if the prospects for profitability are not supported by adequate cash flows, then both the forecast financial performance statement and the ongoing viability of the entity are at risk. There may also be mitigating factors that in the assurance practitioner's professional judgement, eliminate the going concern uncertainty. These factors may include: (Ref: Para. 132)
- (a) unequivocal financial support provided from another entity which has the capacity to provide support, or
 - (b) the underlying transaction or event giving rise to the document (for example, a capital raising) will raise sufficient funds to result in the entity becoming a going concern.
- A97. Mitigating factors should be supported by appropriate written evidence. In such circumstances, the assurance practitioner needs to evaluate and document how the unequivocal financial support or proceeds from the fundraising issue will provide funding for future operations of the entity that will result in the entity becoming a going concern. Consideration should be given to any proposed underlying of any capital raising and the circumstances in which the proposed underwriting may not occur. The assurance practitioner should also consider requesting a written representation from the responsible party regarding the appropriateness of the going concern assumption.

⁷⁷ The concepts and discussions on performing a going concern assessment of an entity, relevant to an audit engagement are contained in Auditing ASA 570 *Going Concern*, and may be helpful in performing a going concern assessment in an assurance engagement.

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A98. If the assurance practitioner does not consider the going concern assumption to be appropriate to the entity, the implications for the assurance report depend on whether the responsible party has modified the basis of preparation of the prospective financial information from that of a going concern: (Ref: Para. 133)

- (a) if the assurance practitioner does not consider the basis to be appropriate, then the conclusion in the assurance report should be modified (adverse opinion) on the basis of the going concern assumption being inappropriate to the financial information; or
- (b) if the assurance practitioner considers the basis to be appropriate, then the assurance report may include an emphasis of matter paragraph in the assurance conclusion to draw attention to the disclosure of this fact in the prospective financial information.

Consideration of Events up to the date of the Assurance Report

(Ref: Para. 134-135)

A99. The extent of consideration by the assurance practitioner of events or transactions occurring after the date of performing assurance procedures and before the date of the assurance report (commonly referred to as subsequent events) depends on:

- (a) the agreed terms of engagement for reporting of subsequent events;
- (b) the potential for such events to materially affect the prospective financial information in the document in terms of requiring comment on, or adjustment to, the prospective financial information;
- (c) whether such events or transactions are within the ordinarily business of the entity;
- (d) whether such events or transactions causes the prospective financial information to be potentially misleading or deceptive; and

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- (e) the requirements of applicable law, regulation, or professional standards.⁷⁸

Consideration of Events Identified after the date of the Assurance Report (Ref: Para. 136-137)

- A100. If there are material deficiencies or significant matters omitted from the document, which come to the assurance practitioner's attention:
 - (a) in the case of a public document, after it has been lodged with the appropriate regulatory body, and before the relevant date, the assurance practitioner considers the implications for the assurance report, as well as any reporting obligations the assurance practitioner may have to inform the entity issuing the document; or
 - (b) in the case of a document that is not a public document, after it has been finalised and issued to its intended user(s), and before the relevant date, the assurance practitioner considers the implications for the assurance report, as well as any reporting obligations the assurance practitioner may have to inform the entity issuing the document.
- A101. If material deficiencies or significant matters related to the prospective financial information are omitted from the document, and come to the assurance practitioner's attention prior to the relevant date, the assurance practitioner discusses the omissions with the responsible party. If the responsible party refuses to correct such omissions, the assurance practitioner ordinarily withdraws consent for the entity to include the assurance report in the document, and evaluates if there are any applicable law or regulation relates to such omissions that impose particular reporting obligations on the assurance practitioner.

Written Representations (Ref: Para. 138-141)

- A102. The assurance practitioner requests and obtain a written representation letter from the responsible party at the completion of

⁷⁸ The concepts and discussions on subsequent events relevant to an audit engagement are contained in Auditing Standard ASA 560 *Subsequent Events*, and may be helpful in determining the principles applicable to an assurance engagement.

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the assurance engagement.⁷⁹ The assurance practitioner ordinarily provides the responsible party with a specific list of matters requiring the responsible party's representations. Such matters may already be contained in documentation reviewed by the assurance practitioner, including minutes of meetings, written acceptance of the assurance engagement terms, and due diligence committee reports. Therefore the assurance practitioner only needs to request the inclusion of such matters in the written representation letter if the assurance practitioner considers it appropriate in the assurance engagement circumstances. Appendix 3 provides an illustrative written representation letter. (Ref: Para. 139)

- A103. Oral or written representations made by the responsible party cannot replace other evidence the assurance practitioner 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 prospective 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 assurance practitioner should 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.
- A104. If the responsible party does not provide such the written representation letter, or refuses to provide it, the assurance practitioner may qualify or issue a disclaimer of conclusion in the assurance report, on the basis of a limitation on the scope of the assurance engagement. The assurance practitioner may also include a restriction paragraph on the distribution of, or use of, the assurance report.
- A105. An inability to obtain sufficient appropriate evidence regarding a matter that has, or may have, a material effect on the evaluation of the prospective financial information in the document, when such evidence would ordinarily be available, constitutes a limitation on the scope of the assurance engagement, even if a written representation from the responsible party has been received by the assurance practitioner on the matter. (Ref: Para.143)

⁷⁹ 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 an assurance engagement.

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Forming the Assurance Conclusion

A106. Applicable law or regulation may preclude the assurance practitioner from expressing a modified conclusion in an assurance report that is included in a public document. Where this is the case, and the assurance practitioner concludes that a modified conclusion is nevertheless appropriate, the assurance practitioner discusses the matter with the responsible party. If the responsible party does not agree to make the changes required to enable the assurance practitioner to issue an unmodified conclusion, the assurance practitioner considers whether they are able to withhold the assurance report, withdraw from the assurance engagement, or seek legal advice.

Preparing the Assurance Report

A107. The assurance report may be prepared solely in respect of a particular type of financial information (prospective financial information) or be a composite report where two or more of types of financial information are the subject of the assurance report (for example historical financial information and prospective financial information). (Ref: Para. 145)

A108. If the assurance practitioner is preparing a composite assurance report the assurance practitioner needs to ensure: (Ref: Para. 146)

- (a) that the different types of financial information are clearly identified in the document; and
- (b) the assurance report clearly identifies and segregates the assurance procedures conducted and type of assurance expressed, on each type of financial information.

Basic Elements of the Assurance Report (Ref: Para. 147)

A109. In respect of an assurance report that is being included in a public document prepared in accordance with the *Corporations Act 2001*, the assurance practitioner also needs to ensure that the assurance report is:

- (a) appropriately cross referenced and consistent with other information disclosed in the public document; and

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- (b) appropriately positioned in the public document in relation to the prospective financial information on which the assurance practitioner provides a conclusion.⁸⁰

A110. Appendix 4 contains illustrative examples of assurance reports.

Use of Going Concern Assumption Appropriate but a Material Uncertainty Exists (Ref: Para. 152)

A111. The assurance practitioner considers the adequacy of the going concern related disclosures in the document as follows:

- (a) if, in the assurance practitioner's professional judgement, the responsible party's disclosures are considered adequate, in terms of both the description of the principal events or conditions that cast significant doubt on the entity's going concern ability, as well as the fact that a material uncertainty exists related to the events or conditions and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business, then the assurance practitioner expresses an unmodified conclusion, with an Emphasis of Matter paragraph. The Emphasis of Matter Paragraph is intended to highlight the existence of the material uncertainty and to draw attention to the responsible party's disclosures; or
- (b) if, in the assurance practitioner's professional judgement the disclosures are inadequate, the assurance practitioner expresses a qualified conclusion or adverse conclusion, as appropriate.

Consent to the Inclusion of the Assurance Report in a Public Document
(Ref: Para. 153-154)

A112. For assurance reports in connection with a public document prepared in accordance with the *Corporations Act 2001*, the assurance practitioner is required to consent to the form and context in which the assurance report is included in that public document.⁸¹ Consequently, the assurance practitioner ordinarily reads all other information included in the public document to consider whether it contains any material inconsistencies or material misstatements of fact as compared to the prospective financial information.

⁸⁰ See ASIC's RG 170.

⁸¹ See Section 716 of the *Corporations Act 2001*.

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- A113. There may be some circumstances where the assurance practitioner does not consider it appropriate to provide the consent. For example:
- (a) where there are material inconsistencies between the prospective financial information and other information which remain uncorrected by the responsible party;
 - (b) where there are material misstatements of fact relevant to the prospective financial information which remain uncorrected by the responsible party; or
 - (c) where the assurance practitioner does not consider the assurance report will be used for the intended purpose.

Documentation (Ref: Para. 155)

- A114. Sufficient appropriate documentation⁸² should include a record of the assurance practitioner's reasoning on all significant matters that required the exercise of professional judgement, together with the assurance practitioner's conclusions on the matters. In areas involving difficult questions of estimate, principle or judgement, the documentation should include the relevant facts that were known by the assurance practitioner at the time the conclusion was reached.
- A115. In applying professional judgement to assessing the extent of documentation to be prepared and retained, the assurance practitioner ordinarily considers what would be necessary for another experienced assurance practitioner who has no previous experience with the assurance engagement to obtain an understanding of the work performed and the basis of the significant decisions taken. It is, however, neither necessary nor practicable to document every matter the assurance practitioner considers during the assurance engagement.

⁸² The concepts and discussions on documentation relevant to an audit engagement are contained in Auditing ASA 230 *Audit Documentation*, and may be helpful in determining appropriate documentation to be obtained in an assurance engagement.

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Pro Forma Forecast

Engagement Acceptance

Preconditions for Acceptance (Ref: Para. 158-159)

- A116. The responsible party is ultimate responsible for the preparation and presentation of all information (including all assumptions and pro forma adjustments) used in the preparation of the pro forma forecast in the document.
- A117. Assurance engagements on a pro forma forecast ordinarily result in a limited assurance conclusion being expressed. This is due to its nature being related to events and actions that have not yet occurred, and may not occur. Evidence available to support the underlying assumptions may be available, however such evidence is itself generally future orientated and, therefore, speculative in nature. The assurance practitioner is therefore not in a position to express an opinion as to whether the results shown in the pro forma forecast will be achieved. Further given the nature of the evidence available in assessing the reasonableness of the assumptions on which the pro forma forecast is based, it is ordinarily difficult for the assurance practitioner to obtain a level of satisfaction sufficient to express a reasonable assurance conclusion that the assumptions are free of material misstatement. Consequently, the assurance practitioner ordinarily provides a limited assurance conclusion on such assumptions.

Planning the Assurance Engagement (Ref: Para. 163)

Planning Activities

- A118. In addition to the application and other explanatory material in paragraph A77, the following planning activities assist the assurance practitioner in the planning process:
- (a) understanding the nature of the pro forma adjustments, including:
 - (i) if the adjustments reflect actual transactions or events achieved in the actual time period in which they occurred, they are historical adjustments; or
 - (ii) if the adjustments reflect anticipated transactions or events that have not yet happened, or will not

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happen; or the indirect results of events or transactions as if they had been achieved in a prior time period or earlier in the current period, rather than when they were actually achieved they are known as “as if” adjustments; and

- (b) understanding the methodology used by the responsible party for the combination of the prospective financial information and the pro forma adjustments.

A119. Any pro forma adjustments made may be historical or a mixture of historical and prospective are based on the applicable criteria, which is selected by the responsible party. The assurance practitioner has no responsibility under the terms of the assurance engagement to perform an assessment of the appropriateness, or otherwise, of that basis of preparation.

Performing the assurance engagement (Ref: Para. 163)

Assurance Procedures

Pro forma Adjustments

A120. In addition to the application and other explanatory material in paragraph A93, when designing and performing assurance procedures, the assurance practitioner’s procedures on the pro forma adjustments for the pro forma forecast ordinarily include:

- (a) considering the effects of any identified uncorrected immaterial misstatements from the prior year’s audited or reviewed financial report;
- (b) identifying any changes made by the responsible party to the recognition and measurement accounting policies from the prior time period, and if so, the nature of the change and its effect;
- (c) reviewing and assessing the suitability of pro forma adjustments made to reflect the effects of the transaction(s) or event(s) for which adjustment is being made, as compared to the applicable criteria (ordinarily the recognition and measurement accounting policies adopted by the entity, which are consistent with Australian Accounting Standards and as disclosed in the document);

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- (d) confirming the mathematical accuracy of the calculations in applying the pro forma adjustments to the pro forma forecast; and
- (e) ensuring all pro forma adjustments considered material by the responsible party and the assurance practitioner are reflected in the resultant pro forma forecast. Pro forma adjustments are ordinarily considered material if their omission causes the pro forma forecast to be misstated.

Proper Compilation of Pro Forma Financial Information

Engagement Acceptance

Preconditions for Acceptance (Ref: Para. 180)

- A121. The assurance practitioner should make it clear to the responsible party that the assurance engagement will not involve the assurance practitioner expressing a conclusion on:
- (a) the pro forma financial information or any financial information used as the source financial information for the compilation;
 - (b) the appropriateness of the stated basis of preparation of the pro forma financial information; or
 - (c) whether the pro forma financial information has been prepared, in all material respects, in accordance with the recognition and measurement policies of the entity, or its applicable financial reporting framework.

Agreeing on the Terms of the Assurance Engagement (Ref: Para. 183)

- A122. Ordinarily the assurance practitioner only provides limited assurance on the proper compilation of the pro forma financial information, however there is nothing in this ASAE to preclude the assurance practitioner from using professional judgement in conducting an assurance engagement with a view to expressing a reasonable assurance conclusion on the proper compilation of the pro forma financial information.

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Planning the Assurance Engagement

Planning Activities (Ref: Para. 184-185)

A123. In addition to the application and other explanatory material in paragraph A18, the following planning activities assist the assurance practitioner in the planning process:

- (a) enquiry of the responsible party and other entity personnel involved in the compilation of the pro forma financial information;
- (b) enquiry of other appropriate parties such as those charged with governance and the entity's advisors;
- (c) reading relevant supporting documentation such as contracts or agreements;
- (d) reading minutes of meetings of those charged with governance;
- (e) understanding the purpose of the assurance report;
- (f) understanding the nature of the entities involved in the proper compilation process, including an knowledge and experience of the industry in which each entity operates and their respective environments, if the assurance practitioner has not previously audited or review the financial information of the entity, or any acquiree or divestee;
- (g) understanding application law and regulation that may affect the document in which the pro forma financial information is included;
- (h) understanding of the financial reporting frameworks used in the preparation of the source of the base financial information and, if applicable, of the acquiree's financial information;
- (i) understanding the nature of the event(s) or transaction(s) giving rise to the compilation of pro forma financial information including whether their nature is an acquisition, divestment or business combination;

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- (j) understanding the nature of the source of the base financial information, including whether it:
 - (i) is sourced from more than one entity's financial information, for example:
 - ◇ an acquiree may be an incorporated entity or a separately identifiable unincorporated operation within another entity such as a division, branch or line of business; or
 - ◇ a divestee may be an incorporated entity such as a subsidiary or joint venture, or a separately identifiable unincorporated operation within the entity such as a division, branch or line of business; and
 - (ii) includes one or more single financial statements, such as a statement of financial position and a statement of comprehensive income; or
 - (iii) is summarised financial information from a financial report, for example, a statement of net assets;
- (k) obtaining an understanding the compilation process of the pro forma financial information, which ordinarily includes:
 - (i) identifying the source of the base financial information to be used in the compilation, and from which the base financial information is to be extracted;
 - (ii) identifying the steps taken to extract the base financial information from that source;
 - (iii) understanding how the responsible party has developed the applicable criteria, for example, based on practices in a particular industry, and whether it is appropriate and transparent;
 - (iv) identifying the appropriate pro forma adjustments, including, for example:

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- ◇ how the responsible party has obtained the acquiree's financial information in compiling the pro forma financial information;
 - ◇ understanding how key financial line items, such as income, overheads, and assets and liabilities are allocated among, or between, the entity and any acquirees;
 - (v) making pro forma adjustments to the base financial information for the purpose for which the pro forma financial information is presented; and
 - (l) assessing the responsible party's competence in compiling pro forma financial information, including the nature and extent of oversight by the responsible party of other entity personnel involved in the compilation of the pro forma financial information.
- A124. The assurance practitioner may have all or part of the required understanding of the entity and any acquiree or divestee, and their respective environments, if the assurance practitioner has audited or reviewed their financial information.
- A125. Relevant industry factors include industry conditions such as the competitive environment, supplier and customer relationships, and technological developments. Examples of matters the assurance practitioner may consider include:
- (a) The market and competition, including demand, capacity, and price competition.
 - (b) Common business practices within the industry.
 - (c) Cyclical or seasonal activity.
 - (d) Product technology relating to the entity's products.
- A126. Relevant legal and regulatory factors include the legal and regulatory environment, which encompasses, among other matters, the applicable financial reporting framework in accordance with which the entity or, if applicable, the acquiree prepares its periodic financial information, and the legal and political environment.

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Examples of matters the assurance practitioner may consider include:

- (a) Industry-specific accounting practices.
- (b) Legal and regulatory framework for a regulated industry.
- (c) Legislation and regulation that significantly affect the entity's or, if applicable, the acquiree has or divestee's operations, including direct supervisory activities.
- (d) Taxation.
- (e) Government policies currently affecting the conduct of the entity's or, if applicable, the acquiree's or divestee's business, such as monetary policies (including foreign exchange controls), fiscal policies, financial incentives (for example, government aid programs, and tariffs or trade restrictions policies).

A127. Examples of other external factors affecting the entity and, if applicable, the acquiree or divestee that the assurance practitioner may consider include the general economic conditions, interest rates and availability of financing, and inflation or currency revaluation.

Prior History of Audit or Review (Ref: Para. 184)

A128. Applicable law or regulation ordinarily requires the entity to have prior historical financial information audited or reviewed, even if it does not require the source of the base financial information itself to have been audited or reviewed for the purposes of compiling the pro forma financial information. Ordinarily, there is an insufficient basis for the assurance practitioner to undertake the assurance engagement if the prior historical financial information of the entity, or, if the event or transaction involves an acquisition, that of the acquiree, has never been subject to an audit or review.

Materiality Considerations (Ref: Para. 185)

A129. Materiality with regard to the proper compilation of the pro forma financial information does not depend on a single quantitative measure. Instead, it depends on the size and nature of the omission or inappropriate application of an element of the compilation,

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whether or not intentional. Judgement about these aspects of size and nature will, in turn, depend on such matters as:

- (a) the context of the underlying event(s) or transaction(s);
- (b) the purpose for which the pro forma financial information is being compiled; and
- (c) the related engagement circumstances.

The determining factor could be the size or the nature of the matter, or a combination of both.

Performing the assurance engagement

Assurance Procedures

Audit or Review of the Source of the Base Financial Information
(Ref: Para. A138(a))

- A130. If an audit or review report on the source of the base financial information has been issued by another assurance practitioner, the assurance practitioner considers the nature of the audit opinion or review conclusion on the base financial information, as not all modified audit opinions, review conclusions or Emphasis of Matter paragraphs with respect to either the source of the base financial information or the source of the acquiree or divestee financial information may necessarily affect the proper compilation of the pro forma financial information. For example, a qualified audit opinion may have been expressed on the entity's financial statements because of the non-disclosure of remuneration for those charged with governance as required by the applicable financial reporting framework. If this is the case and these financial statements are used as the source of the base financial information, such qualification may have no consequence on the proper compilation of pro forma net asset and income statements.
- A131. If another assurance practitioner has issued an audit or review report on the source, the need by the assurance practitioner reporting under this ASAE for an understanding of the entity and its accounting and financial reporting practices is not diminished. In the circumstances, the assurance practitioner may need to consider whether the assurance practitioner can acquire sufficient knowledge of these matters to perform the procedures necessary to report under this ASAE.

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- A132. Where there is no audit or review report on the source of the base financial information, it is necessary for the assurance practitioner to perform procedures in relation to the appropriateness of that source. Factors that may affect the nature and extent of these procedures include, for example:
- (a) Whether the assurance practitioner has knowledge of the entity, obtained from previous audits or reviews of the entity's historical financial information.
 - (b) Whether the entity's financial information is subject to periodic review by the assurance practitioner, for example, for purposes of meeting applicable law or regulatory requirements.

Source of the Base Financial Information (Ref: Para. 1(a))

- A133. The assurance practitioner is required to determine the appropriateness of the base financial information. Factors that may affect the appropriateness of the source include whether there is an audit or review report on the source, and whether the source:
- (a) Is permitted by applicable law or regulation to be included in the document.
 - (b) Is clearly identifiable.
 - (c) Represents a reasonable starting point for compiling the pro forma financial information in the context of the event(s) or transaction(s), including whether it is at an appropriate date or covers an appropriate period.
 - (d) Is consistent with market custom and practice with regard to information used as base financial information.
- A134. Where the source of the base financial information has not been subject to an audit or review, the assurance practitioner, having regard to the factors in paragraph A142, performs the following procedures to determine the appropriateness of the source of the base financial information:
- (a) Enquiring of the responsible party about:
 - (i) The process by which the source of the base financial information has been prepared, and the

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reliability of the underlying accounting records to which it is agreed or reconciled.

- (ii) Whether all transactions have been recorded.
 - (iii) Whether the source has been prepared in accordance with the entity's accounting policies.
 - (iv) Reflects any changes in accounting policies from the most recent audited or reviewed period and, if so, how such changes have been dealt with.
 - (v) Considering the responsible party's assessment of the risk that the source of the base financial information may be materially misstated as a result of fraud.
- (b) Considering the effect of changes in the entity's business activities and operations. Considering the findings of the audit or review of the immediately preceding annual or interim financial information and, if applicable, the corresponding prior period financial information and:
- (i) Discussing any significant changes with the responsible party.
 - (ii) Evaluating whether these might indicate any issues with the preparation of the source of the base financial information.

A135. Performing procedures to corroborate some or all the information provided by the responsible party in response to the assurance practitioners enquiries, such as when the responses appear inconsistent with the assurance practitioner's understanding of the entity or the assurance engagement circumstances. As the assurance practitioner is not reporting on the source of the base financial information, there is no requirement for the assurance practitioner to perform procedures to identify events after the date of the base financial information that require adjustment of, or disclosure in, such source. Nevertheless, it is necessary for the assurance practitioner to consider whether any significant events subsequent to the date of the source of the base financial information have come to the assurance practitioner's attention that may require reference to, or disclosure in, the explanatory notes to the pro forma financial information to avoid the latter being misstated. Such consideration

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is based on performing the procedures under this ASAE or the assurance practitioner's knowledge of the entity and the assurance engagement circumstances. For example, after the date of the source of the base financial information, the entity may have entered into a capital transaction involving the conversion of its convertible debt into equity, non-disclosure of which could result in the pro forma financial information being misstated.

Pro Forma Adjustments (Ref: Para. 186(c))

A136. The assurance practitioner obtains evidence regarding whether the responsible party has identified the necessary pro forma adjustments, in accordance with the applicable criteria used in compiling the pro forma financial information, through performing the following procedures:

- (a) Evaluating the reasonableness of the responsible party's approach to identifying the appropriate pro forma adjustments, for example, the method used in identifying appropriate allocations of income, overheads, assets and liabilities among the relevant businesses.
- (b) Enquiring of relevant parties within an acquiree regarding their approach to extracting the acquiree financial information.
- (c) Evaluating specific aspects of the relevant contracts, agreements or other documents.
- (d) Enquiring of the entity's advisors regarding specific aspects of the event or transaction and related contracts and agreements that are relevant to the identification of appropriate adjustments.
- (e) Evaluating relevant analysis and worksheets prepared by the responsible party and other entity personnel involved in the compilation of the pro forma financial information.
- (f) Obtaining evidence of the responsible party's oversight of other entity personnel involved in the compilation of the pro forma financial information.
- (g) Analytical procedures.

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- (h) Assessing whether the pro forma adjustments are directly attributable to the event(s) or transaction(s), so as to ensure the pro forma financial information reflects only those matters that arise as a result of the event, and are an integral part of the transaction(s). Directly attributable adjustments exclude those that relate to future events or are dependent on actions to be taken once the transaction has been completed, even if such actions are key to the entity entering into the transaction (for example the closing of redundant production sites after an acquisition).
- (i) Ensuring all pro forma adjustments are consistent with the entity's applicable financial reporting framework and its accounting policies under that framework.
- (j) Ensuring the pro forma adjustments are factually supportable in order to provide a reliable basis for the pro forma financial information. While the nature of the supporting facts will vary with the circumstances, they are nevertheless capable of objective determination. Sources of factual support for the pro forma adjustments include, for example:
 - (i) Purchase and sale agreements.
 - (ii) Financing documents for the event or transaction, such as debt agreements.
 - (iii) Independent valuation reports.
 - (iv) Other documents relating to the event or transaction.
 - (v) Published financial statements.
 - (vi) Other financial information disclosed in the document.
 - (vii) Relevant legal or regulatory actions, such as in the area of taxation.
 - (viii) Employment agreements.
 - (ix) Actions of those charged with governance; and

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- (k) Ensuring that the explanatory notes accompanying the pro forma financial information disclose the responsible party's approach and criteria for any allocations of income, overheads, and assets of liabilities in a business combination or divestment.

A137. Pro forma adjustments that result from acquiree or divestee financial information also requires factual support for their inclusion. Applicable law or regulation may require the source of the acquiree's base financial information be audited or reviewed for purposes of the document in which the pro forma financial information appears. In such circumstances, the acquiree financial information will be factually supportable. Where the acquiree's base financial information has not been audited or reviewed, the practitioner may perform the following procedures in order to access if the acquiree financial information is factually supportable:

- (a) Inquiring of the acquiree's management about:
 - (i) the process by which the source of the base financial information has been prepared and the reliability of the underlying accounting records to which it is agreed or reconciled;
 - (ii) whether all transactions have been recorded;
 - (iii) whether the source of the base financial information has been prepared in accordance with the acquiree's accounting policies;
 - (iv) whether there have been any changes in accounting policies from the most recent audited or reviewed period and, if so, how such changes have been dealt with;
 - (v) the assessment of the risk by the acquiree's management that the source of the base financial information may be materially misstated as a result of fraud;
 - (vi) the effect of changes in the acquiree's business activities and operations;
- (b) considering the findings of the audit or review of the immediately preceding annual or interim financial

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information and whether these might indicate any issues with the preparation of the source of the base financial information;

- (c) performing procedures to corroborate some or all the information provided by the acquiree's management in response to the assurance practitioner's enquiries such as when the responses appear inconsistent with the assurance practitioner's understanding of the acquiree or the assurance engagement circumstances;
- (d) comparing the source of the base financial information with the corresponding prior period financial information and, as applicable, the immediately preceding annual or interim financial information, and discussing significant changes with the acquiree's management;
- (e) an evaluation of whether any differences exist between the acquiree's accounting policies and those of the entity;
- (f) whether accounting policies for transactions undertaken by the acquiree which the entity has not previously entered into are policies that the entity would have adopted for such transactions under its applicable financial reporting framework, taking into account the entity's particular circumstances; and
- (g) an evaluation of whether the pro forma adjustments give appropriate effect to the transactions or events to which they relate.

A138. A consideration of the appropriateness of the entity's accounting policies may also be necessary in some circumstances. For example, as part of the event or transaction, the entity may propose to issue complex financial instruments of the first time. If this is the case, it may be necessary to consider:

- (a) whether the responsible party has adopted appropriate accounting policies to account for such financial instruments under its applicable financial reporting framework; and
- (b) whether it has appropriately applied such policies in the compilation of the pro forma financial information.

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Basis of Preparation (Ref: Para. 1(a))

- A139. Obtain evidence whether the responsible party has an appropriate basis for presenting the significant effects directly attributable to the underlying event(s) or transaction(s):
- (a) Consistent with the entity's applicable financial reporting framework and its recognition and measurement accounting policies under that framework. In the context of a business combination, for example, the proper compilation of the pro forma financial information should involve consideration of such matters as:
 - (i) whether differences exist between the acquiree's accounting policies and those of the entity; and
 - (ii) whether accounting policies for transactions undertaken by the acquiree, which the entity has not previously entered into, are policies that the entity would have adopted for such transactions under its applicable financial reporting framework, taking into account the entity's particular circumstances.
 - (b) By reviewing any accompanying explanatory notes prepared by the responsible party to describe how the applicable criteria have been applied in illustrating the effects of the particular event(s) or transaction(s). Such notes may include, for example, the date or period for which the pro forma financial information is being presented.
 - (c) A consideration of the appropriateness of the entity's recognition and measurement accounting policies may also be necessary in some circumstances. For example, as part of the event or transaction, the entity may propose to issue complex financial instruments for the first time. If this is the case, it may be necessary to consider:
 - (i) whether the responsible party has adopted appropriate recognition and measurement accounting policies to account for such financial instruments under its applicable financial reporting framework; and

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- (ii) whether it has appropriately applied such policies in the compilation of the pro forma financial information.

Pro Forma Financial Information (Ref: Para. 186(f))

A140. The assurance practitioner obtains evidence whether the responsible party has prepared and presented the pro forma financial information on the basis stated, and in accordance with applicable law or regulation:

- (a) Appropriate disclosures accompanying the pro forma financial information have been made including:
 - (i) nature and purpose of the pro forma financial information, including the nature of the event or transaction, and the date as of, or the period for, which the responsible party has compiled the pro forma financial information;
 - (ii) source of the base financial information, and whether or not an audit or review report on it has been published;
 - (iii) pro forma adjustments, including a description and explanation of each adjustment. This includes, in the case of acquiree or divestee financial information, the source of such information and whether or not an audit or review report on such a source has been published; and
 - (iv) if not publicly available, a description of the applicable criteria in accordance with which the compilation of the pro forma financial information has been performed.
- (b) A statement to the effect that the pro forma financial information has been compiled for illustrative purposes only and that, because of its nature, it does not represent the entity's actual financial position, financial performance, or cash flows.
- (c) Different presentations of pro forma financial information may be included in the document depending on the nature of the event(s) or transaction(s) and how the responsible

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party intends to illustrate the impact of such event or transaction on the base financial information of the entity.

- (i) For example, the entity may acquire a number of businesses prior to an initial public offering. In such circumstances, the responsible party may choose to present a pro forma net asset statement to illustrate the impact of the acquisitions on the entity's financial position and key ratios such as debt to equity as if the acquired businesses had been combined with the entity at an earlier date.
- (ii) The responsible party may also choose to present a pro forma income statement to illustrate what the results of operations might have been for the period ended on that date. In such cases, the nature of the pro forma financial information may be described by titles such as "Statement of Pro Forma Net Assets as at 30 June 20X1" and "Pro Forma Income Statement for the Year Ended 30 June 20X1".

A141. Not all modified audit opinions, review conclusions or emphasis of matter paragraphs with respect to either the source of the base financial information or the source of the acquiree or divestee financial information may necessarily affect the proper compilation of the pro forma financial information. For example, a qualified audit opinion may have been expressed on the entity's financial statements because of the non-disclosure of remuneration for those charged with governance as required by the applicable financial reporting framework. If this is the case, and these financial statements are used as the source of the base financial information, such a qualification may have no consequence on the proper compilation of pro forma net assets and income statements. However, if the assurance practitioner considers they need to take further action, based on the nature of the modified opinion, the assurance practitioner needs to consider applicable law or regulation before: (Ref: Para. 187)

- (a) considering a modification to the assurance conclusion on the basis of the modification to the source of the base financial information;
- (b) referencing or referring to the other assurance practitioner's report in the assurance report, where, in the assurance

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practitioner's professional judgement, the matter is of sufficient relevance and important to users' understanding of the pro forma financial information;

- (c) seeking legal advice; or
- (d) withdrawing from the assurance engagement;

Adjustments Identified by the Assurance Practitioner (Ref: Para. 188)

A142. The pro forma financial information may not be considered properly compiled when there is evidence of, for example:

- (a) Use of an inappropriate source for the base financial information.
- (b) Incorrect extraction of the base financial information from an appropriate source.
- (c) In relation to adjustments, the misapplication of accounting policies, or the failure of the adjustments, to be consistent with the entity's accounting policies.
- (d) Failure to make an adjustment required by the applicable criteria.
- (e) Making an adjustment that is not in accordance with the applicable criteria.
- (f) A mathematical or clerical mistake in the calculations within the pro forma financial information.
- (g) Inadequate, incorrect or omitted disclosures.

Evaluating the Sufficiency and Appropriateness of Evidence Obtained
(Ref: Para. 189)

A143. Where it is not practicable for the assurance practitioner to obtain evidence to conclude that the pro forma financial information of an acquiree, or the entity is factually supportable, the assurance practitioner may need to discuss the matter with the responsible party and consider the implications for the assurance practitioner's report.

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Written Representations (Ref: Para. 190)

- A144. In some circumstances, the types of transactions involved may require the responsible party to use accounting policies for the pro forma adjustments that the entity has not previously applied as it had no comparable transactions. In such a case, the assurance practitioner may request the responsible party to expand the written representations to include confirmation that such accounting policies constitute the entity's adopted policies for such types of transactions.

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Conformity with International Standards on

This Standard on Assurance Engagements has been made for Australian legislative purposes and accordingly there is no equivalent International Standard on Assurance Engagements (ISAE) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

This Standard complies with ISAE 3420 *Assurance Reports on the Proper Compilation of Pro Forma Financial Information Included in a Prospectus*

Compliance with this Standard on Assurance Engagements does not affect compliance with the ISAEs.

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Appendix 1

**TYPES OF FINANCIAL INFORMATION INCLUDED IN
A PUBLIC DOCUMENT**

Type of Conclusion	Historical	Pro Forma Historical	Prospective ⁽¹⁾	
			Pro Forma Forecast	Combination of best-estimate & immaterial hypothetical assumptions
Limited assurance	✓	✓	✓	✓ ⁽²⁾
Reasonable assurance	✓	✗	✗	✗

Notes:

- (1) For assurance engagements involving prospective financial information that are conducted in accordance with the *Corporations Act 2001*, the assurance practitioner needs to consider whether the basis of the information includes the use of material hypothetical assumptions⁸³. In such cases, the financial information is considered to be without reasonable grounds and is therefore not permitted to be disclosed in public documents.

⁸³ Refer RG 170.

Appendix 2

(Ref: Para. A14)

ILLUSTRATION OF AN ENGAGEMENT LETTER

The following illustrative letter is not authoritative, but is intended as a guide that may be used in conjunction with considerations outlined in this ASAE. It will need to be varied according to individual requirement and circumstances. It may be appropriate to seek legal advice that any proposed letter is suitable.

Engagement Circumstances include the following:

- **ABC Company proposes a takeover of XYZ Target company.**
- **Independent Assurance Report**
- **Limited assurance conclusion.**

Introduction

This letter confirms our understanding of the terms of engagement requiring our services as Investigating Accountant in respect of the historical financial information, pro forma historical and forecast financial information to be included in the proposed bidder statement of ABC Company Limited (“ABC Company”) to be issued in connection with [describe here the proposed transaction; for example, the proposed acquisition of XYZ Target Limited (“Target”)]. The purpose of this letter is to outline the role and approach of [firm name] and the reports we will deliver.

Scope of our work

A. Overview

Our firm will:

- perform procedures, described below, to enable us to report on the ABC Company’s historical balance sheet as at 30 June 20X1, income statements for the years ended 30 June 20XX and 20X1, and statements of cash flows for the years ended 30 June 20XX and 20X1 (the “Historical Financial Information”);
- perform procedures, described below, to enable us to report on the proper compilation of ABC Company’s pro forma historical balance

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sheet, shown with adjustments for the effect of transactions as at 30 June 20XX, pro forma historical income statements for the years ended 30 June 20XX and 20X1 and pro forma historical statements of cash flows for the years ended 30 June 20XX and 20X1 (the “Pro Forma Historical Financial Information”);

- perform procedures, described below, to enable us to report on the ABC Company’s forecast income statement for the year ending 30 June 20XX (“the Forecast”); and
- perform procedures, described below, to enable us to report on the proper compilation of ABC Company’s forecast income statement for the combined ABC Company/XYZ Target group for the year ending 30 June 20XX (“the Aggregated Forecast”).

We will conduct our engagement in accordance with ASAE 34XX *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

B. *Review of Historical Financial Information*

We will review the Historical Financial Information of ABC Company, comprising the Statement of Financial Position as at 30 June 20X1, Statements of Financial Performance and Statements of Cash Flows for the years ended 30 June 20XX and 20X1, in order to state whether, on the basis of the procedures described, anything has come to our attention that would cause us to believe that the Historical Financial Information is not prepared, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the accounting policies adopted by ABC Company and disclosed in the proposed bidder statement (the “applicable criteria”).

The review procedures will include, but not limited to:

- analytical procedures on the unaudited Statements of Financial Position of ABC Company as at 30 June 20X1 and Statements of Financial Performance and Statements of Cash Flows of ABC Company for the years ended 30 June 20XX and 20X1;
- a comparison of consistency in the application of recognition and measurement principles in Australian Accounting Standards, and the accounting policies adopted by ABC Company (and disclosed in the proposed bidder statement) in the preparation of the Historical Financial Information;

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- a review of ABC Company's work papers, accounting records and other documents; and
- enquiry of directors, management, and others in relation to the Historical Financial Information.

Our review procedures will not provide all the evidence that would be required in an audit, thus the level of assurance provided will be less than given in an audit. Our review is not an audit and, accordingly, we will not express an audit opinion.

C. Review of the Proper Compilation of Pro Forma Historical Financial Information

We will review the proper compilation of Pro Forma Historical Financial Information of ABC Company in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not properly compiled, in all material respects, on the stated basis of:

- (a) the Historical Financial Information of ABC Company extracted from the audited financial statements of ABC Company for the years ended 30 June 20XX and 20X1;
- (b) historical financial information of XYZ Target extracted from the audited financial statements of XYZ Target for the years ended 30 June 20XX and 20X1; and
- (c) the pro forma adjustments described in section [X] of the Bidder Statement.

The review procedures will include, but not limited to:

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of Historical Financial Information of ABC Company from its audited financial statements for the years ended 30 June 20XX and 20X1, and those dealing with the extraction of historical financial information of XYZ Target from its audited financial statements for the years ended 30 June 20XX and 20X1;
- consideration of the pro forma adjustments described in section [X] of the Bidder Statement;
- enquiry of directors, management, personnel and advisors;

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- the performance of analytical procedures applied to the pro forma financial information;
- a review of work papers, accounting records and other documents of ABC Company and its auditors (where the assurance practitioner is not the auditor);
- a review of accounting policies for consistency of application and identification of any adjustments to align the accounting policies of XYZ to those of the Company.

The procedures will not provide all the evidence that would be required in an audit, thus, the level of assurance provided will be less than given in an audit. Our review is not an audit and, accordingly, we will not express an audit opinion.

We will not have sufficient access to [XYZ Target] to be able to audit or review the historical financial information extracted from the financial statements of XYZ Target for the years ended 30 June 20XX and 20X1, and accordingly, we will not express any opinion, as to whether the Pro Forma Historical Financial Information is prepared, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and accounting policies adopted by ABC Company disclosed in section [X] of the Bidder Statement (the “applicable criteria”).

D. Review of Forecast

We will review the Forecast and the directors’ best-estimate assumptions underlying the Forecast in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe, in all material respects that:

- the directors’ best-estimate assumptions, when taken as a whole, do not provide reasonable grounds for the preparation of the Forecast;
- the Forecast is not properly prepared on the basis of the directors’ best-estimate assumptions or prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and accounting policies adopted by ABC Company and disclosed in the proposed bidder statement (the “applicable criteria”); and
- The Forecast itself is not reasonable.

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- The review procedures will include, but not limited to enquiry, comparison, and other such analytical review procedures we consider necessary.
- Our review of the ABC Company Forecast will be limited primarily to:
 - comparison and analytical review procedures;
 - discussions with management and Directors of ABC Company of the factors considered in determining their assumptions; and
 - examination, on a test basis, of evidence supporting the assumptions and amounts in the ABC Company Forecast and the evaluation of accounting policies used in the ABC Company Forecast.

We will require written representations and confirmations from the Directors and management to be provided to ensure the assumptions applied in the preparation of the Forecast are consistent with the Directors' knowledge and expectation.

Our review of the Forecast will be substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. Our review is not an audit and we will not express an audit opinion on the ABC Company Forecast or the directors' best-estimate assumptions. Our Firm will not express any opinion as to whether any forecast or projections will be achieved, or warrant or guarantee any statements as to the future prospects of ABC Company.

E. Review of the Proper Compilation of the Aggregated Forecast

We will review the proper compilation of the Aggregated Forecast, representing the combined ABC Company and XYZ Target in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Aggregated Forecast is not properly compiled on the basis of:

- the ABC Company Forecast;
- [publicly] available forecast information of XYZ Target; and
- the directors' assumptions underlying the Aggregated Forecast.

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Our review procedures will include, but not limited to enquiry, comparison, and other such analytical review procedures we consider necessary.

Our review of the proper compilation of the Aggregated Forecast will be substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. Our review is not an audit and we will not express an audit opinion on the compilation of the Aggregated Forecast. We will not express any opinion, or make any statement of negative assurance, in relation to the publicly available forecast information of XYZ Target or the directors' assumptions underlying the Aggregated Forecast, and we will make this clear in our Independent Assurance Report.⁸⁴

Reporting

As a result of the above work procedures we intend to issue the Independent Assurance Report to the directors of ABC Company on the Historical Financial Information, the proper compilation of the aggregated Pro Forma Historical Financial Information and the ABC Company Forecast, being the Aggregated Forecast for inclusion in the proposed bidder statement.

Our Independent Assurance Report is to be provided expressly for the benefit of ABC Company, and for inclusion in the bidder statement.

Reliance on information

The directors of ABC Company are responsible for:

- the content of the proposed bidder statement, other than the content of our Independent Assurance Report, and any other experts' reports;
- issuing the proposed bidder statement;
- the preparation and presentation of the Historical Financial Information, the Pro Forma Historical Financial Information, the ABC Forecast and the Aggregated Forecast included in the proposed bidder statement;
- the directors' best-estimate assumptions on which the ABC Company Forecast is based;

⁸⁴ If sufficient access is granted to the XYZ Target's forecast and assumptions underlying the forecast, the wording can be amended.

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- the directors' assumptions on which the Aggregated Forecast is based; and
- the inclusion in the proposed bidder statement of information regarding the sensitivity of the Forecast and the Aggregated Forecast to changes in key assumptions.

We do not assume any liability for information or statements included in the bidder statement other than our Independent Assurance Report.

We will require written representation from ABC Company that all material information relevant to the Historical Financial Information, Pro Forma Historical Financial Information, Forecast and Aggregated Forecast within your possession has been provided prior to the finalisation of our reports, and that no material changes have occurred between the date of our reports and the date of lodgement of the proposed bidder statement with the Australian Securities and Investments Commission ("ASIC") which could affect our findings.

Consents

Prior to the issue of the proposed bidder statement, we will review the document in its entirety, to consider whether we consent to the form and context in which we are named as Investigating Accountant, and to consider whether we consent to the inclusion of our Independent Assurance Report in the form and context in which it is included. Our consent will be issued on the letterhead of [firm name] and should then be quoted in the proposed bidder statement.

The consent relates to the use of our name and report in the context of the whole proposed bidder statement. Our name or report, or any extract, may not be included in any analysts' briefings, in any display on an internet site or in any other media without our prior consent. [Firm name] will be giving the consent pursuant to section 636(3) of the *Corporations Act 2001* but will not otherwise be authorising or causing the issue of the bidder statement.

In the event of any misuse of our name or our reports, [firm name] reserves the right to withdraw its consent by written notification to ABC Company at its registered office and to ASIC.

[insert other information such as fee arrangements, billings and other specific terms and conditions, as appropriate.]

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*Assurance Engagements involving Corporate Fundraisings and/or
Prospective Financial Information*

Acceptance of Engagement Terms

We look forward to working closely with the directors of ABC Company in relation to this important assignment.

Please sign and return the attached copy of this engagement letter to indicate your acknowledgement of, and agreement with the terms and conditions detailed in this engagement letter, including our respective responsibilities. If you wish to discuss any aspect of this letter, please do not hesitate to contact me.

Yours Faithfully

[Firm name]

[Name of partner]

Partner

Client Acceptance

I have read and understood the terms and conditions of this letter and the attached Appendix 1 and I agree to and accept them for and on behalf of ABC Company, by whom I am duly authorised:

Signature

Name

Position

Appendix 3

(Ref: Para. A45)

Illustrative Representation Letter

The following illustrative letter includes example written representations that can be tailored for specific engagement circumstances.

Engagement Circumstances include the following:

- **Engagement in connection with the issue of a prospectus by ABC Company.**
- **Assurance Engagement terms are to express a limited assurance conclusion in an Independent Assurance Report covering Historical Financial Information, Pro Forma Historical Financial Information and Forecast.**

Firm Name

Address

[Date]

Dear Sirs

Letter of Representation

This letter is provided in connection with your engagement to examine and report as Investigating Accountant on the financial information included in the [public document] of ABC Company. Limited (“ABC Company”) to be dated on or around 31 October 20XX (“Prospectus”), in accordance with the terms and conditions contained in your engagement letter dated [insert date]. Expressions defined in the Prospectus have the same meaning in this letter.

General Representations

We acknowledge that the statements of limited assurance that you provide to the directors of ABC Company will be based on the examination of the financial information conducted in accordance with Standard on Assurance engagement ASAE 34XX *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*. We understand that the examination was a review of the financial information, and was limited primarily to enquiries of ABC Company personnel and analytical review

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procedures applied to the financial information and thus provides less assurance than an audit. You have not performed an audit and accordingly you do not express an audit opinion. [Note that this paragraph will need to be amended if the assurance engagement involves the provision of reasonable assurance in relation to any of the financial information.]

We acknowledge our responsibility for the preparation of the prospectus, including the preparation and presentation of all financial information contained therein, in accordance with the Corporations Act 2001 (the Act).

We acknowledge that we are responsible for providing, and have provided, [Firm Name] with all the relevant information required in the performance of the assurance engagement, and the preparation of the Independent Assurance Report for ABC Company and its directors. Historical Financial Information and Pro Forma Historical Financial Information

With respect to the historical financial information and pro forma historical financial information, we acknowledge our responsibility for the preparation and presentation of the financial information on which the Independent Assurance Report is based; being the financial statements of ABC Company for the years ended 30 June 20XX and 20X1 respectively. These financial statements include the Balance Sheet, Profit and Loss Statement and Statement of Cash flows, and related notes.

In the performance of the assurance engagement, [Firm Name] has been entitled to rely on the information provided by ABC Company and to assume that the information provided is, to the best knowledge and belief of management and the directors, accurate and, except where otherwise indicated, complete.

In connection with your review, we confirm, to the best of our knowledge and belief, the following:

- ABC Company's historical and pro forma historical financial information, included in the prospectus, has been prepared on a going concern basis. Having considered the circumstances likely to affect ABC Company during the next 12 months, and the circumstances that we know will arise thereafter, we are satisfied that the going concern basis of preparing the historical financial information and pro forma historical financial information is appropriate;
- ABC Company's historical financial information and pro forma historical financial information, included in the prospectus have been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and the

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accounting policies adopted by ABC Company disclosed in section [X] of the prospectus.

- All material financial information, financial records, related data and other information relevant to the historical financial information and pro forma historical financial information within the possession of ABC Company have been provided to [Firm Name] prior to the finalisation of the Independent Assurance Report.
- We acknowledge responsibility for advising [Firm Name] of any material changes that may have occurred between the date of the Independent Assurance Report and the lodgement date of the prospectus with the Australian Securities and Investments Commission (“ASIC”).
- All material transactions have been properly recorded in the accounting records underlying the historical financial information and pro forma historical financial information.
- We are responsible for, and have established and maintained, an adequate internal control structure to facilitate the preparation of reliable financial information. We acknowledge our responsibility for the implementation and operation of accounting and internal controls systems that are designed to prevent and detect fraud and error.
- There has been no fraud or suspected fraud involving any member of management or employee with a significant role in monitoring or implementing ABC Company’s system of internal controls, or any other employee, that could have had a material effect on the historical financial information or pro forma historical financial information.
- [Other than detailed in the prospectus], there have been no violations, or possible violations, of laws, regulations or contractual agreements, the effects of which should be considered as the basis for recording a liability or for disclosure in the prospectus.
- Other than detailed in the prospectus], there have been no communications from governmental or other regulatory authorities concerning non-compliance with, or deficiencies in, the group’s adherence to relevant legislation. ABC Company has put in place appropriate procedures to ensure compliance with such legislation and the procedures have been applied throughout the financial periods under review.

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*Assurance Engagements involving Corporate Fundraisings and/or
Prospective Financial Information*

- [Other than detailed in the prospectus], there have been no changes in accounting policies, or the application of accounting policies, that would have a material effect on the historical financial information or pro forma historical financial information. The accounting policies have been consistently applied in the preparation of the historical financial information and pro forma historical financial information.
- We believe there are no uncorrected misstatements that are material, both individually and in aggregate, to any of the financial information under review. The uncorrected misstatements summarised in [Appendix 1] are, we believe, immaterial, both individually and in aggregate to the historical financial information and pro forma historical financial information.
- To the best of our knowledge and believe all material risks that may impact on the business have been adequately disclosed in the prospectus and considered in relation to their impact on the historical financial information and pro forma historical financial information.
- Other than those already adjusted for, and/or disclosed, there have been no matters or events that have arisen, or been discovered, subsequent to the preparation of the historical and pro forma historical financial information that would require adjustment to that historical financial information and pro forma historical financial information or disclosure in the prospectus.
- [Include any other matters that the assurance practitioner considers necessary]

Directors' Forecast

With respect to the directors' forecast prepared in respect of the financial period 30 June 20XX to 20 June 20X2, we acknowledge our responsibility for the preparation and presentation of that information, the best-estimate assumptions adopted, compliance with ABC Company's accounting policies, which are consistent with the requirements of Australian Accounting Standards, and the intended use of the information.

In the performance of the assurance engagement, [Firm Name] has been entitled to rely on the information provided by ABC Company and to assume that the information provided is, to the best knowledge and belief of management and the directors of ABC Company, accurate and, except where otherwise indicated, complete.

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Prospective Financial Information

In connection with your review, we confirm, to the best of our knowledge and belief, the following:

- ABC Company's forecast financial information, included in the [public document], has been prepared on a going concern basis. Having considered the circumstances likely to affect ABC Company during the forecast period, and the circumstances that we know will arise thereafter, we are satisfied that the going concern basis of preparing the forecast and pro forma forecast financial information is appropriate.
- All material financial information, records and related data relevant to the directors' forecast within the possession of ABC Company have been provided to [Firm Name] prior to the finalisation of the Independent Assurance Report.
- All forecast events and/or transactions have been properly recorded in the directors' forecast financial information.
- In preparing the directors' forecast, ABC Company has complied with the recognition and measurement principles in Australian Accounting Standards and other mandatory professional reporting requirements in Australia applicable as at the date of the Independent Assurance Report.
- The assumptions disclosed in the prospectus have been agreed by the ABC Company's board of directors and, taken as a whole, provide reasonable grounds for the preparation of the directors' forecast.
- The assumptions underlying the directors' forecast are reasonable, supportable and consistent between themselves and with ABC Company's strategic plans, and have been consistently applied.
- ABC Company's forecast financial information has been prepared using the directors' best-estimate assumptions, based on present circumstances, as to both the most likely set of economic, operating, developmental, and trading conditions and the course of action ABC Company is most likely to take. Accordingly, the ABC Company's forecast financial information is appropriately called a forecast.
- During your review we have made available to you all records and information that was available to us at the time and from which we have based our financial model.

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- There will not be any deficiencies or encumbrances attaching to the title of ABC Company's assets during the period covered by the directors' forecast, other than those already reflected in the prospectus.
- All liabilities, which will arise out of the activities of ABC Company, have been included in the directors' forecast.
- The accounting policies adopted in preparing the directors' forecast for the year ending 30 June 20XX are those that are expected to be used for reporting historical financial information for the corresponding period.
- All material transactions have been properly included in the directors' forecast.
- No event(s) have occurred to the time of signing this letter that would necessitate adjustment to the directors' forecast, or disclosure in the prospectus, which we have not brought to your attention.
- ABC Company has no plans or intentions that could materially affect the book value or classification of assets or liabilities during the period of the directors' forecast that are not already reflected therein.
- The ABC Company's board of directors is not aware of any breach or non-compliance with the terms of any contractual arrangements, however caused, that could initiate claims against ABC Company, and which would have a material effect on the directors' forecast.

[Include any other matters that the assurance practitioner considers necessary]

Conclusion

This representation is provided to [Firm Name], [its Directors and employees], in connection with the prospectus dated 30 June 20XX to be issued by ABC Company.

Yours faithfully

ABC Company Limited

Name

Director

Appendix 4

(Ref: Para. A50 and 65)

Illustrations of Assurance Reports

The following illustrations incorporate the requirements of this ASAE. However, they are not intended to suggest standard wording for circumstances relating to all engagements.

- Illustration 1: Independent Assurance Report on Historical and Pro Forma Historical Financial Information included in a public document, with an unmodified limited assurance conclusion
- Illustration 2: Independent Assurance Report on Historical and Pro Forma Historical Financial Information included in a public document, with a modified limited assurance conclusion (limitation of scope)
- Illustration 3: Independent Assurance Report on Prospective Financial Information, in the form of a Forecast included in a public document, with an unmodified limited assurance conclusion
Illustration 4: Independent Assurance Report on a Forecast and a Pro Forma Forecast Financial Information with an unmodified limited assurance conclusion
- Illustration 5: Independent Assurance Report on the proper compilation of pro forma historical financial information, included in a public document, with an unmodified reasonable assurance conclusion

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Assurance Engagements involving Corporate Fundraisings and/or
Prospective Financial Information

Illustration 1: Independent Assurance Report on historical and pro forma historical financial information with an unmodified limited assurance conclusion included in a prospectus

[Date]⁸⁵

The Directors

ABC Company Limited

[Address]

Dear Directors⁸⁶

Independent Assurance Report on Historical and Pro Forma Historical Financial Information

We have prepared this Independent Assurance Report on historical financial information and pro forma historical financial information of ABC Company Limited (“ABC Company”) for inclusion in the prospectus dated on or about [insert date] relating to the issue of [X] ordinary shares in ABC Company. We have conducted our engagement in accordance with the Standard on Assurance engagement ASAE 34XX *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Expressions or terms defined in the prospectus have the same meaning in this report.

[Insert relevant background information to ABC Company and/or the prospectus if required]

Scope

You have requested [Firm Name] to review the following financial information included in the prospectus:

- (a) the statement of comprehensive income of ABC Company for the [year(s)/period(s)] ended [insert date]; and

⁸⁵ The date of both the hard copy and electronic version of the report should be the same. The assurance practitioner may provide the electronic version of the report in Adobe Acrobat® PDF format, where possible, to ensure that the electronic version of the report is identical to the hard copy of the report. See ASIC’s RG 107 *Electronic Prospectuses*.

⁸⁶ Or other title as appropriate in the circumstances of the assurance engagement.

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- (b) the statement of financial position as at [insert date];
Collectively referred to as “the Historical Financial Information”, and
- (c) pro forma historical statement of financial position as at [insert date]
(collectively called “the Pro Forma Historical Financial Information”).
The pro forma historical financial information is based on proposed
transactions disclosed in Section [X] of the prospectus; collectively
referred to as “the Pro Forma Financial Information”.

Due to its nature, the pro forma financial information does not represent the
company’s actual [financial position], [financial performance], [or cash
flows].

[Insert any other information relating to the underlying transaction(s), which
is deemed relevant.]

The historical financial information set out in Section [X] of the prospectus
has been extracted from the financial report of ABC Company for the year(s)
ended [insert date], which was audited by [Firm Name] in accordance with
the Australian Auditing Standards. [Firm Name] issued a
[modified/unmodified] audit opinion on the financial report.

Directors’ responsibility

The Directors of ABC Company are responsible for the preparation and
presentation of the Historical and Pro Forma Historical Financial Information
[including a determination of pro forma adjustments made to the historical
financial information].⁸⁷

The Historical Financial Information is presented in the prospectus in an
abbreviated form insofar as it does not include all of the disclosures required
by Australian Accounting Standards applicable to year-end financial reports
prepared in accordance with the *Corporations Act 2001*.

Our responsibility

Historical Financial Information

Our responsibility is to conduct a review of the historical financial
information in accordance with the Standard on Assurance Engagement
ASAE 34XX *Assurance Engagements involving Corporate Fundraisings*
and/or Prospective Financial Information. Additionally, we have complied

Proposed Standard on Assurance Engagements ASAE 34XX
*Assurance Engagements involving Corporate Fundraisings and/or
Prospective Financial Information*

with relevant ethical requirements and ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.

We reviewed the Historical Financial Information in order to state whether anything has come to our attention, which causes us to believe that the Historical Financial Information is not presented fairly, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and accounting policies adopted by ABC Company, as disclosed in Section [X] of the prospectus.

We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- analytical procedures on the historical financial information of ABC Company;
- a review of ABC Company's work papers, accounting records and other documents;
- a comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards, and the accounting policies adopted by ABC Company as disclosed in Section [X] of the prospectus; and
- enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information set out in Section [X] of the prospectus has been derived from the [adjusted] historical financial information of ABC Company, after adjusting for the effects of the pro forma adjustments set out in Section [X]. The [adjusted] historical financial information was extracted from the financial report of ABC Company for the year(s) ended [insert date], which was audited by [Firm Name] in accordance with the Australian Auditing Standards. [Firm Name] issued a [modified/unmodified] audit opinion on the financial report.

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Assurance Engagements involving Corporate Fundraisings and/or
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We have conducted our review of the pro forma historical financial information in accordance with the Standard on Assurance Engagements ASAE 34XX *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*. Additionally, we have complied with relevant ethical requirements and ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.

We reviewed the pro forma historical financial information in order to state whether anything has come to our attention, which causes us to believe that the pro forma historical financial information is not presented fairly, in all material respects, on the basis of the pro forma adjustments, as described in Section [X] of the prospectus, and in accordance with the accounting policies adopted by ABC Company, as disclosed in Section [X] of the prospectus.

We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- analytical procedures on the historical financial information of ABC Company;
- a review of the pro forma adjustments, as disclosed in Section [X] of the prospectus, used in the preparation of the pro forma historical financial information;
- a review of ABC Company's work papers, accounting records and other documents;
- a comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards, and the accounting policies adopted by ABC Company as disclosed in Section [X] of the prospectus; and
- enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Proposed Standard on Assurance Engagements ASAE 34XX
*Assurance Engagements involving Corporate Fundraisings and/or
Prospective Financial Information*

Conclusion

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention, which causes us to believe that the Historical Financial Information set out in Section [X] of the prospectus, which comprises:

- (a) the historical statement of comprehensive income of ABC Company for the [year(s)/period(s)] ended [insert date]; and
- (b) the historical statement of financial position as at [insert date],

is not presented fairly, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and accounting policies adopted by ABC Company, and the Basis of Preparation, as disclosed in Section [X] of the prospectus⁸⁸.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro Forma Historical Financial Information set out in Section [X] of the prospectus, does not present fairly, in all material respects, the pro forma historical statement of financial position of ABC Company as at [insert the date], on a basis consistent with the stated basis disclosed in Section [X] of the prospectus, except for, assumptions necessary to comply with the stated basis of preparation as disclosed in section [x] of the document.

Subsequent events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief, no material transactions or events outside the ordinary business of ABC Company have come to our attention that would require comment on, or adjustment to, the Historical Financial Information referred to in our report.

⁸⁸ Identify departures from the reporting requirements of the Australian Accounting Standards, if appropriate.

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Assurance Engagements involving Corporate Fundraisings and/or
Prospective Financial Information

Independence or Disclosure of Interest

[Firm Name] does not have any interest in the outcome of this [transaction]⁸⁹ other than in [state interest] for which normal professional fees will be received.

Yours faithfully

Authorised AFSL Representative

[Firm Name]

Date

Draft

⁸⁹ Identify the nature of the transaction, for example, issue of shares or scheme of arrangement.

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*Assurance Engagements involving Corporate Fundraisings and/or
Prospective Financial Information*

**Illustration 2: Independent Assurance Report on a Forecast and Pro
Forma Forecast included in a public document, with an unmodified
limited assurance conclusion**

OUTSTANDING - FORECAST WORDING NOT YET INCLUDED

[Date]⁹⁰

The Directors

ABC Company Limited

[Address]

Dear Directors⁹¹

**Independent Assurance Report on Pro Forma Forecast Statement of
Earnings**

We have prepared this Independent Assurance Report (report) on the pro
forma forecast statement of earnings for the [period ending] 30 June 20X0 of
ABC Company Limited [“ABC Company”] for inclusion in the [public
document]⁹² dated on or about [insert date] relating to the issue of [ordinary
shares / units] in ABC Company.

Expressions and terms defined in the [public document] have the same
meaning in this report.

[Insert any background information relating to ABC Company and/or
proposed fundraising/takeover/scheme of arrangement, which is deemed
relevant; for example, purpose of the proposed fundraising.]

Scope

You have requested [Firm Name] to prepare a report for the review of the pro
forma forecast income statement of ABC Company for the period(s) ending
[insert date], as set out in Section [X] of the [public document].

⁹⁰ The date of both the hard copy and electronic version of the report should be the same.
The assurance practitioner may provide the electronic version of the report in Adobe
Acrobat © PDF format, where possible, to ensure that the electronic version of the report is
identical to the hard copy of the report. See ASIC’s RG 107 *Electronic Prospectuses*.

⁹¹ Or other title as appropriate in the circumstances of the assurance engagement.

⁹² Specify the type of the public document.

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Assurance Engagements involving Corporate Fundraisings and/or
Prospective Financial Information

Directors' Responsibility

The Directors are responsible for the preparation of the pro forma forecast statement of earnings for the period ending 30 June 20X0, including the best-estimate assumptions underlying the forecast statement of earnings, and the determination of the pro forma adjustments. The Directors' best-estimate assumptions underlying the forecast statement of earnings are set out in Section [X] of the [public document].

Our Responsibility

We have conducted our examination of the pro forma forecast statement of earnings for the [period] ending 30 June 20X0 in accordance with the Standard on Assurance Engagements ASAE 34XX *Fundraisings involving Corporate Fundraisings and Prospective Financial Information*. Additionally, we have complied with relevant ethical requirements and ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.

Pro Forma Forecast Statement of Earnings

The Pro Forma Forecast has been prepared by the Directors for [the purpose of].⁹³ We disclaim any assumption of responsibility for any reliance on this Report, or on the Pro Forma Forecast to which it relates to any person other than to the Directors, or for any purpose other than that for which it was prepared.⁹⁴

The Pro Forma Forecast statement of earnings set out in Section [X] of the [public document], has been derived from Income Statement of ABC Company for the [period] ending 30 June 20X0 set out in Section [X] of the [public document], adjusted for the effects of the pro forma adjustments, set out in Section [X] of the [public document]. Due to its nature, the pro forma forecast does not represent the company's actual [financial position], [financial performance], [or cash flows].

⁹³ Indicate the Directors' purpose for preparing the Financial Forecast, for example: "*to provide prospective investors with a guide to the potential financial performance of ABC Company for the year(s) ending [insert date].*"

⁹⁴ When the Investigating Accountant's Report has been prepared for users other than the Directors, this sentence should be amended to state: "*We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Forecast to which it relates for any purposes other than that for which it was prepared.*"

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*Assurance Engagements involving Corporate Fundraisings and/or
Prospective Financial Information*

Our procedures included:

- examination, on a test basis, of evidence supporting the best-estimate assumptions set out in Section [X] of the [public document];
- review of the pro forma adjustments, as disclosed in Section [X] of the [public document];
- comparison of the consistency in application of the recognition and measurement principles in Australian Accounting Standards, and the accounting policies adopted by ABC Company as disclosed in Section [X] of the [public document].
- enquiry of Directors, management and others; and
- such other analytical procedures as we considered necessary.

These procedures have been undertaken in order to state whether anything has come to our attention, which causes us to believe, in all material respects, that:

- (a) the Directors' best-estimate assumptions do not provide a reasonable grounds for the preparation of the pro forma forecast statement of earnings;
- (b) the pro forma forecast statement of earnings is not:
 - (i) prepared on the basis of the best-estimate assumptions as set out in Section [X] of the public document and the pro forma adjustments as described in Section [X] of the public document;
 - (ii) presented fairly, in all material respects on a basis consistent with the stated basis disclosed in Section [X] of the prospectus, except for, assumptions necessary to comply with the stated basis of preparation as disclosed in section [x] of the document; and
 - (iii) unreasonable.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Proposed Standard on Assurance Engagements ASAE 34XX
Assurance Engagements involving Corporate Fundraisings and/or
Prospective Financial Information

Conclusion

Based on our examination, which is not an audit, nothing has come to our attention, which causes us to believe in all material respects, that:

- (a) the Directors' best-estimate assumptions do not provide reasonable grounds for the preparation of the pro forma forecast statement of earnings;
- (b) the pro forma forecast statement of earnings does not present fairly, in all material respects, the pro forma historical statement of financial position of ABC Company as at [insert the date], on a basis consistent with the stated basis disclosed in Section [X] of the prospectus, except for, assumptions necessary to comply with the stated basis of preparation as disclosed in section [x] of the document; and
- (c) the pro forma forecast itself is unreasonable.

Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the pro forma forecast will be achieved.

The Pro Forma Forecast has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the [company] for the period ended [date]. There is a considerable degree of subjective judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties and contingencies, which are often outside the control of the [company]. The Pro Forma Forecast has been prepared using assumptions summarised in the [public document] which are based on best-estimate assumptions relating to future events that management expect to occur and actions that management expect to take.

The sensitivity analysis set out in Section[X] of the [public document] demonstrates the impacts on the Pro Forma Forecast of changes in key assumptions. The Pro Forma Forecast is therefore only indicative of the financial performance, which may be achievable. Prospective investors should be aware of the material risks and uncertainties relation to an investment in the [company], which are detailed in the [public document], and the inherent uncertainty relating to the Pro Forma Forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities set out in Section [X] of the public document.

Proposed Standard on Assurance Engagements ASAE 34XX
Assurance Engagements involving Corporate Fundraisings and/or
Prospective Financial Information

Prospective financial information, such as the Pro Forma Forecast relate to events and actions that have not yet occur and may not occur. While evidence may be available to support the assumptions on which the Pro Forma Forecast is based, those assumptions are generally future orientated and therefore speculative in nature. Accordingly, actual financial performance may vary from the prospective financial information presented in the [public document] and such variations may be material. [In addition, the actual financial performance may include any gains or losses arising from movements in the market values of investment properties and derivatives.] We express no opinion as to whether the Pro Forma Forecast will be achieved.

Independence or Disclosure of Interest

[Firm Name] does not have any interest in the outcome of this [transaction]⁹⁵ other than in [state interest] for which normal professional fees will be received.

Yours faithfully

Authorised AFSL Representative

[Firm Name]

Date

⁹⁵ Identify the nature of the transaction, for example, issue of shares or scheme of arrangement.

Proposed Standard on Assurance Engagements ASAE 34XX
Assurance Engagements involving Corporate Fundraisings and/or
Prospective Financial Information

Illustration 3: Independent Assurance Report on the examination of prospective financial information in the form of a forecast included in a public document with an unmodified limited assurance conclusion

[Date]⁹⁶

The Directors

ABC Company Limited

[Address]

Part 1- Independent Assurance Report on Forecast Financial Information

Dear Directors⁹⁷

We have prepared this Independent Assurance Report (report) on the forecast financial information of ABC Company Limited (“ABC Company”) for inclusion in the [public document⁹⁸] dated on or about [insert date] relating to the issue of [ordinary shares/units] in ABC Company. Expressions defined in the [public document] have the same meaning in this report.

[Insert any background information relating to ABC Company and/or the proposed fundraising which is deemed relevant, if required.]

Scope

You have requested [Firm Name] to prepare a report for the review on the forecast income statement of ABC Company for the year(s) ending [insert date] (“the Financial Forecast”), as set out in Section [X] of the [public document]. The Financial Forecast has been prepared by the Directors for [the purpose of].⁹⁹ We disclaim any assumption of responsibility for any reliance on this Report, or on the Financial Forecast to which it relates to any

⁹⁶ The date of both the hard copy and electronic version of the report should be the same. See ASIC’s RG 107 *Electronic Prospectuses*.

⁹⁷ Or other title as appropriate in the circumstances of the assurance engagement.

⁹⁸ Specify the type of the public document.

⁹⁹ Indicate the Directors’ purpose for preparing the Financial Forecast, for example: “to provide prospective investors with a guide to the potential financial performance of ABC Company for the year(s) ending [insert date].”

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person other than to the Directors, or for any purpose other than that for which it was prepared.¹⁰⁰

Directors' Responsibility

The Directors of ABC Company are responsible for the preparation and presentation of the Financial Forecast, including the best-estimate assumptions set out in Section [X] of the [public document], on which the Financial Forecast is based.

Our Responsibility

We have conducted our review of the Financial Forecast in accordance with the Standard on Assurance Engagements ASAE 34XX *Fundraisings involving Corporate Fundraisings and Prospective Financial Information*. Additionally, we have complied with relevant ethical requirements and ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.

Our procedures included examination, on a test basis, of evidence supporting the best-estimate assumptions, enquiry and comparison and such other analytical procedures, as we considered necessary in the circumstances. These procedures have been undertaken to form a conclusion whether anything has come to our attention, which causes us to believe, in all material respects, that:

- the Directors' best-estimate assumptions as set out in Section [X] of the [public document] do not provide a reasonable basis for the preparation of the forecast; and
- in all material respects, the Financial Forecast is not:
 - (a) properly prepared on the basis of the best-estimate assumptions as set out in Section [X];
 - (b) presented fairly in accordance with the recognition and measurement principles in the Australian Accounting Standards and accounting policies adopted and disclosed by ABC Company and the Basis of Preparation in Section [X] of the [public document]; and

¹⁰⁰ When the Investigating Accountant's Report has been prepared for users other than the Directors, this sentence should be amended to state: "*We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Forecast to which it relates for any purposes other than that for which it was prepared.*"

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- (c) unreasonable.

The Financial Forecast relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the best-estimate assumptions on which the Financial Forecast is based, such evidence is generally future oriented and therefore speculative in nature. Given the nature of the evidence available in assessing the reasonableness of the Directors' best-estimate assumptions, we are not in a position to obtain the level of assurance necessary to express a reasonable assurance conclusion on those assumptions. Accordingly, we provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions.¹⁰¹ The conclusion expressed in this Report has been formed on the above basis.

Forecast

Based on our review, nothing has come to our attention, which causes us to believe that, in all material respects:

- the Directors' best-estimate assumptions as set out in Section [X] of the [public document] do not provide an reasonable basis for the preparation of the forecast; and
- in all material respects, the Financial Forecast is not:
 - (a) properly prepared on the basis of the best-estimate assumptions as set out in Section [X];
 - (b) presented fairly in accordance with the recognition and measurement principles in the Australian Accounting Standards and accounting policies adopted and disclosed by ABC Company and the Basis of Preparation in Section [X] of the [public document]; and
 - (c) unreasonable.

Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the Financial Forecast will be achieved.

The Financial Forecast(s) [has/have] been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the [company] for the period

¹⁰¹ where appropriate.

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ended [date]. There is a considerable degree of subjective judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties and contingencies, which are often outside the control of the [company]. The Financial Forecast has been prepared using assumptions summarised in the [public document] which are based on best-estimate assumptions relating to future events that management expect to occur and actions that management expect to take.

The sensitivity analysis set out in Section[X] of the [public document] demonstrates the impacts on the Financial Forecast of changes in key assumptions. The Financial Forecast is therefore only indicative of the financial performance, which may be achievable. Prospective investors should be aware of the material risks and uncertainties relation to an investment in the [company], which are detailed in the [public document], and the inherent uncertainty relating to the Financial Forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities set out in Section [X] of the public document.

Prospective financial information, such as the Financial Forecast relate to events and actions that have not yet occur and may not occur. While evidence may be available to support the assumptions on which the Forecast(s) [is/are] based, those assumptions are generally future orientated and therefore speculative in nature. Accordingly, actual financial performance may vary from the prospective financial information presented in the [public document] and such variations may be material. [In addition, the actual financial performance may include any gains or losses arising from movements in the market values of investment properties and derivatives.] We express no opinion as to whether the Financial Forecast(s) will be achieved.

[Independence or Disclosure of Interest Statement]

Yours faithfully

Authorised AFSL Representative

[Firm Name]

Date

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Illustration 4: Independent Assurance Report on the examination of prospective financial information in the form of a forecast with an unmodified limited assurance conclusion not included in a public document.

[Date]

The Directors

[Name of Entity]

[Address]

The Directors

Private Report on Prospective Financial Information

As agreed in our engagement letter dated XXXX, we have prepared this Private Report on the forecast financial information of ABC Company Limited (“ABC Company”) for distribution to users specified in Section [X] relating to the issue of [ordinary shares/units] in ABC Company.

The nature of this report is such that it can only be issued by an entity, which holds an AFSL under the Corporation Act 2001. [Firm name] holds the appropriate AFSL.

[Insert any background information relating to ABC Company and/or the proposed fundraising deemed relevant; if any.]

Scope

You have requested [Firm Name] to prepare a report on the examination of the forecast income statement of ABC Company prepared for the year(s) ending [insert date] (“the Financial Forecast”), as set out in Section [X] of the document

The Financial Forecast has been prepared by management for [the purpose of]. We disclaim any assumption of responsibility for any reliance on this Report, or on the Financial Forecast to which it relates to any person other than management, or for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of [ABC Company] that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to use for the purpose of our

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work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Managements' Responsibility

The Management of ABC Company are responsible for the preparation and presentation of the Financial Forecast, including the best-estimate and hypothetical assumptions set out in Section [X] of the document, on which the Financial Forecast is based.

Our Responsibility

We have conducted our examination of the Financial Forecast in accordance with the Standard on Assurance Engagements ASAE 34XX *Fundraisings involving Corporate Fundraisings and Prospective Financial Information*. Additionally, we have complied with relevant ethical requirements and ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*

Our procedures included examination, on a test basis, of evidence supporting the best-estimate assumptions, enquiry and comparison and such other analytical procedures, as we considered necessary in the circumstances. These procedures have been undertaken to form a conclusion whether anything has come to our attention, which causes us to believe that:

- Management's best-estimate assumptions as set out in Section [X] of the Private Report do not provide a reasonable basis for the preparation of the forecast; and
- in all material respects, the forecast is not:
 - (a) properly prepared on the basis of the best-estimate assumptions as set out in Section [X] of the document; and
 - (b) is not presented fairly in accordance with the recognition and measurement principles in the Australian Accounting Standards and the accounting policies adopted and disclosed by ABC Company in Section [X] of the document) and
 - (c) unreasonable.

The Financial Forecast relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the best-estimate assumptions on which the Financial Forecast is based, such

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evidence is generally future oriented and therefore speculative in nature. Given the nature of the evidence available in assessing the reasonableness of management's best-estimate assumptions, we are not in a position to obtain the level of assurance necessary to express a reasonable assurance conclusion on those assumptions. Accordingly, we provide a lesser level of assurance on the reasonableness of managements best-estimate assumptions. The conclusion expressed in this Private Report has been formed on the above basis.

Review Statement

Based on our review, nothing has come to our attention, which causes us to believe that, in all material respects:

- Management's best-estimate assumptions as set out in Section [X] of the Private Report do not provide an reasonable basis for the preparation of the forecast; and
- in all material respects, the forecast is not:
 - (d) properly prepared on the basis of the best-estimate assumptions as set out in Section [X] of the document;, and
 - (e) is not presented fairly in accordance with the recognition and measurement principles in the Australian Accounting Standards and the accounting policies adopted and disclosed by ABC Company in Section [X] of the document) and
- unreasonable.

Actual results are likely to be different from the Financial Forecast since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the Financial Forecast will be achieved.

Reliance on this Report

This report is address to the Director's [ABC Company] (as responsible party for ABC Company) and [specify].

We have not taking instructions from the above parties (other than XXX), nor have they confirmed the suitability of our Engagement Letter for their individual purposes.

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This report may be disclosed on a confidential basis to [specify] for the purposes of [specify]. In permitting this report to be shown to [specify] we make no representation that it is adequate for their purses and do not assume any responsibility or duty to them for the consequences of any reliance they may choose to place on this private report, or our work.

[Include any other matters that the assurance practitioner considers necessary]

Independence or Disclosure of Interest

[Firm Name] does not have any interest in the outcome of this [transaction] other than in [state interest] for which normal professional fees will be received.

Yours faithfully

Authorised AFSL Representative [Partner]

[Firm Name]

Date

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Illustration 4: Independent Assurance Report on the proper compilation of Pro Forma (Historical) Financial Information included in a document related to a fundraising, with an unmodified reasonable assurance conclusion

[Date]¹⁰²

The Directors

[Name of Entity]

[Address]

Independent Assurance Report on the Proper Compilation of Pro Forma Historical Financial Information

Dear Directors¹⁰³

We have prepared this Independent Assurance Report on the proper compilation of the pro forma historical financial of ABC Company for inclusion in the [public document].

The pro forma financial information consists of [the pro forma net asset statement as at [date]], [the pro forma income statement for the period ended [date]] [and the pro forma cash flow statement for the period ended [date]] [as set out on Section [X] of the [public document] issued by the company]. The applicable criteria in accordance with which [the Directors] has performed the proper compilation are specified in Section [X] of the [public document].

The pro forma historical financial information has been compiled by the Directors to illustrate the impact of the [event or transaction] set out in Section [X] on the [public document]. As part of the process, information about the company's [financial position], [financial performance] [and cash flows] has been extracted from the company's financial report [for the period ended [date]], on which [[an audit or review] report]/[no audit or review report] has been issued. Due to its nature, the pro forma historical financial information does not represent the company's actual [financial position], [financial performance], [or cash flows].

¹⁰² The date of both the hard copy and electronic version of the report should be the same. The assurance practitioner may provide the electronic version of the report in Adobe Acrobat® PDF format, where possible, to ensure that the electronic version of the report is identical to the hard copy of the report. See ASIC's RG 107 *Electronic Prospectuses*.

¹⁰³ Or other title as appropriate in the circumstances of the assurance engagement.

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The nature of this report is such that it can only be issued by an entity, which holds an AFSL under the *Corporation Act 2001*. [Firm name] holds the appropriate AFSL.

Directors' Responsibilities

The Directors of ABC Company are responsible for compiling the pro forma financial information on the basis stated.

Our Responsibilities

Our responsibility is to express reasonable assurance about whether the pro forma financial information has been properly compiled by [the Directors] in accordance on the basis stated. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 34XX *Fundraisings involving Corporate Fundraisings and Prospective Financial Information*, issued by the Auditing and Assurance Standards Board (AUASB). Additionally, we have complied with relevant ethical requirements and ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.

Our procedures included obtaining evidence about whether:

- [The Directors] have an appropriate basis for presenting the significant effects directly attributable to the event(s) or transaction(s);
- The related pro forma adjustments give appropriate effect to that identified basis;
- The pro forma historical financial information reflects the proper application of the pro forma adjustments to the historical financial information.

The procedures selected depend on the assurance practitioner's judgement, having regard to the assurance practitioner's understanding of the nature of the company, the event(s) or transaction(s) in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances. The assurance engagement also involves evaluating the overall presentation of the pro forma historical financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the pro forma historical financial information. We have not performed an audit or review of the pro forma historical financial information itself, nor in the course of this engagement performed an audit or review of the financial information used in compiling the pro forma financial information.

Conclusion

In our opinion, the pro forma historical financial information has been properly compiled on the basis stated.

Independence or Disclosure of Interest Statement

Yours faithfully

Authorised AFSL Representative

[Firm Name]

Date