



Attachment to Board Meeting Summary Paper

Subject: Fundraisings
 Prepared by: AUASB Technical Group
 Date: 22 November 2010

ATTACHMENT

Issues

The AUASB is requested to consider and resolve the following issues:

Item #	Issues	Approve? Y/N
1.	<p><u>Issue: Single Engagement Letters</u></p> <p>Background The Board previously considered the issue of a single engagement letter that combines the assurance practitioner's:</p> <ul style="list-style-type: none"> (a) responsibilities and terms of the assurance engagement when examining and reporting on the financial information included in the public document, and (b) any other non-assurance services provided in connection with the financial information included in the public document. <p>In such a combined engagement letter, the assurance practitioner's responsibilities and terms of engagement in respect of both assurance services and non-assurance services would be clearly distinguished by separating them in sections (i.e. Section 1 – Assurance Engagement; Section 2 – Non-Assurance Services). The Board previously rejected allowing a single engagement letter covering both assurance and non-assurance services.</p> <p>PAG feedback on this issue has been very strongly of the view that the assurance practitioner should be given the option of being able to issue a stand-alone engagement letter covering both assurance services and non-assurance services.</p> <p>Issue: Should the assurance practitioner issue a stand-alone engagement letter for the assurance engagement to issue an Assurance Report on the financial information included in the public document?</p> <p>Recommendation: The AUASB Technical Group recommends that the ED allow assurance practitioners to either issue separate engagements letters covering assurance services and non-assurance services or to combine both services, provided that they are clearly distinguished in the engagement terms.</p>	

This document contains preliminary views and/or staff recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

Item #	Issues	Approve? Y/N
	This could be done in the guidance material. See proposed wording at paragraph A3.	
2.	<p><u>Issue: Application section – Private Reports</u></p> <p>Background: Further to previous Board deliberations in June 2010 regarding Private Reports, further consultation with the PAG on the subject took place, with the result being that the PAG recommended the inclusion of “private reports” within the scope of the ASAE. Private Reports within this context are assurance reports prepared by the assurance practitioner relating to a proposed corporate transaction, or prospective financial information, not in connection with a public document, for distribution to intended users.</p> <p>The PAG recommendation to now include private reports was made on the basis that such private reports involve:</p> <p>(a) a 3 party relationship between the engaging party (for example, management), the assurance practitioner and other intended users (for example. a bank or those charged with governance of the entity); and</p> <p>(b) the assurance practitioner’s report may be used by the responsible party (client entity) later on for public purposes and/or be provided to a party other than the responsible party.</p> <p>The PAG further recommended that requirements relating to Private reports prepared for external intended users be mandatory, whilst private reports prepared for internal intended users not be mandatory.</p> <p>Issue: Should “Private Reports” be included in the ASAE?</p> <p>Recommendation: The AUASB Technical Group recommends that the ED allow for private reports within its application section, and consequently in its requirements and related guidance. See Proposed Application paragraph’s 1(b) and 2(a). Further, suggested terminology changes to the ED include change references to “public document” to “public document, or other document” and “Investigating Accountant’s Report” to be replaced with “Assurance Report” unless specifically referring only to a public document. Also suggest including a specific example private report in the appendix – see proposed Illustration 6 in Appendix 5.</p>	

<p>3.</p>	<p><u>Issue: Compiled financial information & process to compile financial information.</u></p> <p>Background: The PAG has again considered what type of financial information should be within the scope of this ASAE, in particular when it is compiled financial information, and what type of assurance procedures and assurance should be expressed on compiled financial information.</p> <p>Inter-related with this is that assurance practitioners are sometimes requested to opine on the process to compile the financial information and not the financial information itself.</p> <p>Issues: The issue is two-fold:</p> <p>(a) To what extent should assurance engagements be included within the scope of the ASAE be included where the assurance practitioner is expressing a assurance conclusion on information that is compiled? and</p> <p>(b) To what extent should requirements and related guidance be included related to engagements where the assurance practitioner is being requested to opine on the process to compile the financial information in a proposed corporate transaction or prospective financial information?</p> <p>Recommendations:</p> <p>(a) The AUASB Technical Group recommends that where assurance practitioners agree to perform assurance procedures on the underlying information that has been compiled (“compiled financial information”), and such information is related to a proposed corporate transaction or prospective financial information, and the assurance procedures intends to express an assurance conclusion on the compiled financial information, that such assurance engagements should be included in the scope of the document and the financial information be called “compiled financial information”; and</p> <p>(b) The AUASB Technical Group recommends that where assurance practitioners perform assurance procedures on the process to compile financial information, that:</p> <p>(i) if the “process” relates to pro forma financial information included in a prospectus, that the ED include requirements and guidance, and that these be broadly consistent/take into account those in the current International ED ISAE 3420 <i>Assurance Reports on the Process to Compile Pr forma Financial Information included In a Prospectus</i>, and</p> <p>(ii) if the “process” does <i>not</i> relate to pro forma financial information included in a prospectus, but in respect of a proposed corporate transaction or prospective financial information, that the ED include requirements and guidance to include these engagement types.</p>	
-----------	---	--

	<p>In both instances the engagement should be noted as an engagement covering the process to compile the financial information” and make clear that any assurance provided does not cover the actual financial information itself.</p>	
--	--	--

Item #	Information Only
1	<p>Area: Title of proposed ASAE</p> <p>Has been changed from “<i>Assurance Engagements in Connection with Proposed Fundraisings</i>” to “<i>Assurance Engagements Relating to Proposed Corporate Transactions and Prospective Financial Information</i>” to clearly incorporate Prospective financial information into the heading, so that assurance practitioners are aware that the ASAE covers both “fundraising” type transactions (proposed corporate transactions) and the examination of prospective financial information (which may not be in connection with a fundraising transaction).</p>
2	<p>The following areas are outstanding, pending the resolution of the Issues Noted above:</p> <ul style="list-style-type: none"> (a) single engagement letter (b) private reports (c) compiled financial information and/or process to compile financial information <p>The following areas are outstanding, and will be updated as part of the finalisation of the ED ready for exposure:</p> <ul style="list-style-type: none"> (d) pro forma forecast/prospective financial information – given both information types result in much the same assurance procedures, the requirements and related guidance for both financial information types will be re-worked to reduce duplication. (e) A number of late PAG suggestions have resulted in new or deleted requirements, and/or guidance. The Draft ED has not yet been renumbered to take account of these changes, pending resolution of Board issues noted above, which will likely result in more changes. Consequently, when the issues are addressed, the ED’s paragraphs will be manually re-numbered and re-cross referenced, as necessary, to ensure they are correct.