

**WORKING DRAFT  
(CLEAN VERSION)**

**ASAE 3XXX**  
( 2010)

**Standard on Assurance  
Engagements ASAE 3XXX**  
*Comfort Letters for  
Requesting Parties in  
Connection with International  
Offerings and Similar  
International Transactions*

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

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## PREFACE

### **Reasons for Issuing Standard on Assurance Engagements ASAE 3XXX *Comfort Letters for Requesting Parties in Connection with International Offerings and Similar International Transactions***

The Auditing and Assurance Standards Board (AUASB) makes Auditing Standards under section 336 of the *Corporations Act 2001* and formulates auditing and assurance standards for other purposes.

The AUASB issues Standard on Assurance Engagement ASAE 3XXX *Comfort Letters for Requesting Parties in Connection with International Offerings and Similar International Transactions* 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 purposes other than the corporations legislation.

This Standard on Assurance Engagements replaces Auditing Standard AUS 804 *The Audit of Prospective Financial Information* and Auditing Guidance Statement AGS 1062 *Reporting in Connection with Proposed Fundraisings*, which were withdrawn by the AUASB on [insert date].

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## **Main Features**

This Standard on Assurance Engagements establishes requirements and provides application and other explanatory material for conducting an assurance engagement relating to the issuance by the auditor of comfort letters to requesting parties in connection with international offerings.

This Standard on Assurance Engagements:

- (a) establishes requirements to auditors performing engagements relating to the issuance by the auditor of a comfort letter to underwriters and other requesting parties undertaking international offerings and similar international transactions;
- (b) sets out the types of procedures that the auditor may perform in comfort letter engagements; and
- (c) sets out the types of information that may be included as part of the subject matter of the comfort letter engagement.

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**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) formulates this Standard on Assurance Engagements ASAE 3XXX *Comfort Letters for Requesting Parties in Connection with International Offerings and Similar International Transactions* 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 Standards on Assurance Engagements are to be understood, interpreted and applied.

Dated \_\_\_\_\_

M H Kelsall  
Chairman - AUASB

**STANDARD ON ASSURANCE ENGAGEMENTS  
ASAE 3XXX**

***Comfort Letters for Requesting Parties in Connection  
with International Offerings and Similar  
International Transactions***

**Application**

- 1 This Standard on Assurance Engagements applies to engagements where the auditor of an entity is requested to issue a comfort letter to an underwriter and other requesting parties in connection with international offerings and similar international transactions.

**Operative Date**

- 2 This Standard on Assurance Engagements (ASAE) is operative for engagements relating to the issuance of comfort letters by the auditors in connection with international offerings and similar international transactions that commence on or after [insert date].

**Introduction**

**Scope**

- 3 This ASAE deals with the responsibilities of the auditor of an entity in engagements where the auditor has been requested to issue a comfort letter by an underwriter and other requesting parties in connection with international offerings and similar international transactions.

*Domestic Offerings*

- 4 Comfort letters are not ordinarily requested from and issued by auditors in relation to offerings undertaken solely in Australia (“domestic offerings”). In domestic offerings, an assurance practitioner is ordinarily requested to perform a limited assurance engagement and issue an Independent Accountant’s Report. This ASAE does not apply to assurance engagements relating to domestic

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offerings that include the issuance of an Independent Accountant's Report.

- 5 This ASAE, however, applies to engagements relating to domestic offerings when the auditor:
- (a) is engaged solely to perform a comfort letter engagement, including the issuance of a comfort letter; and
  - (b) is not required to issue an Independent Accountant's Report in respect of certain financial information included in the offering document.

**Types of International Offerings and Similar International Transactions Covered by this ASAE**

*International Public Offerings*

- 6 Engagements involving the issuance of comfort letters are ordinarily undertaken by the auditor of an entity incorporated in Australia that offers its equity or debt securities to the public in the international market. When the entity undertakes an international offering, it engages the services of an underwriter who assists in the listing of its securities on an international stock exchange. Such an international public offering (IPO) is ordinarily made through an offering document in the form of a prospectus.
- 7 Law or regulation in many jurisdictions require those charged with governance of the entity undertaking the IPO and the underwriter to ensure that the prospectus contains adequate disclosures regarding the proposed offering, and that it does not contain misleading information. In view of this, the underwriter performs a due diligence investigation of the entity's affairs to comply with such an obligation. This investigation provides the underwriter with a due diligence defence that it has reasonable grounds to believe that the prospectus does not contain misleading information.
- 8 As part of its due diligence investigation, the underwriter ordinarily requests the auditor of the entity to perform certain procedures on selected information disclosed in the entity's prospectus and report results by way of issuing a comfort letter. The underwriter's request is ordinarily made through the entity, and the auditor's agreement to undertake the engagement is both with the underwriter and those charged with governance of the entity.

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- 9 The comfort letter is not included in the offering document as it is a private report of the auditor to the underwriter, those charged with governance of the entity and other requesting parties.
- 10 An IPO may be made in a single overseas jurisdiction, or it may be a cross-border offering. This ASAE applies to both types of IPOs.

*Similar International Transactions*

- 11 In addition to IPOs, the auditor of the entity may also be requested to issue a comfort letter in respect of similar international transactions, as follows:
- (a) Overseas private placements of equity or debt securities;
  - (b) Offerings of debt securities that are issued or backed by government entities in overseas jurisdictions; and
  - (c) Acquisition of, or merger with, another entity domiciled in an overseas jurisdiction, where there is an exchange of equity shares between the two entities.
- 12 The international transactions in paragraph 11(a) to (c) are exempt from the registration requirements under the applicable laws and regulations of many overseas jurisdictions. Consequently, the requesting parties who conduct due diligence investigations relating to the above international transactions do not have the due diligence defence of an underwriter in an IPO. This ASAE applies to comfort letter engagements regardless of whether the requesting parties have or do not have the due diligence defence.

**Other Types of Letters Issued by the Auditor**

- 13 This ASAE does not apply to engagements where the auditor is requested:
- (a) by a third party to issue a letter in respect of the third party's request to:
    - (i) place reliance on the auditor's audit report on the entity's financial report; or
    - (ii) access the auditor's working papers relating to the audit or review of the entity's financial report; or

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- (b) by the entity for assistance in preparing a letter of financial support to a subsidiary (sometimes referred to as a “letter of comfort”).

**Relationship with the Standards of Other Jurisdictions**

- 14 This ASAE acknowledges that overseas jurisdictions may have their own applicable standards for comfort letter engagements. In certain circumstances, the auditor may be requested to perform and report on the comfort letter engagement in accordance with the standard of the overseas jurisdiction where the international offering is being undertaken. For example, the auditor may need to undertake the engagement in accordance with the overseas jurisdiction’s standard to comply with the legal or regulatory framework of such overseas jurisdiction. In these circumstances, the auditor needs to comply with the requirements in paragraphs 19-21 of this ASAE.

*Form of Comfort Letter Prescribed by Standards of Other Jurisdictions*

- 15 This ASAE also acknowledges that the auditor may be requested to provide a comfort letter that conforms with the format prescribed by the standards of an overseas jurisdiction. In particular, the standards of some overseas jurisdictions prescribe a format on the auditor’s comments relating to change period financial statements. Under this prescribed format, the auditor states in the comfort letter that nothing has come to their attention which causes them to believe that there are changes in selected financial statement account balances, based on agreed-upon procedures (as outlined in paragraph 40 of this ASAE) . In these circumstances, the auditor needs to comply with the requirements in paragraph 58 of this ASAE.

**Objectives**

- 16 The objectives of the auditor in conducting a comfort letter engagement in connection with international offerings and similar international transactions are:

*Unaudited Financial Statements*

- (a) to plan and review the unaudited interim financial statements included in the offering document in accordance with ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor*; and

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- (b) to express a limited assurance conclusion in the comfort letter in respect of whether any material modifications should be made to the unaudited financial statements included in the offering document, for such financial statements to be in conformity with the applicable financial reporting framework;

*Change Period Financial Statements*

- (c) to plan and perform agreed-upon procedures on unaudited or unreviewed financial statements or selected financial statement account balances during the change period; and
- (d) to report on whether there were any changes on the unaudited or unreviewed financial statements or selected financial statement account balances during the change period in the comfort letter;

and

*Financial Information Other than Financial Statements*

- (e) to plan and perform limited assurance procedures or agreed-upon procedures on financial information other than financial statements; and
- (f) to express a limited assurance conclusion based on the limited assurance procedures or provide the requesting parties with a report on factual findings based on the agreed-upon procedures in the comfort letter.

**Definitions**

17 For purposes of this ASAE, the following terms have the meanings attributed below:

- (a) Agreed upon procedures means procedures carried out by the auditor in a comfort letter engagement, to which the auditor, the underwriter, those charged with governance of the entity and other requesting parties have agreed to. The auditor does not use their professional judgement to assess whether the results of the agreed-upon procedures amount to sufficient appropriate evidence to provide a reasonable basis for expressing an assurance conclusion. Hence, no assurance conclusion is drawn from such procedures, and

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no assurance conclusion is provided by the auditor on the financial information that is the subject matter of the engagement. The requesting parties of the comfort letter form their own conclusions from the report of factual findings by the auditor.

- (b) Applicable criteria means the criteria used by the responsible party in the preparation of the financial information included in the offering document. The criteria used depends on the nature of the financial information.
- (c) Applicable financial reporting framework means the financial reporting framework adopted by management and, where appropriate, those charged with governance in the preparation of the offering document that is acceptable in view of the nature of the entity and the objective of the offering document or that is required by law or regulation. In Australia, applicable financial reporting frameworks that may be used in preparing such financial information are represented by the Australian Accounting Standards; as well as relevant law, such as the *Corporations Act 2001* or other relevant law that may be applicable to other entities.
- (d) Assurance engagement means an engagement in which the auditor expresses a conclusion designed to enhance the degree of confidence of the underwriter and other requesting parties (other than the responsible party) about the reliability of information disclosed in the offering document, which is the subject of the comfort letter and evaluated under a suitable criteria.
- (e) Assurance engagement risk means the risk that the auditor expresses an inappropriate conclusion when the financial information that is the subject matter of the comfort letter is materially misstated.
- (f) Auditor means the person or persons conducting the audit, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. The auditor may be an incoming or existing auditor.
- (g) Bring down comfort letter means a letter prepared by the auditor of the entity, subsequent to the issuance of an initial comfort letter, updating the procedures described in the previously issued comfort letter to a certain date, usually

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prior to the closing date of the offering. Its purpose is to state whether the original comfort letter remains valid at the date of the comfort letter.

- (h) Change period means the period after the date of the most recent unaudited or unreviewed interim financial statements included in the offering document, and up to the date of the comfort letter procedures being concluded (also referred to as the subsequent period).
- (i) Comfort letter means a letter prepared by the auditor of an entity and issued to requesting parties (for example, the issuing entity who has previously appointed the auditor and an appointed underwriter) in respect of the results of certain procedures performed in connection with a securities offering detailed in an offering document. The comfort letter is typically issued prior to the offering closing and settlement date. The issuance of the comfort letter is restricted to those parties that have agreed to the procedures to be performed by the auditor, since others, unaware of the reasons for the procedures, may misinterpret the results.
- (j) Comfort letter engagement means an engagement relating to the issuance of a comfort letter by the auditor of an entity that is undertaking an international offering or similar international transactions. The auditor may be requested to perform agreed-upon procedures where the auditor does not provide any form of assurance in the comfort letter, but merely reports factual findings.
- (k) Cross-border offering means an offering or listing of a security that occurs in a jurisdiction other than that in which the entity is domiciled, which may or may not occur concurrently in the entity's jurisdiction.
- (l) Domestic offering means an offering that occurs in Australia and covered by Australian laws.
- (m) Due diligence means the process of investigating the entity's affairs to determine and consider the significant risks, rewards, and issues relating to the entity's offering, carried out by the underwriter and other requesting parties before they make a decision regarding such an offering.

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- (n) Due diligence defence means a defence that is available under a relevant law or regulation of a jurisdiction, to underwriters and entities, based on their reasonable investigation that the offering document relating to an international public offering does not have material omissions or contain misleading or deceptive information.
- (o) Entity means the entity undertaking the international offering and directly liable for the any material misstatements or omissions in the offering document.
- (p) Existing auditor means the current auditor of the entity who has already performed an audit or review of the entity's financial report, prior to being requested to provide a comfort letter.
- (q) Financial information means financial information that is the subject matter of the comfort letter, on which the auditor, under the terms of the comfort letter engagement, may express either a limited assurance conclusion, or report on factual findings based on the agreed-upon procedures. Financial information included in an offering document is ordinarily in the form of:
- (i) Historical financial information, which means information expressed in financial terms in relation to a particular entity derived primarily from that entity's accounting system about events occurring in past time periods or about conditions or circumstances at points in time in the past. Historical financial information may or may not be audited or reviewed. Examples of historical financial information incorporated in the offering document include:
- Audited or reviewed financial statements;
  - Unaudited or unreviewed interim financial statements<sup>1</sup>; and

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

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- Unaudited or unreviewed financial statements or selected financial statement account balances<sup>2</sup> during the change period.
- (ii) Financial information other than financial statements, which means financial information other than the financial statements listed in paragraph 16(q)(i) of this ASAE, including forecast financial information and pro forma financial information.
- Forecast financial information means prospective financial information prepared on the basis of assumptions as to future events which the responsible party expects to take place, and the actions the responsible party expects to take as of the date when the financial information is prepared.
  - Pro forma financial information means financial information that is adjusted in accordance with the responsible party's basis of preparation and applicable criteria, to illustrate the effects of an event(s) or transaction(s) on that financial information; assuming that the event(s) or transaction(s) had occurred at an earlier date, a later date, or not at all, during the financial period used for the illustration.
- Pro forma financial information may be historical in nature (pro forma historical financial information) or a forecast in nature (pro forma forecast, which may be a mixture of historical and forecast).
- (r) Financial statements means a structured representation of historical financial information, intended to communicate an entity's economic resources or obligations at a point in

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<sup>2</sup> See ASRE 2405 *Review of Historical Financial Information Other than a Financial Report* for examples of historical financial information other than a financial report.

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time or the changes therein for a period of time in accordance with a financial reporting framework. Under the *Corporations Act 2001*, a complete set of financial statements is required to be prepared in accordance with the Australian Accounting Standards.

- (s) Incoming auditor means an auditor who is newly appointed and has not performed an audit or review of a financial report of the entity prior to being requested to provide a comfort letter.
- (t) Inconsistency means information that contradicts the information that is the subject matter of the comfort letter engagement or the information contained in the audited financial statements included in the offering document.
- (u) International offering means making available the equity or debt securities of the entity to other parties in overseas jurisdictions, undertaken ordinarily through:
  - (i) a sale of securities to the public under a prospectus;
  - (ii) an exempt offering (for example, a private placement of securities to a limited number of investors, or an ordering of government bonds); and
  - (iii) certain securities transactions covered by specific laws or regulations (for example, exchange of shares of stock in merger transactions).
- (v) Interim financial statements means financial statements for a period shorter than the entity's financial year.
- (w) Limited assurance means the assurance obtained and provided by the auditor in an assurance engagement where the auditor's objective is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the assurance engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the auditor's conclusion. A limited assurance engagement is commonly referred to as a review.

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- (x) Management means the person(s) with executive responsibility for the conduct of the whole entity's operations or individual business units. For some entities, in some jurisdictions, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner-manager.
- (y) Materiality means, in relation to financial information which is the subject matter of the auditor's comfort letter, the omission, misstatement or non-disclosure of such information has the potential to affect the recognition and/or measurement basis of the financial information included in the offering document; and consequently, the decision of the requesting parties regarding the offering.
- (z) Misstatement of fact means information that is incorrectly stated or presented in the offering document. A material misstatement of fact may undermine the credibility of the offering document containing the auditor's audit report.
- (aa) Non-financial information means quantitative information other than financial information (for example, ratio of employees in the manufacturing department vs. total employees of the entity). Due to its nature, non-financial information does not ordinarily form part of the subject matter of the comfort letter engagement.
- (bb) Offering document means a document prepared by the responsible party relating to the entity's offering that contains details of the offering, information about the entity, its management and those charged with governance, financial statements, financial information and other information, as prescribed by law or regulation. It ordinarily comes in the form of a prospectus (for sale of securities), information circular (for an exchange of shares of stock) or an offering memorandum (for a private placement or other exempt offering).
- (cc) Other information means information (financial and non-financial) included in the offering document that does not form part of the subject matter of the comfort letter engagement.
- (dd) Prepared in accordance with the applicable financial reporting framework means the financial information

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included in the offering document has been prepared and presented by the responsible party on the basis consistent with the applicable financial reporting framework.

- (ee) Private placement means securities offered for sale or exchange to a limited number of investors in a particular jurisdiction, which are exempt by law or regulation from the requirement to use a prospectus document in the offer process. Instead, the securities may be offered through the preparation of an offering memorandum or similar document. A private placement is a form of an exempt offering.
- (ff) Prospectus means a document issued pursuant to legal or regulatory requirements of a jurisdiction relating to the entity's sale or issuance of securities, on which it is intended that investors should make a decision.
- (gg) Prospective financial information means financial information of a predictive character based on assumptions made by the responsible party about future events and on possible actions by the entity.
- (hh) Reasonable assurance means the assurance obtained and provided by the auditor in an assurance engagement where the auditor's objective is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the assurance engagement as the basis for a positive form of expression of the auditor's conclusion. Reasonable assurance means a high, but not absolute, level of assurance. A reasonable assurance engagement is commonly referred to as an audit.
- (ii) Representation letter means a letter prepared by the requesting parties to the auditor confirming a variety of matters relating the engagement.
- (i) A representation letter from those charged with governance of the entity confirms their responsibility for:
- preparing the offering document, including the information included in such a document;

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- ensuring that the offering document does not contain misleading information; and
  - ensuring that that they have provided all information and documentation requested by the auditor in performing the comfort letter engagement.
- (ii) A representation letter from the underwriter confirms that they are responsible for conducting their due diligence investigation of the entity's affairs, and for determining the sufficiency of the procedures performed by the auditor in the comfort letter engagement.
- (jj) Responsible party means those charged with governance of the entity (ordinarily the Board of Directors), who are also responsible for the preparation of the public document and financial information included in it.
- (kk) Requesting party means the entity (through those charged with governance of the entity), underwriter and/or other parties who have requested the auditor to provide a comfort letter in respect of an offering.
- (ll) Securities means instruments that include shares in a body, debentures in a body, or interests in a registered managed investment scheme, but do not cover a derivative or a market traded option.
- (mm) Subsequent events means events occurring from the date of the auditor's audit report on audited financial statements up to the effective date of the offering document, and facts that become known to the auditor after the date of of the audit report.
- (nn) Those charged with governance means the person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process. In international offerings, those charged with governance of the entity are responsible for the preparation of the offering document, including all the information disclosed in such a document.

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- (oo) Underwriter (also known as primary requesting party) means a financial intermediary in an offering of securities, acting as either an underwriter that purchases securities for resale to investors or an agent of the entity that offers securities for the account of the issuer or vendor. The underwriter may be either named in the prospectus (named underwriter) as one of the parties requesting the auditor to issue a comfort letter or not (other than named underwriter), such as a sales agent.

**Requirements**

**Ethical Requirements**

- 18 The auditor shall comply with the relevant ethical requirements in accordance with ASA 102.<sup>3</sup>

**Quality Control**

- 19 The auditor shall establish and maintain a system of quality control in accordance with ASQC1.<sup>4</sup>

**Performing the Engagement in Accordance with the Standard of an Overseas Jurisdiction**

- 20 In circumstances where the auditor has been requested to perform the comfort letter engagement in accordance with the standard of the overseas jurisdiction where the international offering is being made, the auditor shall accept such an engagement, conduct it and issue the comfort letter in accordance with such standard, provided that:
- (a) the auditor obtains sufficient knowledge of the overseas jurisdiction's standard<sup>5</sup>;
  - (b) the underlying principles of such a standard are substantially consistent with this ASAE's underlying principles described in paragraph 24 of this ASAE; and

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<sup>3</sup> See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

<sup>4</sup> See ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.

<sup>5</sup> Certain jurisdictions use internationally accepted protocols; for example, the guidance issued by the International Capital Market Association (ICMA) is widely used in some European jurisdictions.

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- (c) the auditor complies with the relevant ethical requirements of ASA 102.
- 21 Where relevant to the engagement, the auditor shall include in the comfort letter that the engagement has been undertaken by the auditor:
- (a) to provide information to requesting parties in relation to an offering in an overseas jurisdiction; and
  - (b) in accordance with the overseas jurisdiction's standard that is substantially consistent with this ASAE in terms of its underlying principles.
- 22 The auditor shall not accept a comfort letter engagement if the auditor has been requested to perform it in accordance with an overseas jurisdiction's standard that is substantially different from this ASAE in terms of its underlying principles.

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

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

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**Engagement Acceptance**

*Preconditions for the Engagement*

- 25 The auditor shall take into account the following principles underlying this ASAE before accepting the engagement:
- (a) The underwriter and other requesting parties are solely responsible for determining the sufficiency of the procedures to be performed by the auditor in a comfort letter engagement.
  - (b) The underwriter and other requesting parties will likely rely on any statement made by the auditor in the comfort letter to add credibility to the subject matter of the statement. Therefore, any such statement needs to be appropriately supported.
  - (c) In order to make any statement in the comfort letter that is appropriately supported, the auditor needs to possess adequate knowledge of the subject matter.
  - (d) The auditor can properly make such a statement only if there are suitable criteria against which to evaluate the subject matter.
- 26 The auditor shall determine that the following criteria have been met before accepting the engagement:
- (a) The auditor requested to provide the comfort letter is the auditor (existing or incoming) of the entity undertaking the international offering.
  - (b) The sole purpose of the auditor in undertaking the engagement is to assist the underwriter and other requesting parties in their due diligence investigation of the affairs of the entity relating to its international offering.
  - (c) The requesting parties understand their obligation under the applicable overseas jurisdiction's laws and regulations, including:
    - (i) the fact that they are knowledgeable of the due diligence process relating to the overseas offering;  
or

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- (ii) the fact that they are conducting an investigation that is substantially similar to that which is performed by requesting parties with due diligence defence, where the requesting parties do not have the due diligence defence under the applicable overseas jurisdiction's laws and regulations.
- (d) Those charged with governance, being the responsible party, acknowledge, understand and accept their responsibility for:
- (i) preparing the offering document;
- (ii) preparing and presenting the information in the offering document that is the subject matter of the auditor's comfort letter, including preparing and presenting the financial information in accordance with the applicable financial reporting framework (for historical financial information) or applicable criteria (for prospective financial information);
- (iii) ensuring that the offering document contains adequate disclosures and does not include misleading information about the international offering;
- (iv) providing and assisting the auditor with obtaining unrestricted access to:
- all information, such as unaudited financial statements, minutes of meetings, other records and documentation relevant to the preparation and presentation of the information that is the subject matter of the auditor's comfort letter;
  - those within the entity, and third parties (for example, entity's legal counsel and other specialist service providers to the entity) from whom the auditor determines it necessary to obtain evidence;

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- a copy of the whole offering document, which will be provided to the auditor at a frequency agreed with those charged with governance; and
  - any additional information that the auditor may request of those charged with governance for the purpose of the engagement.
- (e) The underwriter and all the other requesting parties, including those charged with governance:
- (i) acknowledge, understand and accept their responsibility for:
- conducting the due diligence investigation of the affairs of the entity to provide them with reasonable grounds for believing that the offering document does not contain misleading information; and
  - determining the nature and scope of the procedures that the auditor has to perform in the comfort letter engagement.
- (ii) acknowledge, understand and agree that:
- the comfort letter will only be issued to requesting parties who are involved in the due diligence investigation of the entity undertaking an international offering;
  - the requesting parties will not be able to use or place reliance on the comfort letter for purposes other than those for which it was requested by the requesting parties; and
  - the auditor will only provide a limited assurance conclusion and/or report on factual findings regarding the information that is the subject matter of the comfort letter engagement.

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**Agreeing on the Terms of the Engagement**

- 27 The auditor shall agree the terms of the comfort letter engagement in writing with those charged with governance of the entity, the underwriter and other requesting parties.
- 28 The agreed terms of the comfort letter engagement shall include:
- (a) The nature, objective, scope and timing of the comfort letter engagement, including:
    - (i) the fact that the engagement is being conducted to assist the underwriter, those charged with governance and other requesting parties, in their due diligence investigation of the entity undertaking the international offering;
    - (ii) the nature and type of information (whether financial and/or non-financial) disclosed in the offering document that is the subject matter of the comfort letter, including the time period covered by the financial information;
    - (iii) the applicable reporting framework used by those charged with governance in preparing and presenting the financial information in the offering document;
    - (iv) a statement indicating that the auditor shall perform the engagement and report on the results in the comfort letter in accordance with this ASAE;
  - (b) the responsibilities of the auditor, including:
    - (i) the nature, scope and timing of the procedures to be performed by the auditor on each type of information that is the subject matter of the comfort letter;
    - (ii) the respective roles and responsibilities of each auditor, if there is more than one auditor involved in the engagement;

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- (iii) the issuance of a comfort letter which includes the auditor's limited assurance conclusion and/or report on factual findings, depending on the circumstances of the engagement;
  - (iv) the auditor's compliance with relevant ethical requirements, including independence<sup>6</sup>; and
  - (v) if the auditor is an incoming auditor of the entity, a summary of additional procedures that the auditor shall perform, including obtaining understanding and sufficient knowledge of the entity, its environment and its internal control over financial reporting;
- (c) the specific responsibilities of those charged with governance of the entity, including:
- (i) those listed in paragraph 25(d) of this ASAE; and
  - (ii) providing the auditor with a representation letter at the completion of the engagement;
- (d) the responsibilities of the underwriter, those charged with governance and other requesting parties, including those listed in paragraph 25(e) of this ASAE;
- (e) proposed content and format of the comfort letter, including whether the auditor shall provide a limited assurance conclusion and/or a report on factual findings relating to agreed-upon procedures;
- (f) consideration of any applicable laws and regulations of the jurisdiction where the international offering is being made;
- (g) change period, which shall be dependent on the availability of information to be provided by the entity, but ordinarily is not greater than five months after the date of the most recent audited or reviewed financial statements included in the offering document;
- (h) procedures to be performed by the auditor during the change period;

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<sup>6</sup> See ASA 102.

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- (i) a statement indicating that the auditor is not responsible for:
  - (i) the preparation of the offering document, as well as preparation and presentation of the information in the offering document;
  - (ii) any compliance that all the requesting parties or third parties may place on the comfort letter other than for the purpose for which the engagement was contracted;
  - (iii) the sufficiency of the comfort letter procedures for all the requesting parties' purposes;
- (j) restriction of the distribution of the comfort letter to the addressees in the letter;
- (k) confidentiality of information included in the comfort letter;
- (l) key engagement timelines; and
- (m) fees, and other such terms or conditions that the auditor determines are appropriate in the circumstances of the engagement.

*Changes in the Terms of the Engagement*

- 29 Where the requesting parties request the auditor to change any of the terms of the engagement before completion of the engagement, the auditor shall consider the appropriateness of the request and shall not agree to a change without reasonable justification.
- 30 When the auditor considers the request for a change in the terms of the engagement without reasonable justification, the auditor shall consider its implications on the performance of the engagement.
- 31 Where the terms of the engagement are changed, the auditor shall agree to the new terms with the requesting parties and confirm them in writing.

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**Planning and Performing the Engagement**

- 32 The auditor shall consider their understanding of the entity and its environment, including its internal control over financial reporting, previously gained from audits or reviews of the entity's financial reports, when planning the engagement and:
- (a) establishing limited procedures designed to provide the auditor with a basis to form a limited assurance conclusion on the financial information that is the subject matter of the comfort letter engagement; and/or
  - (b) establishing and performing agreed-upon procedures on which to report factual findings.

*Limited Assurance*

- 33 If the auditor has been requested to provide limited assurance on the financial information, the auditor shall obtain an understanding of the financial information and relevant engagement circumstances, sufficient to:
- (a) identify and assess the risk of the financial information being materially misstated; and
  - (b) design and perform evidence gathering procedures.

Assurance Engagement Risk

- 34 The auditor shall consider assurance engagement risk when planning the comfort letter engagement in order to reduce such a risk to an acceptable level, as appropriate in the circumstances of the engagement.

Materiality

- 35 The auditor shall consider materiality when planning and performing assurance procedures designed to provide the auditor with a basis to form a limited assurance conclusion on the financial information that is the subject matter of the comfort letter.

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*Agreed-Upon Procedures*

- 36 The auditor shall plan the engagement so that it will be performed in accordance with the agreed terms of engagement, including the agreed-upon procedures.

*Specific Planning Consideration for an Incoming Auditor*

- 37 The incoming auditor shall obtain an understanding of the entity and its environment, including its internal control over financial reporting, sufficient to plan and conduct the assurance engagement in accordance with this ASAE.

**Procedures and Evidence**

- 38 The auditor shall obtain sufficient appropriate evidence on which to base the limited assurance conclusion, and/or to report on factual findings based on agreed-upon procedures.

*Unaudited Financial Statements*

- 39 If the auditor is requested to provide a limited assurance conclusion as to whether any material modifications need to be made on the unaudited interim financial statements, for such financial statements to be in conformity with the applicable financial reporting framework, the auditor shall perform a review of such financial statements in accordance with ASRE 2410.

*Change Period Financial Statements*

- 40 If the auditor is requested to report on whether there are changes in unaudited or unreviewed financial statements, or selected financial statement account balances, during the change period, the auditor shall perform agreed-upon procedures which, at a minimum, include:
- (a) reading of minutes of meetings of shareholders and those charged with governance during the change period;
  - (b) reading of the unaudited 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

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accordance with the applicable financial reporting framework used by the entity in preparing and presenting the audited financial statements included in the offering document.

*Financial Information Other than Financial Statements*

- 41 The auditor shall perform limited assurance procedures and/or agreed-upon procedures on financial information other than financial statements only when such information:
- (a) has been obtained from the entity's financial statements or accounting records that are subject to the entity's internal control over financial reporting; or
  - (b) has been derived directly from such financial statements or accounting records by analysis or computation; or
  - (c) has been the subject of a separate assurance engagement performed in accordance with applicable Australian Assurance Standards.<sup>7</sup>
- 42 If the auditor is requested to provide a limited assurance conclusion on financial information other than financial statements, the auditor shall perform the procedures required in:
- (a) ASRE 2405<sup>8</sup>, in respect of a review of historical financial information other than a financial report, such as pro forma historical financial information; or
  - (b) ASAE 3000<sup>9</sup>, in respect of a review of financial information other than historical financial information, such as forecast or pro forma forecast financial information.
- 43 If the auditor is requested to perform agreed-upon procedures on financial information other than financial statements, the auditor

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<sup>7</sup> The Australian Assurance Standards comprise Review Standards (ASREs) and Assurance Standards (ASAEs) issued by the Auditing and Assurance Standards Board (AUASB). The complete suite of these standards are found in the AUASB website at [www.auasb.gov.au](http://www.auasb.gov.au).

<sup>8</sup> See ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*.

<sup>9</sup> See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

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shall perform such procedures specified by and agreed with the underwriter and other requesting parties.

*Non-Financial Information*

- 44 The auditor, using their professional judgement, shall evaluate the nature of the non-financial information. On the basis of their evaluation, the auditor shall perform agreed-upon procedures and provide comments on non-financial information in the comfort letter only when such information:
- (a) has been obtained from accounting records that are subject to internal controls, policies and procedures of which the auditor has knowledge of; or
  - (b) has been the subject of a separate assurance engagement performed in accordance with the Australian Assurance Standards.<sup>8</sup>

**Communications with Those Charged with Governance, the Underwriter and Other Requesting Parties**

- 45 The auditor shall establish the process for communicating with those charged with governance, the underwriter and other requesting parties, including the form, timing and expected content of such communications.

*Those Charged with Governance*

- 46 The auditor shall communicate with those charged with governance the following matters, as soon as practicable:
- (a) When the auditor is conducting limited assurance procedures on unaudited financial statements, and the auditor determines that material changes have to be made on such financial statements in order for them to be presented in accordance with the applicable financial reporting framework;
  - (b) When the auditor is conducting limited assurance procedures on certain financial information, and the auditor determines that a material adjustment is necessary to be made on such financial information in order for them to be presented in accordance with the applicable financial reporting framework or applicable criteria;

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- (c) Any significant findings relating to the engagement or difficulties encountered by the auditor in performing the engagement.

47 When, in the auditor's professional judgement, those charged with governance do not respond appropriately to the auditor's communication within a reasonable period, the auditor shall determine the implications on the auditors conclusions and/or report of factual findings in the comfort letter.

**Written Representations**

48 The auditor shall obtain written representations (either via the engagement letter or a separate representation letter) from those charged with governance regarding its acceptance of responsibility for:

- (a) preparing the offering document, including the information (financial and non-financial) that is the subject matter of the comfort letter, particularly the unaudited or unreviewed financial statements that have been prepared in accordance with the applicable financial reporting framework;
- (b) selecting or developing, and applying the applicable criteria used in the preparation and presentation of the financial information (other than the unaudited or unreviewed financial statements) in the offering document, including the material assumptions used in the preparation of prospective financial information;
- (c) ensuring that the financial information (as described in paragraph 48(b) of this ASAE) has been properly prepared in accordance with the applicable criteria; and
- (d) providing the auditor with all relevant information and unrestricted access to all records, documentation, relevant parties and sources of information necessary for the completion of the engagement.

49 The auditor shall obtain a written representation (either via an arrangement letter, the comfort letter, or a separate representation letter) from the underwriter where they acknowledge their responsibility for conducting their due diligence investigation of the entity's affairs, and for determining the sufficiency of the procedures performed by the auditor.

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50 The auditor shall obtain a written representation (either via an arrangement letter, or a separate representation letter) from those requesting parties without the due diligence defence where they acknowledge that they are:

- (a) knowledgeable in respect of a due diligence investigation that would be performed by a party that has due diligence defence under the applicable laws or regulations of an overseas jurisdiction; and
- (b) conducting an investigation that is substantially similar to that which is performed by requesting parties with due diligence defence.

**Bring Down Comfort Letter**

51 If the auditor is requested to issue a bring down comfort letter, the auditor shall update the procedures described in the original comfort letter in accordance with the requirements of this ASAE.

52 The auditor shall agree with the underwriter and other requesting parties a new change period for the bring down comfort letter, and document the agreement in an arrangement letter.

**Concluding on the Engagement**

53 The auditor shall conclude on whether the evidence obtained enables them to express a limited assurance conclusion and/or report on factual findings.

*Limited Assurance*

54 The auditor shall form a conclusion based on the evidence obtained through the work performed as to whether anything has come to their attention which causes them to believe that there are material modifications which need to be made to the unaudited financial statements, for such financial statements to be in conformity with the applicable financial reporting framework.

*Agreed-Upon Procedures*

55 The auditor shall not form a conclusion based on the evidence obtained through the agreed-upon procedures performed, but shall provide a report on factual findings.

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**Reporting on the Engagement**

56 The auditor shall provide a comfort letter, containing a clear expression of the auditor's limited assurance conclusion or a report on factual findings, relating to the information that is the subject matter of the comfort letter engagement.

*Basic Elements of the Comfort Letter*

57 The comfort letter shall include the following basic elements:

- (a) Date, which is the date when the comfort letter is issued.
- (b) Addressees, such as the underwriter, those charged with governance, and other requesting parties.
- (c) Introductory paragraph that:
  - (i) states that the comfort letter is being issued in accordance with the engagement terms agreed between the auditor and the underwriter and other requesting parties;
  - (ii) identifies the purpose for conducting the engagement; and
  - (iii) where applicable, includes statements that address the following matters:
    - The auditor has audited or reviewed the financial statements included in the offering document in accordance with the Australian Auditing Standards.
    - The requesting parties who do not have due diligence defence are:
      - knowledgeable with respect to the due diligence investigation that would be performed if the offering is being carried out in accordance with relevant laws and regulations of the overseas jurisdiction where the offering is undertaken; and

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- undertaking an investigation that is substantially similar to that which is performed by requesting parties with due diligence defence under the relevant laws and regulations of the overseas jurisdiction where the offering is undertaken.
- (d) Auditor's independence declaration, in accordance with relevant professional standards and applicable laws and regulations;
- (e) Identification of the information that is the subject matter of the comfort letter, including:
  - (i) unaudited interim financial statements and the financial period(s) covered by such financial statements;
  - (ii) financial information other than the unaudited interim financial statements, such as pro forma historical and forecast financial information; and
  - (iii) where applicable, non-financial information;
- (f) A description of the procedures performed by the auditor, including:
  - (i) the limited assurance procedures performed on the unaudited interim financial statements (see paragraph 39 of this ASAE); and
  - (ii) the limited assurance procedures or agreed-upon performed on financial information other than unaudited interim financial statements (such as pro forma historical and forecast financial information) and non-financial information (see paragraphs 41-44 of this ASAE).
- (g) A statement expressing that the procedures described in paragraph 57(f)(i) of this ASAE were undertaken to form a conclusion as to whether anything has come to the auditor's attention which causes them to believe that there are material modifications that need to be made to the

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unaudited financial statements included in the offering document, for such financial statements to be in conformity with the applicable financial reporting framework.

- (h) Where applicable, a statement expressing that the limited assurance procedures described in paragraph 57(f)(ii) of this ASAE were undertaken to form a limited assurance conclusion on the financial information other than the unaudited interim financial statements. Ordinarily, such a conclusion states as to whether anything has come to the auditor's attention which causes the auditor to believe that:
  - (i) the financial information is not prepared, in all material respects, in accordance with the applicable criteria (for historical financial information,); or
  - (ii) the assumptions established by those charged with governance do not provide a reasonable basis for the preparation of the financial information, and that the financial information is not prepared on the basis of such assumptions (for forecast financial information).
- (i) A detailed description of the agreed-upon procedures performed and the factual findings, including sufficient details of exceptions found.
- (j) A statement that the agreed-upon procedures performed do not constitute an audit or review and, as such, no assurance is expressed.
- (k) A statement that the auditor is not responsible for any reliance that the requesting parties (as named in the comfort letter) or any third parties may place on the comfort letter other than for the purpose for which it was issued;
- (l) A statement that the auditor is not responsible for the sufficiency of all the procedures performed by the auditor;
- (m) A statement that the comfort letter is restricted to the addressees of the letter and is to be used only in connection with the stated purpose of the letter.

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- (n) A statement that the engagement was performed in accordance with this ASAE.

**Reporting on the Engagement in a Form Prescribed by an Overseas Jurisdiction's Standards**

- 58 If the auditor is required by an overseas jurisdiction's standards to use a specific layout or wording in the comfort letter, the auditor shall:
- (a) use the format prescribed by the overseas jurisdiction; and
  - (b) refer to this ASAE only if the comfort letter includes, at a minimum, the basic elements described in paragraph 57 of this ASAE.

**Auditor's Responsibility for Other Information**

- 59 The auditor shall comply with the requirements of ASA 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report* in relation to other information included in the offering document.
- 60 The auditor shall consider the implications of any material inconsistencies or misstatement of facts in the offering document to the issuance of the comfort letter.

**Inclusion of the Independent Accountant's Report in the Offering Document**

*Auditor's Consent*

- 61 The auditor shall consent in writing (via a separate consent letter) to the form and context in which the their audit or review reports are included in the offering document.
- 62 In circumstances where the auditor considers it inappropriate for their audit or review reports to be included in the offering document, the auditor shall:
- (a) consider the implications to the issuance of the comfort letter; and
  - (b) not provide consent.

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*Subsequent Events*

- 63 In connection with giving consent, and where required under the applicable laws or regulations, or standards of the overseas jurisdiction, the auditor shall:
- (a) perform procedures on subsequent events<sup>10</sup>; and
  - (b) determine any implications such events may have on the auditor's audit report included in the offering document, and the comfort letter.
- 64 The auditor shall consider their audit risk assessment in determining the nature and extent of the subsequent events procedures.

**Documentation**

- 65 The auditor shall prepare documentation on a timely basis of all matters that provides sufficient appropriate evidence to support:
- (a) the limited assurance conclusion expressed in the comfort letter and/or the report on factual findings; and
  - (b) that the comfort letter engagement was performed in accordance with this ASAE.

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