



Issues Paper

Subject: Proposed ASAE on *Comfort Letters for Requesting Parties in Connection with International Offerings and Similar International Transactions*

Prepared by: AUASB Technical Group

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The Board is requested to consider and resolve the issue below:

Background

In issuing comfort letters to requesting parties relating to international offerings, it has been an accepted practice amongst Australian auditors to provide a negative assurance conclusion on certain financial statements or selected financial statement components during the “change period” (the period after the date of the most recent unaudited/unreviewed interim financial statements included in the offering document, up to the date when the auditor concluded their comfort letter procedures). The auditor provides negative assurance conclusion based on the following agreed-upon procedures, which are determined by the requesting parties:

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

In line with the fundamental principle in a comfort letter engagement, the requesting parties are solely responsible for determining the sufficiency of the procedures to be performed by the auditor. The above procedures are not determined by the auditor.

The above form of conclusion is internationally accepted, particularly in major jurisdictions such as the U.S, Canada, Germany and the U.K. The U.S, Canada and Germany have standards where the above form is prescribed. In the U.K, comfort letters are issued in accordance with the guidance and protocols set by the International Capital Market Association (ICMA).

Issue

Providing a negative assurance conclusion based on agreed-upon procedures does not fit with the Australian assurance framework.

AUASB Technical Group Recommendation

We recommend that the above form of conclusion be treated in the proposed Comfort Letters ASAE as a format prescribed by another jurisdiction’s standards, consistent in nature to the auditor’s report format and content prescribed by law or regulation in ASA 700 *Forming an Opinion and Reporting on a Financial Report* [paragraph 43].

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