



Attachment to AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **7(b).1**

Meeting Date: 16 April 2012

Subject: Fundraisings Revised Draft ASAE 3450 & ASAE 3420 – Issues Paper

Date Prepared: 2 April 2012

There are two key issues for AUASB Board consideration.

A. ASAE 3420 Issue

Background

Proposed Standard ASAE 3420 has as its underlying standard ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, with AUASB proposed additions shown as “Aus” paragraphs, consistent with the Clarity drafting approach. All “Aus” additions have been sourced from the requirements and related guidance included in the issued ASAE 3450 Exposure Draft.

The key difference between ASAE 3420 and ISAE 3420 is that the proposed ASAE permits limited assurance to be expressed on the compilation of pro forma financial information, as an alternate to reasonable assurance. This was included for two main reasons:

1. Australian practitioners ordinarily provide limited assurance in the less than frequent circumstances in which this type of engagement is requested, and
2. There is currently no Australian applicable law or regulation requiring this type of engagement, hence it is seen as reasonable for assurance practitioners to use professional judgement in deciding on whether limited or reasonable assurance will be provided.

In contrast, it is understood that ISAE 3420 has been broadly written within a context of different laws or regulations in Europe requiring reasonable assurance on the compilation process by the responsible party hence there is no limited assurance option.

The AUASB recommended to the IAASB that limited assurance be permitted in the ISAE 3420 through our Exposure Draft submission, which subsequently was not adopted in the final issued ISAE.

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Issue

During 27 February 2012 Board discussion on the type of assurance that could be provided on the different elements of the prospective financial information, some Board members raised the issue that limited assurance should not be provided on “whether the prospective financial information is prepared in accordance with the assumptions and presented fairly in accordance with the stated basis of preparation” (i.e. the process) and consequently for ASAE 3420, that limited assurance should not be an option for assurance practitioners to provide in respect of the pro forma financial information compilation process. This was on the basis that reasonable assurance could always be provided on the process. The AUASB Technical Group is seeking clarification on the Board’s position on this issue in order to finalise the proposed Standard.

AUASB Technical Group recommendation

The AUASB Technical Group recommends that the limited assurance engagement option be retained in the proposed ASAE in the public interest, being to ensure the ASAE is used for both limited or reasonable assurance engagements conducted in the Australian marketplace. Given these types of engagements are not required under the *Corporations Act 2001*, it is important that assurance practitioners and their clients opting for a limited assurance engagement as appropriate for their engagement circumstances be able to conduct such an engagement within the remit of the ASAE and not outside the ASAE.

B. ASAE 3450 Issue

Background

As noted briefly above, at the 27 February Board meeting, the Board considered the appropriate types of assurance to be provided on the three different limbs of the prospective financial information (including a pro forma forecast). The Board decided to permit only:

1. Limited assurance on whether the assumptions provide reasonable grounds for the prospective financial information; [consistent with principles in ASIC RG 231 *Infrastructure Entities: Improving Disclosure for Retail Investors* and extant AUS 804]
2. Reasonable assurance on whether the prospective financial information is prepared in accordance with the assumptions, and presented fairly in accordance with the stated basis of preparation; [consistent with principles in RG 231 and AUS 804, but not consistent with extant AGS 1062] and
3. Limited assurance on whether the prospective financial information itself is unreasonable. [consistent with principles in AGS 1062]

It should be noted that the AUASB received assurance practitioner feedback as part of the ED development that the inclusion of reasonable assurance in respect of limb two provided a major stumbling block in the acceptance, of and use of extant AUS 804, as many assurance practitioners were only comfortable providing limited assurance for this limb.

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Issue

Depending on the Board's response to ASAE 3420 Issue A above, the assurance type allowed on the second limb should be consistent with the type of assurance the Board decides is appropriate for ASAE 3420, given the assurance being provided covers the assurance practitioners work on the process involved, notwithstanding it covers different financial information types.

AUASB Technical Group recommendation

The AUASB Technical Group recommends that if the Board allows limited assurance for ASAE 3420, then the option also be retained in proposed ASAE 3450 for prospective financial information, for consistency and also to ensure the ASAE is used for both limited or reasonable assurance engagements conducted in the Australian marketplace. Given prospective financial information engagements are not always conducted in accordance with the *Corporations Act 2001*, but may be conducted for other purposes, it is important that assurance practitioners and their clients opting for a limited assurance engagement for their engagement circumstances be able to conduct such an engagement within the remit of the ASAE and not outside the ASAE.

Outstanding areas within ASAE 3450 & ASAE 3420

The following items have not yet been finalised within the proposed Standards:

1. Finalise cross referencing between requirements and related guidance.
2. Finalise footnote cross referencing in ASAE 3420.
3. Updated QA.
4. Changes arising from the Issues identified above.

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