

15 November 2011

The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 8007
edcomments@auasb.gov.au

Dear Ms Kelsall

Submission on Exposure Draft ED 02/11 Proposed Standard on Assurance Engagements ASAE 3450 Assurance Engagements Involving Corporate Fundraisings and/or Prospective Financial Information ("Proposed Standard")

Ernst & Young welcomes the opportunity to offer its views on the Proposed Standard. Whilst we support the AUASB in developing the Proposed Standard, we do not support issuing the Proposed Standard in its current form.

There are a number of key conceptual issues and internal structuring matters with the Proposed Standard which we strongly urge the AUASB to address prior to finalisation. Those matters are outlined below. In addition, we also attach the following Appendices:

- ▶ Appendix 1: Responses to specific questions raised by AUASB
- ▶ Appendix 2: Further detailed comments
- ▶ Appendix 3: General editorial comments

Given the nature and breadth of the matters raised, we recommend that the AUASB work towards reissuing an amended exposure draft of the Proposed Standard for further review and comment.

Interaction with Existing Auditing Standards

We acknowledge there are existing Australian Auditing Standards and guidance statements which provide guidance for assurance practitioners reporting on financial information related to a corporate fundraising or reporting on prospective financial information (including ASRE 2405 and ASAE 3000). However, we support the AUASB in developing a stand-alone auditing standard covering both historic and prospective financial information as we believe there are sufficient unique criteria associated with fundraisings and prospective financial information that warrant a separate standard.

We also believe the Proposed Standard will increase the consistency of assurance reports provided in these circumstances which we believe is in the public interest.

That being said, it is important that this Proposed Standard does not provide guidance that is inconsistent with the existing auditing standards or unnecessarily repeat guidance from existing standards. In essence the Proposed Standard should be structured as an “umbrella” standard and cross referenced to other Auditing Standards where adequate definitions, requirements and guidance already exist. In the case of the Proposed Standard, there are a number of instances where we believe it would be more appropriate to reference an existing standard, or where the Proposed Standard is inconsistent with existing standards. The specific instances where we believe the Proposed Standard could be simplified by referencing another existing standard are detailed in Appendix 2.

Overall, we believe greater referencing to existing standards would aid in simplifying and reducing the length of the Proposed Standard.

Structure of the Proposed Standard

On balance, we find the structure of the Proposed Standard repetitive, lengthy and difficult to navigate.

As the Proposed Standard separates the requirements for each type of financial information there is significant repetition with the requirements for a given concept (for example client acceptance criteria) occurring multiple times throughout the document. In many circumstances these requirements are expressed as inclusive of the associated criteria detailed in a different part of the Proposed Standard, with a range of additions. As such requirements in relation to any given concept, such as client acceptance criteria, are located in a range of different places throughout the Proposed Standard, and require the reader to refer forwards and backwards to identify the requirements.

In addition, certain paragraphs are referenced to the explanatory guidance at the back of the Proposed Standard and some are not. Where cross-referencing has occurred, we have noted some areas of inconsistency with the underlying concept. By using this system of cross referencing it is very easy for the reader to omit to read important unreferenced guidance which is fundamental to understanding the application of a concept. We have provided some specific examples of unreferenced and/or inconsistent guidance in Appendix 2.

As a consequence of the layout, requirements have been duplicated between paragraphs within the Proposed Standard. Some examples of these are with respect to pre-conditions of engagement acceptance (duplicated requirements in paragraph 23 and 25(a)(ii) and 25(b)) and agreeing terms of engagement (paragraphs 29(a)(iii) and 92(a)(iii) are effectively the same requirements).

In our view it would be much clearer for the reader, reduce duplication and be less prone to inconsistency and mis-interpretation, if all matters relating to a given concept (for example client acceptance criteria) were co-located, with core and additional requirements comprehensively outlined.

For example, one part of the Proposed Standard would outline the basic requirement, and then all of the specific additional matters that may apply to each of the types of financial information would follow. This is a significant drafting change that would enhance navigation, understanding, and facilitate the practical application of the Proposed Standard.

We believe that until the AUASB addresses the layout, volume and relevance of the requirements and the cross reference to guidance material, the assurance practitioner will find the Proposed Standard cumbersome to use and may miss relevant requirements or guidance.

Reporting on Compilation Engagements

We do not support including compilation engagements within the Proposed Standard. Inclusion of guidance on reporting on compilation engagements significantly increases the length and decreases the ease of use of the Proposed Standard. We recommend that this be addressed as a separate standard and cross referred to this Proposed Standard as appropriate. The frequency of an engagement to report on a compilation is significantly lower than assurance reporting which relates to the underlying historical, pro forma and/ or prospective financial information. Additionally, the nature of the work undertaken when

providing assurance on a compilation process, and that when providing assurance on the underlying financial information, are fundamentally different. As such we recommend that compilation engagements should be excluded from the Proposed Standard and be addressed in a separate standard.

We note that establishing a separate standard on compilation engagements would be consistent with the approach taken by the International Auditing and Assurance Standards Board. This approach would also be consistent with our suggestions above on the approach on integration with existing auditing standards. We note that following the development of a separate standard on compilation engagements it may be appropriate to reference that standard with this Proposed Standard to address reporting on compilations in the context of fundraisings and prospective financial information.

Additionally, the exclusion of compilation engagements would substantially reduce the volume and significantly assist in usability of the Proposed Standard which is consistent with our views on the structure of the document above.

Relevant Accounting Framework

The Proposed Standard currently includes guidance in respect of the accounting framework that is appropriate for the preparation of the financial information to be disclosed in an offer document. In our view the assurance standard should not prescribe the accounting framework, rather it should reference the guidance set by the accounting bodies / regulators.

We note that no such guidance currently exists and support the AUASB in providing examples of what might be an appropriate accounting framework. However the Proposed Standard contains references to “applicable criteria”, “stated basis of preparation” and “applicable financial reporting framework” throughout in a manner which generates confusion around the concept of an accounting framework and associated assurance reporting. In its present state the Proposed Standard creates a lack of clarity around two fundamentally different concepts, that of assurance reporting in accordance with a stated basis of preparation / applicable criteria and assurance reporting in accordance with an applicable financial reporting framework.

We believe the drafting should be revised so that:

- ▶ Any references to what is an applicable financial reporting framework are examples / guidance as the determination of the appropriate financial information to be included in the offer document is the responsibility of the directors and should not be mandated through the Proposed Standard; and
- ▶ The role of the assurance practitioner is clearly to report on the financial information in accordance with the basis of preparation which is determined by the directors. In doing this we acknowledge there will be a need for the assurance practitioner to consider whether the accounting framework is misleading (in this regard references to appropriate accounting frameworks within the Proposed Standard are useful).

We raise the following specific concerns with respect to the approach / definitions currently utilised within the Proposed Standard.

- ▶ The references within the Proposed Standard to the “stated basis of preparation” and “applicable criteria” are confusing. These concepts are sufficiently close in nature that we believe they should be streamlined and a single reference “stated basis of preparation” be used throughout. This would increase the clarity and useability of the Proposed Standard.
- ▶ References throughout the Proposed Standard to applicable financial reporting framework incorporate the concept that applicable financial reporting framework could exclude presentation and disclosure principles. Whilst this might be appropriate for the basis of preparation, a financial reporting framework by definition includes all the associated measurement, recognition, presentation and disclosure requirements. We recommend the Proposed Standard be redrafted to eliminate the

confusion between an acceptable basis of preparation (which as noted may include only the recognition and measurement principles of an accounting framework) and an applicable financial reporting framework.

- ▶ Paragraph 13(a) which defines “applicable criteria” specifies that it “may be established by an applicable financial reporting framework... including the recognition and measurement principles of Australian Accounting Standards” We believe it is inappropriate to conclude that a financial reporting framework can exclude presentation and disclosure principles. We recommend the definition be revised to state that the stated basis of preparation “may be established as the recognition and measurement principles (but not all the presentation and disclosure requirements) of an applicable financial reporting framework such as Australian Accounting Standards”.
- ▶ Paragraph 84(a)(iii) requires that the scope section of the assurance report **defines** the basis of preparation as being the recognition and measurement principles contained in Australian Accounting Standards, as such the assurance standard is defining the required basis of preparation. We believe this should be revised to require the assurance opinion to **describe** the basis of preparation as determined by the directors.

Independent Assurance Reports

Limited vs. Reasonable Assurance on Pro Forma and Prospective Financial Information

The Proposed Standard provides for both a limited and reasonable assurance conclusion with respect to pro forma and prospective financial information. In our view, given the inherent uncertainty around the best estimate assumptions being achieved, and that most prospective financial information incorporates best estimate assumptions, there are very few circumstances where we would be able to provide a reasonable assurance conclusion as this would provide a positive form of assurance that the best estimate assumptions will be achieved. This is consistent with current market practice which does not support providing reasonable assurance around any elements of the prospective financial information that contain best estimate assumptions given this uncertainty.

The Proposed Standard does not provide a basis to identify when a reasonable assurance opinion would be appropriate and what additional evidence would be required to support such an opinion.

We also note there is inconsistent guidance within the Proposed Standard with paragraphs 84(d) and 127 providing for limited and reasonable assurance and paragraph 8 (and guidance A1-A2) which suggests that we would ordinarily express a limited assurance conclusion as we cannot give a positive form of assurance that the best estimate assumptions will be achieved.

On the whole, there seems to be a lack of clarity with respect to what is being proposed around limited versus reasonable assurance conclusion statements with respect to pro forma and prospective financial information. We are concerned that this lack of clarity will place undue pressure on an assurance practitioner to perform a reasonable assurance engagement with respect to prospective financial information when it may not be appropriate.

We recommend that the Proposed Standard clearly identify:

- ▶ that there are so few circumstances in which a reasonable assurance opinion on prospective financial information could be provided that it would be an exceptional situation for an assurance practitioner to provide this opinion; and
- ▶ that where prospective financial information incorporates best estimate assumptions it is not appropriate to provide a reasonable assurance conclusion; and
- ▶ the additional procedures required/ evidence to be obtained to support a reasonable assurance opinion.

Without this clarification in the Proposed Standard we believe there will be confusion in the market place as to the appropriate reporting for the types of transactions that would normally be dealt with under the Proposed Standard.

Conclusion Statements

Pro Forma Historical Financial Information

We support the conclusion statement for pro forma financial information (Appendix 4 , Illustration 1) as it does not provide a conclusion in respect of the reasonableness of the pro forma adjustments / assumptions but rather provides assurance relating to the preparation of the financial information in accordance with the stated basis of preparation. We support this conclusion as a pro forma is based on assumptions for which there is no current framework / legislation applicable to corporate fundraisings which can be used to determine what constitutes an acceptable or reasonable pro forma assumption/adjustment. As an illustration, one of the more common considerations in terms of a pro forma adjustment relates to purchase price allocation (“PPA”) for business acquisitions. We find that entities widely differ in their approach and the level of detail described in the offer document with respect to the PPA adjustment depending on when an entity undertakes its detailed PPA review. A common practice for many entities is to not perform a detailed PPA allocation exercise prior to an acquisition and disclose this as an assumption to the pro forma financial information along with a preliminary indication of the potential impact on amortisation. This makes it difficult for the entity to make a statement that they have applied an accounting framework in accordance with Australian Accounting Standards, in this instance a “reasonable” conclusion on the pro forma adjustments is inherently flawed as the entity has performed acquisition accounting without adequately undertaking the PPA in respect of the business acquisition.

Pro Forma Forecast

We do not support the conclusion statement for pro forma forecast financial information (Appendix 4 Illustration 2) as it provides a conclusion in respect of the pro forma adjustments/ assumptions. The adjustments in a pro forma forecast include forward oriented data which is based on assumptions and are subject to uncertainty and speculative in nature. We do not believe it is appropriate to conclude on the reasonableness of the assumptions/adjustments as there is no current framework/ legislation applicable to corporate fundraisings which can be used to determine what constitutes an acceptable or reasonable pro forma adjustment.

Additionally, the pro forma conclusion for pro forma forecast financial information is inconsistent with the approach adopted for pro forma historic financial information. In our view the conclusion on both historical and pro forma financial information should be consistent.

In addition to the above analysis which supports a consistent conclusion, we believe that inconsistent assurance conclusions on different pro forma financial reports will lead to confusion in the market and increases the potential for implied unwarranted assurance as the differences in the reports will not be obvious to many users of the financial information.

Our recommendation for an appropriate conclusion statement for pro forma forecast financial information is “nothing has come to our attention that causes us to believe that the pro forma forecast information is not presented fairly, in all material respects, in accordance with the stated basis of preparation”.

Forecast Financial Information

We do not support the conclusion statement for forecast financial information (Appendix 4 Illustration 2) as it provides a conclusion in respect of the director’s best-estimate assumptions. The assumptions/adjustments in a forecast include forward oriented data and are subject to uncertainty and speculative in nature. We do not believe it is appropriate to conclude on such assumptions/ adjustments as there is no current framework/ legislation applicable to corporate fundraisings which can be used to determine what constitutes reasonable assumptions.

Although we acknowledge that it is current market practice to include in the Assurance Report and that it is consistent to (replaced) AGS 1062 *Reporting in Connection with Proposed Fundraisings*, we do **not** believe this is an appropriate statement for the assurance practitioner to make.

Further, this makes the second conclusion statement redundant in which the assurance practitioner states “nothing has come to our attention which causes us to believe that the financial forecast itself is unreasonable”.

In our view, there is a lack of an appropriate framework on how to assess whether best-estimate assumptions are reasonable or not. There is inherent uncertainty around best-estimate assumptions given its future oriented and speculative in nature. We also believe that the assurance practitioner’s ability to gather sufficient evidence to assess the reasonableness of the director’s best estimate assumptions is limited due to lack of an appropriate framework.

Whilst we acknowledge the current market practice, we strongly urge the AUASB to reconsider whether a conclusion of “reasonable” basis can be made for prospective financial information.

Our recommendation for an appropriate conclusion statement for forecast financial information is “nothing has come to our attention that causes us to believe that the forecast financial information is not presented fairly, in all material respects, in accordance with the stated basis of preparation”.

Consistency within the Assurance Report

The only section in the Assurance Report which specifies the framework that has been applied with respect to the financial information is the “scope” section. The conclusion statement cross references the basis of preparation and/ or financial reporting framework applied to the section on scope in the Assurance Report. Whilst this is reasonable at a conceptual level, there is a risk that the users of the Assurance Report will not appreciate the nuances of the wording applied in the scope section with respect to the basis of preparation and/ or financial reporting framework. They may result in unintended or implied reliance on the Assurance Report on the basis of the conclusion statement which states that the financial information is “properly prepared” or “presented fairly”.

We recommend that the conclusion statement for all Assurance Reports clearly state the basis of preparation and/ or the financial reporting framework applied rather than cross referring to the scope.

Subsequent Events

We believe that it is not appropriate to incorporate a sub section/ separate positive assurance statement on subsequent events within the Assurance Report provided with respect to historical, pro forma and/or prospective financial information. Given that the disclosure of subsequent events is not a feature in the audit or review reports issued under existing Australian Auditing Standards, the inclusion of a subsequent events section in the Assurance Report as indicated in the Proposed Standard would be inconsistent with existing assurance standards. The application of the subsequent events framework within the Proposed Standard should be that:

- ▶ To the extent there is a material event subsequent to the reporting date that, in the view of the assurance practitioner, should be reflected in the financial information/disclosed in the offer document and when the offer document appropriately adjusts for and/ or discloses the subsequent events, there is no need for the assurance practitioner to make any additional comments in the Assurance Report.
- ▶ To the extent there is a material event subsequent to the reporting date that, in the view of the assurance practitioner, should be reflected in the financial information/disclosed in the offer document and when the responsible party refuses to adjust for and/or disclose the facts in the offer document, an appropriate modification in the Assurance Report would be required.

Furthermore, as the Proposed Standard has indicated an appropriate accounting framework may be “the recognition and measurement principles of applicable Accounting Standards”, in such instances it would be inappropriate to address any identified “presentation and disclosure” issues such as subsequent events in the Assurance Report.

In our view, given the above, the section on subsequent events in an Assurance Report is not relevant or appropriate.

We welcome the opportunity to contribute to the improvement of Auditing Standards on Assurance Engagements that will continue to drive the quality and consistency on such services in Australia. We would be pleased to discuss our comments with members of the Australian Auditing Standards Board and its staff. If you wish to do so, please contact either Denis Thorn on (03 8650 7637) or myself on (03 9288 8647).

Yours sincerely

A handwritten signature in black ink, appearing to read 'A J Johnson', with a large, stylized initial 'A'.

A J (Tony) Johnson
Managing Partner - Assurance

Appendix 1

Responses to Specific Questions Raised by the AUASB

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?

- ▶ Yes, we believe that current applicable laws and regulations have been appropriately addressed. We note however that ASIC has recently issued Regulatory Guide 228: Prospectuses: Effective Disclosure for Retail Investors which provides guidance on the content and layout of a public document. This Regulatory Guide further references Consultation Paper 150: Disclosing Financial Information other than in accordance with Accounting Standards (RG228.99). This Consultation Paper will be critical for the Assurance Practitioner in order to provide a framework for reporting on pro forma financial information. It is therefore important that once this Consultation Paper becomes regulatory guidance that it is referred to in the Proposed Standard.

2. Are there any references to relevant laws or regulations that have been omitted?

- ▶ We are not aware of any references to laws or regulations which have been omitted. As noted in question 1, once Consultation Paper 150 becomes regulatory guidance, it is important that the Proposed Standard makes reference to this framework for reviewing pro forma financial information.

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?

- ▶ The Proposed Standard titles the Assurance Report in an inconsistent manner to APES 350 *Participation by Members in Public Practice in Due Diligence Committees in Connection with a Public Document* and RG170. The Proposed Standard refers to the Assurance Report as an "Independent Assurance Report" whilst APES350 refers to an "Investigating Accountant's Reports" and RG170 to an "Independent Accountant's report". As identified in our detailed comments in Appendix 2, we believe that the title in the Proposed Standard of "Independent Assurance Report" is appropriate and consistent with existing AUASB standards.

4. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the requirements of the proposed Standard on Assurance Engagements? If there are significant costs, do these outweigh the benefits to the users of assurance services?

- ▶ When the Proposed Standard has sufficiently addressed the issues we have identified in our overall response and detailed comments at Appendix 2, we believe that there are significant benefits to the assurance practitioner and the business community from an auditing standard covering both historic and prospective financial information associated with fundraisings that warrant a separate standard.
- ▶ The most significant benefits arising from compliance with the Proposed Standard are the increase in consistency of Assurance Reports provided and increased clarity around the reporting frameworks which we believe is in the public interest.

Appendix 1

Responses to Specific Questions Raised by the AUASB (continued)

5. Are there any other significant public interest matters that constituents wish to raise?

- ▶ The public interest matters we believe are appropriate for consideration of the AUASB are detailed in our cover letter.

6. Should be this proposed Standard be split according to the type of financial information?

- ▶ No. In our view it would be much clearer for the reader, reduce duplication and be less prone to inconsistent or mis-interpretation, if all matters relating to a given concept (for example client acceptance criteria) were co-located, with core and additional requirements comprehensively outlined.
- ▶ This is a significant drafting change that would enhance navigation, understanding, and facilitate the practical application of the Proposed Standard.
- ▶ More specific recommendations on the structure of the Proposed Standard are outlined in our overall response letter.

7. Should the section covering assurance on the compilation of pro forma financial information be included as a separate Standard? The AUASB notes that the IAASB will be issuing ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* late in 2011 and this proposed ASAE 3450 has incorporated, where appropriate, requirements and related guidance from the ISAE 3420 Exposure Draft. The AUASB will consider making further consequential changes to the proposed ASAE 3450 when ISAE 3420 is issued.

- ▶ Yes, we believe that the section covering assurance on the compilation of pro forma financial information should be included as a separate Standard.
- ▶ The frequency of an engagement to report on a compilation is significantly lower than assurance reporting which relates to the underlying historical, pro forma and/ or prospective financial information. Additionally, the nature of the work undertaken when providing assurance on a compilation process, and that when providing assurance on the underlying financial information, are fundamentally different.
- ▶ We note that establishing a separate standard on compilation engagements would be consistent with the approach taken by the International Auditing and Assurance Standards Board.
- ▶ Following the development of a separate standard on compilation engagements it may be appropriate to reference that standard with this Proposed Standard to address reporting on compilations in the context of fundraisings and prospective financial information.
- ▶ Additionally, the exclusion of compilation engagements would substantially reduce the volume of the Proposed Standard and assist in its usability.

Appendix 1

Responses to Specific Questions Raised by the AUASB (continued)

8. Should the section covering historical financial information be included in the proposed Standard?

- ▶ We support including guidance on engagements relating to historical financial information in the Proposed Standard. Please note our comments in the cover letter regarding the separation of the Proposed Standard by different types of financial information, which we do not support.
- ▶ We acknowledge that ASRE 2405 *Review of Historical Financial Information Other than a Financial Report* provides specific guidance for assurance practitioners reporting on historical financial information, however, the Proposed Standard provides the context of such financial information with respect to corporate fundraising which we believe is important.
- ▶ We also note that increased referencing to existing Auditing Standards would aid in simplifying the Proposed Standard.

9. Should the section covering assurance on prospective financial information be included in the proposed Standard?

- ▶ We support including guidance on engagements relating to prospective financial information in the Proposed Standard. Please note our comments in the cover letter regarding the separation of the Proposed Standard by different types of financial information, which we do not support.
- ▶ We acknowledge that ASRE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* provides guidance for assurance practitioners reporting on prospective financial information, however, the Proposed Standard provides the context of such financial information with respect to corporate fundraising which we believe is important.
- ▶ We also note that increased referencing to existing Auditing Standards would aid in simplifying the Proposed Standard.

10. Are there any public sector issues which should be addressed in this proposed Standard?

- ▶ None that we are aware of.

11. Are there any SME issues which should be addressed in this proposed Standard?

- ▶ None that we are aware of.

Appendix 2

Further Detailed Comments on the Proposed Standard

Section/ Paragraph	Topic	Comment
Title	Title	<p>The Proposed Standard is not really a re-issuance of AUS 804 <i>The Audit of Prospective Financial Information</i> given its breadth is much more than previously included in the previous Standard and due to the comment in the Table of Differences which states that the requirements between the two Standards “cannot be practically mapped”.</p> <p>A reference should also be made upfront in the Proposed Standard about the AUASB’s intentions for AGS 1062 <i>Reporting in Connection with Proposed Fundraisings</i> which we would expect to be superseded.</p>
1	Application	Parra’s 1(a) - (c) do not include pro forma financial information which would be expected as the application should be consistent with the scope defined in paragraph 5.
1(a), (b)	Application	This paragraph makes a distinction between types of financial information which are reported on and whether the reporting is included in a public document or non public document (i.e. intended to be distributed to users internal and/ or external to the entity). It is not helpful or relevant to the reader at this point to make this distinction here as this is explained in subsequent paragraphs at 5 and 4 respectively. We suggest that paragraph 1(b) be removed in its entirety and 1(a) be amended to state that it relates to “the reporting on historical, pro forma historical and/ or prospective financial information in connection with a fundraising, not included in, or to be included in a public document ”.
1 (d)	Application	If content on compilation engagements is retained in this Standard then we recommend that paragraph 1(d) should be amended to reflect that it only relates to reporting on compilation in connection with a fundraising.
5	Scope	<p>The types of financial information described in paragraph 5 differ from paragraph 1(a). Given the nature of this scope section we believe it would be appropriate for the financial information to be consistent, that is:</p> <ul style="list-style-type: none"> ▶ historical financial information, which includes historical and/ or pro forma financial information; and ▶ prospective financial information, which includes forecast financial information and pro forma forecast information. <p>Any additional distinctions that the AUASB then wishes to draw can be addressed directly through the definitions in paragraph 13, ensuring that any distinction made between forecast and projection is consistent to RG 170 Prospective Financial Information.</p>

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
8	Types of assurance	We disagree that where the engagement involves the review of the compilation of pro forma financial information, the assurance provided is ordinarily limited assurance. Given that the opinion is on the process of compiling information, in our view, this would ordinarily be a reasonable assurance engagement. Furthermore, the comment that compilation engagements are ordinarily limited assurance engagements is inconsistent with Illustration 6 at Appendix 4 which provides a reasonable assurance conclusion.
12	Objectives	The objective is somewhat misleading when it states that the assurance relates to “whether the financial information is free from misstatement, whether due to fraud or error”. This may be relevant for a reasonable assurance engagement, however, for a limited assurance engagement there is no reference to “fraud” in the assurance practitioner’s responsibilities. Furthermore, this is also inconsistent to the requirement in paragraph 29(a) (vi) and 92(a) (viii) where it states that the engagement cannot be relied upon to identify fraud. In addition, compilation engagements are not restricted to pro forma financial information and can have a broader scope to include compilation engagements on prospective financial information or a pro forma forecast as referenced in A118.
13(b)(i)	Definitions - assurance report	The reference to Investigating Accountants Report is inconsistent with the Appendices and with the requirements of the existing assurance standards. We recommend this reference be revised to be Independent Assurance Report (refer further comments in Appendix 1)
13(b)(ii)	Definitions - assurance report	<p>Private Report is not a commonly used term either specifically in the Proposed Standard (only other reference is in example 4 of the Illustrative Assurance Reports) or as used by the business community. Due to its general nature it could be confused with other types of reports such as due diligence reports, which may also be considered as private reports.</p> <p>Additionally, definition should be expanded to include reports covered by the scope of the Proposed Standard in paragraph 1(c)(iii) - a report in respect of prospective financial information not included in a public document, nor related to a fundraising, for distribution to users external to the entity or within the entity.</p>

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
13(m)	Definitions - hypothetical assumptions	For some capital raisings, separate pro forma financial information may be presented using a minimum and maximum subscription basis. Based on the definition provided, we are concerned that this would make the pro forma financial information caught as being based on "hypothetical assumptions" which would not be appropriate. We suggest that the definition of hypothetical assumptions be referenced or extracted from RG170 and specifically defined as relating to prospective financial information.
13(n)	Definitions - limited assurance engagement	The definition of a limited assurance engagement should be cross-referenced to other relevant Auditing Standards. However, if it is retained in the Proposed Standard, we believe that it should be consistent with other Auditing Standards, being ASAE 3000 <i>Assurance Engagement other than Audits or Reviews of Historical Financial Information</i> (paragraph 5(b)) and ASRE 2405 <i>Review of Historical Financial Information other than a Financial Report</i> (paragraph 16), which goes further to define the review process used.
13(p)	Definitions - materiality	We believe that the definition of materiality should be cross referenced to other relevant Auditing Standards such as ASA 320 <i>Materiality in Performing an Audit</i> and ASRE 2405 <i>Review of Historical Financial Information other than a Financial Report</i> where it provides a framework for materiality assessment, including consideration of both qualitative and quantitative matters.
13(u) 13(v)	Definitions - pro forma and prospective financial information	We find the distinction made between "prospective financial information" and a "pro forma forecast" confusing and believe that it is difficult to understand the application of the current definition. Paragraph 103(e) which discusses consideration of material adjustments reflecting the fundraising, further indicates that there is appear little difference between the two types of information. We believe that the definition or guidance should be changed to clarify that whilst the bases of these two types of forecast information are the same, in that both should reflect the effects of the transaction, a pro forma forecast is illustrative in nature because it reflects the fact that the relevant event or transaction took place at the beginning of the forecast period whereas prospective financial information (i.e. an actual forecast) is a prediction of the future. However, due to the concept of "projection" and "forecasts" which already exists in RG170 <i>Prospective Financial Information</i> , we are concerned that this additional distinction between prospective financial information and pro forma forecast will be too difficult for the "end user" to appreciate. We believe that there is a risk that the distinction will not be understood by the investor and will widen the expectation gap between the level of assurance contemplated by the investor and the level of assurance actually provided by the limited assurance engagement on prospective and/ or pro forma forecast financial information.

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
13(x)	Definitions - reasonable assurance engagement	The definition of reasonable assurance engagement should be cross-referenced to other relevant Auditing Standards. However, if it is retained in the Proposed Standard, we believe that it should be consistent with other Auditing Standards, being ASAE 3000 <i>Assurance Engagement other than Audits or Reviews of Historical Financial Information</i> , paragraph 5(a). We suggest that the definition include "as the basis for a <u>positive form of expression</u> of the assurance practitioner's conclusion. <u>Reasonable assurance means a high, but not absolute, level of assurance</u> ".
13(aa) 13(w)	Definitions - scheme of arrangement	The Proposed Standard has chosen to define only some of the fundraising examples without addressing the definitions around the remaining examples such as Scheme Booklets, Target Statements, Bidders Statements and PDS.
13 (bb)(i)	Subsequent events	There is no difference in dates between completion of the assurance practitioners work on the financial information being completed and the issuance of the assurance report, therefore 13(bb)(1) is redundant and should be removed.
17 and throughout	Professional judgment	The Standard needs to be clearer throughout in terms of the fact that we are "reporting" on the compilation rather than undertaking the actual "compiling" of the pro forma financial information. It should be made clear that undertaking the compilation of pro forma financial information is not covered by the Proposed Standard.
23	Preconditions for acceptance	We recommend that paragraph 23 be removed as the requirements are duplicated in paragraph 25(a)(ii).
24	Responsible party acknowledgement	We support the inclusion of emphasis on the directors' responsibility for components of financial information as outlined in 24(b).
23-25	Other factors affecting engagement acceptance	The requirements stated in paragraphs 23-25 relate to pre-conditions for engagement acceptance but it is unclear why these have been stated in separate paragraphs and into separate sub-heading sections.
25(c)	Other factors affecting engagement acceptance	There is no framework provided for the assessment and documentation required for the assurance practitioner to determine that the "assurance engagement has a rational purpose". ASAE 3000 <i>Assurance Engagements other than Audits or Reviews of Historical Financial Information</i> provides some specific guidance on this which should be included in the Proposed Standard or cross referenced.

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
25(d)	Other factors affecting engagement acceptance	This paragraph requires the assurance practitioner to be satisfied that the responsible party possesses the necessary professional competencies. This is not a specific requirement in ASAE 3000 <i>Assurance Engagements other than Audits or Reviews of Historical Financial Information</i> and should be removed.
27, 90	Other factors affecting engagement acceptance	Non-assurance services are not within the scope of the Proposed Standard. Additionally, the Proposed Standard has appropriately referenced such services to paragraph 17 in ASRS 4400 <i>Agreed-Upon Procedures Engagements to Report Factual Findings</i> where ethical requirements, including independence are specifically considered and therefore we recommend removing these paragraphs.
29	Engagement Agreement	These requirements are discussed in ASRE 2405 <i>Review of Historical Financial Information other than a Financial Report</i> and appear incremental and in some cases inconsistent to those requirements. For example, the requirement at (a)(vi) does not include a statement that the engagement cannot be relied upon to identify "errors" or a statement that an audit is not being performed as described in ASRE 2405. We recommend that the Proposed Standard be cross referenced or extracted exactly from ASRE 2405. We recommend that incremental procedures in the Proposed Standard including a summary of procedures to be performed and a compliance statement with relevant ethical requirements, including independence be removed. Further, there should be a reference in the engagement letter requirements to obtaining a written representation letter from the responsible party.
34-36	Planning activities	The requirements in these paragraphs with the respect to understanding the entity and the transaction appear to have been duplicated.
34(b)	Planning activities	The relevance of this statement to historical financial information is unclear as it relates more to pro forma historical financial information.
37-38 100	Reliance on the work of another expert of assurance practitioner	These requirements need to clearly state that they relate to ASA 620 <i>Using the Work of an Auditor's Expert</i> . Footnote number 16 which is referenced to paragraph 37 is not sufficient to distinguish on reading the subsequent paragraphs that this is not in reference to the reliance on client management's experts (which is covered by ASA 500 <i>Audit Evidence</i>). In our view, the requirements in these paragraphs are already covered within the above-mentioned existing Standards and should be cross referenced only, however if guidance is retained in this standard it should address reliance on management's expert - which is a more frequent matter for practitioners to address than Using the work of an assurance practitioner's expert.

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
40	Assurance procedures	ASRE 2405 allows limited assurance and ASAE 3000 allows reasonable or limited assurance rather than just reasonable assurance, as currently drafted.
44	Adjustments identified by the assurance practitioner	We believe that this should clearly state that this results in a qualification in the assurance report and cross reference to the relevant Auditing Standard.
46-49	Other information included in the document	This section fits better after the section on "Preparing the Assurance Report" and before the section on "Consent to the inclusion of the Assurance Report in a public document".
47 and throughout	Other information	If the assurance practitioner identifies a matter of material inconsistency/material misstatement/potentially misleading or deceptive statement, there is an obligation not only to discuss this with the responsible party but also with the Due Diligence Committee to determine what action should be taken in most cases. Whilst we appreciate that a Due Diligence Committee is not relevant to all situations covered by the Proposed Standard, it will apply to most, therefore we would recommend that individual references to <i>APES350 Participation by Members in Public Practice in Due Diligence Committees in Connection with a Public Document</i> be removed across the Proposed Standard and a paragraph inserted at the start of the document to warn the assurance practitioner that in certain circumstances where due diligence committees are involved, his responsibilities extend beyond the responsible party. The assurance practitioner should understand his obligations with respect to this ethical standard.
48	Other information included in the document	We suggest that this paragraph is part of the previous paragraph's implications and suggest it be consolidated into paragraph 47.
50-52	Going concern considerations	We recommend that the Proposed Standard provide guidance as to whether or not, in making the going concern assessment the successful completion of the transaction should be assumed.
53-56	Subsequent events	The procedures around subsequent events should be referenced to <i>ASA560 Subsequent Events</i> and removed from the Proposed Standard.
62(a), (b)	Unmodified conclusions	These conclusions in conjunction with the balance of the Proposed Standard imply that an unmodified opinion can be given in respect of compliance with an applicable financial reporting framework when not all the presentation and disclosure requirements are met. We disagree with this conclusion and as detailed in our cover letter believe a redrafting of the standard is required for clarity.

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
66	Use of going concern assumption	These requirements are a duplication of paragraphs 50 and 52 and as the concepts are consistent, should cross reference to ASA 706 <i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in Independent Auditor's Reports</i> . We recommend that the duplication should be removed and instead the requirements cross referenced back to ASA 706.
69(a) and throughout	Basic elements of the assurance report	The report now issued under the proposed Standard refers to the assurance report as an "Independent Assurance Report". This is different to APES350 <i>Participation by Members in Public Practice in Due Diligence Committees in Connection with a Public Document</i> where they are referred to as "Investigating Accountant's Reports" and RG170 <i>Prospective Financial Information</i> where it is referred to as an "Independent Accountant's Report". Whilst our preference is to use the term "Independent Assurance Report" which is consistent to ASAE 3000 <i>Assurance Engagements other than Audits or Reviews of Historical Financial Information</i> , we believe that there should be consistency between all existing underlying Standards and guidance.
69(e), 84(c), 134(d), 147(e)	Basic elements of the assurance report	<p>The statements that the assurance engagement did not include updating any previous audit or review of financial information used as a source of the historical financial information or an audit of the historical financial information does not make sense. By the nature of the assurance procedures which are performed for instance, on subsequent events and going concern, there has been update of a previously issued audit or review report. Also, if this is a reasonable assurance engagement, then the statement that "an audit of the historical financial information" was not included is factually incorrect. By the same token, in paragraph 84(c), where a reasonable assurance engagement is performed, this means that an audit of the pro forma historical financial information was performed and the assurance practitioner would not be able to make this statement. In addition, in paragraph 134(d), a statement that the engagement did not include a review of the prospective financial information is also factually incorrect as the assurance procedures are, in fact, a review engagement.</p> <p>Furthermore, we note these requirements have not been met as these statements have not been made in the Illustration Reports with respect to the historical, pro forma, prospective and pro forma forecast financial information at Appendix 4.</p>

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
69(f)	Basic elements of the assurance report	The intention of this paragraph is not clear and more clarity is needed or additional guidance should be provided for when this situation is applicable. Is the intention to state that the financial information is a special purpose financial report and to limit the use of the information? If so, this would apply in all situations to which this standard is applicable and therefore should be incorporated into the Illustrative reports.
69(h)	Basic elements of the assurance report	As discussed in our overall comments in the letter, we disagree with the inclusion of a section on subsequent events in the Assurance Report.
72-73, 136-137	Consent to the inclusion of the assurance report	A separate section on consent has been added to the Independent Assurance Report. Market practice is for the assurance practitioners to issue a separate consent letter to the entity. We do not believe that a consent section is appropriate in the assurance report and we recommend it be removed. It is circular to state that consent has been provided to include the Assurance Report in the letter itself. The assurance practitioner should be consenting separately to inclusion of the Assurance Report.
74-75	Documentation	This section would fit better after "Consideration of events identified after the date of the Assurance Report" and before "Written representations".
79(a)	Planning activities	This requirement should include a statement that the assurance practitioner needs to determine the additional procedures required where the base financial information has not been previously subject to an audit or review or that work has been undertaken by another assurance practitioner.
80(a)	Assurance procedures	There should be an equivalent requirement for this with respect to the historical financial information which is missing.
80(c)(ii)	Assurance procedures	This requires the assurance practitioner to determine whether the pro forma adjustments are based on grounds that have a reasonable basis. However, there is no framework or definition provided around how "reasonable basis" will be assessed and this is inconsistent with the assurance conclusion at 84a(iii) which now does not consider the "reasonableness" of the pro forma adjustments.

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
80(c)(iv)	Assurance procedures	This paragraph requires that the assurance practitioner determines whether the pro forma adjustments are “attributable to the underlying events”. There is no further guidance on what the assurance practitioner should do if the adjustment is not attributable to that event or transaction. Paragraph A58d(iii) reiterates the point around “what if” pro forma adjustments but does not provide any further guidance on whether these types of adjustments are acceptable or not.
81	Sufficient and appropriate evidence	This is a repeated requirement, being consistent to paragraph 45 and 108 in the historical and prospective financial information respectively. We would recommend that the repetition be removed.
82(c)	Written representations	The written representations required here should agree to the preconditions for engagement acceptance in paragraph 77 where the responsible party accepts its responsibility for the items listed in this requirement. We suggest an editorial change as follows “selecting and applying <u>determining</u> pro forma adjustments”.
83	Forming the assurance conclusion	This is a requirement which has been duplicated and should cross reference to paragraph 81.
84(a)(ii)	Basic elements of the Assurance report	This requirement has already been covered by the requirement to 69(d)(ii) which requires you to identify the source of the historical financial information being reported on. We believe that the duplication should be removed.
84(a)(iii)	Basic elements of the Assurance Report	The assurance practitioner is not responsible for defining the stated basis of preparation; this is the responsibility of the engaging party. The assurance practitioner forms a conclusion statement on whether the financial information is prepared in accordance with the stated basis of preparation/ applicable financial reporting framework. The assurance practitioner also undertakes an assessment of whether the basis of preparation is described adequately. This requirement should also be applicable for historical financial information. The basis of preparation should be clearly stated in the financial information section of the Offer Document to which it relates.
87(a)	Preconditions for acceptance	This refers to the type of assurance to be expressed as being limited which is inconsistent with 127(b) and 134(e)(iii) which suggests both limited and reasonable are acceptable forms of assurance. Please refer to our response letter which discusses the inconsistency and unclear direct referencing issues relating to fundamental concepts of the Proposed Standard.

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
87(b)(i), 103 (d)(iii)	Preconditions for acceptance	References to RG170 <i>Prospective Financial Information</i> in this Standard infer that the assurance practitioner is undertaking work to establish reasonable grounds, however, this does not form the basis of any review conclusion or statement either in the Proposed Standard or in APES350 <i>Participation by Members in Public Practice in Due Diligence Committees in Connection with a Public Document</i> . Although RG 170 is used as one of the parameters of undertaking the forecast review, there is undue pressure from the engaging parties to change our conclusions to extend our sign off to cover compliance with RG170. We suggest that this extended sign off be considered as part of the Assurance Report conclusion or references to “reasonable grounds” in the Proposed Standard be removed.
92(a)(vi)	Agreeing on terms of the assurance engagement	The terms shall state that the assurance practitioner will disclaim responsibility for any reliance on the assurance report “by any party other than the responsible party”. This is a very unlikely situation given that in most situations covered by the Proposed Standard the assurance report is either public or is addressed to a Due Diligence Committee as well as the responsible party. Clarification should be made in terms of what this means but we suggest that reliance should be limited to intended users with respect to the financial information and the specific purpose to which the Assurance Report relates.
97(a)(iv), (d)	Agreeing on terms of the assurance engagement	It is unclear why reference to an acquiree or divestee would be applicable to prospective financial information but not referred to with respect to pro forma financial information.
103 (a)	Assurance procedures	It is not clear what “developing an expectation of the prospective financial information for use when performing analytical procedures” means for the assurance practitioner. The intended users and the information that they are looking for should be determined by the responsible party. The assurance practitioner should form his own views on the basis of underlying assurance and analytical procedures performed in order to assess the underlying information but should not be “developing” anything as this implies being involved in that information.
103(d)(iv)	Assurance procedures	As discussed earlier [refer to comments on paragraphs 13(t), (u), 77(c)], the framework is not consistently applied throughout the Proposed Standard. In this requirement it is stated as “recognition and measurement accounting policies as disclosed in section [x] of the document” compared to paragraph 84(a)(iii) which stated “recognition and measurement principles contained in Australian Accounting Standards”. Refer to our overall response letter for comments on relevant framework applied to financial information.

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
103 (d)(v)	Assurance procedures	Determining whether assumptions are attributable to the underlying event or transaction is not always relevant for prospective financial information as the whole of the forecast is based on various ongoing underlying business assumptions. This point needs to be made clearer.
103(e)	Assurance procedures	If identifying material adjustments to reflect the effects of the fundraising is a procedure to ensure the prospective financial information is not materially misstated, it is very unclear what the difference between this and a pro forma forecast is according to the available definition on these terms. The split of this information type does not really make sense. Please refer to our response letter on this matter.
114-116 and 131 and A95	Going concern	<p>In some cases the entity might only be a going concern if the transaction occurs and funds and debt are raised in line with the entities assumptions. We would recommend that this paragraph (116) be linked to paragraph 131 which provides further guidance on this.</p> <p>If there are going concerns with respect to future periods, this may cast doubt on the reliability of the underlying forecasts. In addition, underwriting agreements which may be considered as mitigating factors might not be signed until the relevant date, which makes gathering evidence and signing the Assurance Report difficult. The assurance practitioner should consider this when planning the assurance procedures to provide the limited review conclusion.</p>
134(f)	Basic elements of an assurance report	As discussed in our overall comments, we disagree with the inclusion of a section on subsequent events in the Assurance Report, particularly in respect of prospective financial information.
144(c)(i)	Assurance procedures	The framework which is described here for pro forma adjustments is “in accordance with the entity’s recognition and measurement accounting policies disclosed in section [X] of the document except for adjustments to comply with the stated basis of preparation”. The inclusion of an additional concept for financial reporting (in this case the stated accounting policies) is an example of the lack of clarity in the Proposed Standard around the accounting framework. As outlined in the cover letter we recommend the Proposed Standard be redrafted to increase the clarity. In this instance we recommend the above statement be revised to “the stated basis of preparation as disclosed in section [x] of the document”.

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
149(a), 150(b) and 153, 159	Other factors affecting engagement acceptance	Given this is a compilation conclusion, why is the suitability of criteria a consideration for the Assurance Report when all we should be looking at is A+B=C? It may be a consideration for the Due Diligence Committee role where we are separately signing off on the process and the Corporations Act but given the actual sign off in paragraph 159 (h) is on compilation only, this whole section seems to be unbalanced in terms of assurance procedures to get to that conclusion (as opposed to a review conclusion on reasonableness).
A1 and A2	Type of assurance	These are very important paragraphs with respect to ordinarily undertaking a review of financial information as a limited assurance engagement and should be linked to the assurance conclusion paragraphs of the Proposed Standard.
A8	Other factors affecting engagement acceptance	This paragraph seems to be a repeat of A4 in most respects. We would suggest that these two paragraphs be consolidated.
A17, A76	Planning activities	This requirement relates to obtaining an understanding of the entity. However, there is a subsequent reference to "detailed" understanding which is unnecessary and should be removed.
A17	Planning activities	This guidance relates to the requirements on historical financial information, however, there is reference to "best-estimate assumptions used in the preparation of the prospective financial information" which is not relevant or clear here.
A19(b), A78(b)	Planning activities	The use of the word "neutrality" is unclear. We would recommend that this be removed.
A19(c)	Planning activities	Would not expect "statistical" to apply to historical financial information. We suggest that this word is removed.
A32	Going concern considerations	This paragraph refers to all types of financial information however this guidance is specific to the requirement for historical financial information and does not therefore fit with the current structure of the Proposed Standard.
A38	Subsequent events	As above, guidance relates to historical financial information, however, it references prospective financial information and therefore does not fit with the current structure of the Proposed Standard.

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
A44	Forming the assurance conclusion	Where a modified conclusion is required and the responsible party (and the Due Diligence Committee) decides that an Assurance Report should no longer be included in the document, what should the assurance practitioner do as there is no actual requirement for an Assurance Report in any public document? Presumably this impacts the assurance practitioner's ability to provide a DDC sign off on the actual DD process under APES350. Further guidance is required in this area.
A50-A51, A112-A113	Consent to the inclusion of the Assurance Report in a Public Document	The requirements and application and other explanatory material in respect of the consent to the inclusion of the Assurance Report in a Public Document is consistent between historical, pro forma historical, prospective and pro forma forecast financial information. We suggest that these paragraphs be summarised in a general section which reduces the duplication in the Proposed Standard, in its present state, for each type of financial information.
A54 and A55	Pro forma historical financial information	These two paragraphs suggest that where the assurance practitioner cannot get enough evidence around how the information was prepared that they should consider a compilation style conclusion. This is in line with market practice but again seems to be inconsistent with the assurance procedures underlying the compilation work in paragraph 153.
A58(d)(iii)	Pro forma assurance procedures	As noted above [refer to comments for paragraph 13(t)], this paragraph suggests gaining an understanding of pro forma adjustments and whether they have already happened or "what if" type adjustments. However there is no guidance on whether these different types of transaction are acceptable or not.
A65	Other factors affecting engagement acceptance	This paragraph suggests that if the base financial information that is the source of PFI has not been previously audited or reviewed, the assurance practitioner will ordinarily not be able to provide any assurance on the PFI in the form of a review conclusion and should consider a compilation style opinion. It would actually be very unusual for the base information of PFI to be audited or reviewed, however it is market practice to give a review opinion on the basis of evidence collected on the assumptions for that base PFI. We suggest that the guidance should state that if sufficient appropriate evidence to support the assumptions is not available to support the review conclusion, then a compilation style engagement should be considered.
A68-A72	Agreeing on the terms of the assurance engagement	This seems to be a repeat of the historical financial information section. Consider changing the structure to avoid repetition of concepts.

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
A73-A77	Changes in the terms of the assurance engagement and planning activities	Again this is very similar to the historical information section, therefore consider changing the structure to avoid repetition of concepts.
A89	Adjustments identified by the assurance practitioner	This paragraph references historical financial information but should relate to prospective financial information.
A90	Evaluating the sufficiency and appropriateness of evidence obtained	This paragraph suggests that most of the PFI sign offs are ordinarily limited assurance due to the nature of evidence available. A paragraph this important should be linked to the actual conclusion itself (127), so that readers fully understand the level of evidence usually available and market practices.
Appendix 1	Types of financial information included in a public document	As noted previously, the type of conclusion described for each type of financial information is inconsistent to the "Basic Elements of an Assurance Report" section described in the Proposed Standard. Furthermore, with respect to prospective financial information, the description in the table does not match to the description in paragraph 5 which is prospective financial information, in the form of a forecast, and a pro forma forecast.
Appendix 3	Illustrative representative letter	If the financial information only complies with the recognition and measurement principles of Australian Accounting Standards, the written representations should include that the responsible party has determined that those disclosures not provided are not material to a reader of the financial information.
Appendix 4	Illustration 1 - Our responsibility for the historical financial information	The first paragraph with respect to historical financial information makes reference to the fact that the historical financial information is " not prepared " in accordance with the applicable financial reporting framework which is inconsistent to the review conclusion expressed which states " not presented fairly " in accordance with the applicable financial reporting framework. In our view a "not prepared" conclusion would be more appropriate. Additionally, we note that our earlier comments on the appropriateness of referring to an "applicable financial reporting framework" should be reflected in the conclusion.
Appendix 4	Illustration 1 - Our responsibility for the pro forma historical financial information	The first paragraph with respect to the pro forma historical financial information makes reference to the fact that the pro forma financial information is " not prepared " in accordance with the stated bases of preparation which is inconsistent to the review conclusion expressed which states " not presented fairly " in accordance with the stated basis of preparation. In our view a "not prepared" conclusion would be more appropriate.

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
Appendix 4	Illustration 2 - Our responsibility for the financial forecast	<p>The first paragraph with respect to the financial forecast information makes reference to the fact that it is “not prepared” in accordance with the stated basis of preparation which is inconsistent to the review conclusion expressed which makes reference to the best-estimate assumptions do not provide a “reasonable basis” for the financial forecast, the financial forecast is “not properly prepared” on the basis of the directors best-estimate assumptions and is “not presented fairly” in accordance with the applicable financial reporting framework and that the financial forecast itself is not “unreasonable”. In our view a “not prepared” conclusion would be more appropriate.</p> <p>Additionally, we note that our earlier comments on the appropriateness of referring to an “applicable financial reporting framework” should be reflected in the conclusion.</p>
Appendix 4	Illustration 2 - Our responsibility for the pro forma forecast	<p>The first paragraph with respect to the pro forma forecast makes reference to the fact that it is “not prepared” in accordance with the stated basis of preparation which is inconsistent to the review conclusion expressed which makes reference to the best-estimate assumptions do not provide a “reasonable basis” for the pro forma forecast, the financial forecast is “not properly prepared” on the basis of the directors best-estimate assumptions, including pro forma adjustments and is “not presented fairly” in accordance with the stated basis of preparation and that the pro forma forecast itself is not “unreasonable”. In our view a “not prepared” conclusion would be more appropriate.</p>
Appendix 4	Illustration 3 - Our responsibility	<p>The first paragraph with respect to the financial forecast information makes reference to the fact that it is “not prepared” in accordance with the “stated basis of preparation” which is inconsistent to the review conclusion expressed which makes reference to the best-estimate assumptions do not provide a “reasonable basis” for the financial forecast, the financial forecast is “not properly prepared” on the basis of the management’s best-estimate assumptions and is “not presented fairly” in accordance with the “applicable financial reporting framework” and that the financial forecast itself is not “unreasonable”. In our view a “not prepared” conclusion would be more appropriate.</p> <p>Additionally, we note that our earlier comments on the appropriateness of referring to an “applicable financial reporting framework” should be reflected in the conclusion.</p>

Appendix 2

Further Detailed Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
Appendix 4	Illustration 3 - reliance on the report	“We have not taken instructions from the above parties (other than XXX), nor have they confirmed the suitability of our engagement letter for their individual purposes”. This statement is inconsistent to the Proposed Standard which requires the assurance practitioner to consider the relevance of the engagement for the purposes of intended users.
Appendix 4	Illustration 4	We disagree with the inclusion of this example Private Report on the prospective financial information notwithstanding that this assurance report is not intended for a Public Document. We believe that the review conclusion statement provided is inappropriate given the inclusion of “hypothetical” assumptions which by its nature does not lend itself to a “reasonable” basis conclusion.
Appendix 4	Illustration 4 - our responsibility	<p>The first paragraph with respect to the forecast information makes reference to the fact that it is “not prepared” in accordance with the “stated basis of preparation” which is inconsistent to the review conclusion expressed which makes reference to the best-estimate assumptions and hypothetical assumptions do not provide a “reasonable basis” for the forecast, the forecast is “not properly prepared” on the basis of the management’s best-estimate assumptions and hypothetical assumptions and is “not presented fairly” in accordance with the “applicable financial reporting framework” and that the forecast itself is not “unreasonable”. In our view a “not prepared” conclusion would be more appropriate.</p> <p>Additionally, we note that our earlier comments on the appropriateness of referring to an “applicable financial reporting framework” should be reflected in the conclusion.</p>
Appendix 4	Illustration 4 - reliance on the report	“We have not taken instructions from the above parties (other than XXX), nor have they confirmed the suitability of our engagement letter for their individual purposes”. This statement is inconsistent to the Proposed Standard which requires the assurance practitioner to consider the relevance of the engagement for the purposes of intended users.

Appendix 3

General Editorial Comments on the Proposed Standard

Section/ Paragraph	Topic	Comment
3	Scope/ Definitions	We suggest an editorial change in the first sentence so that it reads "schemes of arrangement and other corporate <u>fundraising</u> transactions".
13(f)	Definitions - compiled	The reference to compiled financial information as if the event had occurred or the transaction had been undertaken "at the selected date" is unclear and we suggest amendment to "at the specified date(s)".
13(g)	Definitions - corporate fundraising	We suggest that in the last sentence, the example of fundraisings should include "units".
13(s)	Definitions - non-public document	We suggest an editorial change in the first sentence so that it reads "which is not included <u>in</u> a public document".
13(u)	Definitions - pro forma financial information	We suggest an editorial change for the reference to base financial information to read as follows: "base/ <u>unadjusted</u> financial information".
13(v)	Definitions - prospective financial information	We suggest an editorial change as follows: "about future events that may occur in the future".
13(cc)	Third parties	We suggest an editorial change as follows "and who are not the responsible for the preparation of the financial information".
17	Professional judgement	We suggest an editorial change on the last part of the sentence so that it reads "the compilation of <u>pro forma</u> financial information".
24(c)(ii)	Preconditions for acceptance	We suggest an editorial change to remove the word "and" after this point and include it instead at point (iii).
57(e)	Written representations	We suggest an editorial change to read as follows: " advising the assurance practitioner of any confirmation that there has been no matter, event or issue that has arisen or been discovered".
75	Documentation	We suggest an editorial change in first sentence so that it reads "that is sufficient to enable an experienced assurance <u>practitioner</u> ".
77	Preconditions for acceptance	We suggest an editorial change for the reference to "paragraph' to read as paragraphs.
79(a)	Planning activities	We suggest an editorial change on the last part of the sentence so that it reads "review conclusion <u>that</u> was issued".
82(c)	Written representations	We suggest an editorial change as follows "selecting and applying <u>determining</u> pro forma adjustments".
84(a)(iii)	Basic elements of the Assurance Report	We suggest an editorial change in the second bullet point so that it reads "occurred as <u>at</u> the date".

Appendix 3

General Editorial Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
84(a)(iii)	Basic elements of the Assurance Report	We suggest an editorial change on the first line to read as follows: "define the stated basis <u>of</u> preparation".
113	Other information included in the document	We suggest an editorial change on the first sentence so that it reads "practitioner <u>may</u> consider whether to".
147(f)(ii)	Basic elements of an assurance report	We suggest an editorial change to the word "provide" which should be "provides".
A1	Types of assurance	The first sentence of this paragraph does not make sense. We suggest adding the words "a review of" in front of the words "financial information".
A4	Non-Assurance services	We suggest an editorial change so that it reads "Materiality <u>Advice</u> Letter".
A9, A68	Agreeing on the terms of the engagement	Repeated use of "misunderstandings of the agreed terms" in both the first and second sentences makes the paragraphs difficult to read and unclear.
A15	Changes in the terms of the engagement	We suggest an editorial change so that the paragraph reads "misunderstanding <u>occurs</u> between the parties of what has been agreed".
A27(f)	Assurance Procedures	We suggest an editorial change to read as follows: "responsible party <u>or</u> other parties to enquiries".
A46(b)	Preparing the Assurance Report	We suggest an editorial change on the last part of the sentence so that it reads "on the each types of financial information".
A71	Agreeing on the terms of the assurance engagement	We suggest changing the first sentence to read "as in <u>the</u> assurance practitioner's professional".
A73	Changes in the terms of the assurance engagement	We suggest changing the first sentence to read "the need for a service <u>or</u> a misunderstanding".
A74	Changes in the terms of the assurance engagement	We suggest changing the first sentence to read "misunderstanding <u>exists</u> between the parties".
A100	Consideration of events identified after the date of the assurance report	Repeated use of the word "after" in the opening sentence and the bullet points below. The word "after" should be removed from the start of each bullet.
Appendix 4	Illustrative Assurance Reports	The descriptions for Illustration 2 and 3 on page 177 are incorrect. The description for Illustration 2 should be amended to read that it is " not included in a public document. The description for Illustration 3 should read that it is " <u>not</u> included in a public document".

Appendix 3

General Editorial Comments on the Proposed Standard (continued)

Section/ Paragraph	Topic	Comment
Appendix 4	All Illustration reports	The term "Prospectus" is used in this illustration, however, the use of this is limited and there are other offer documents covered within the scope of this standard.
Appendix 4	Illustration 1 - Scope	<p>We suggest the following amendments with respect to the scope section:</p> <ul style="list-style-type: none"> ▶ Amending the first sentence on page 179 to read "the historical financial information <u>in accordance</u> with the applicable financial reporting framework". ▶ Amending the last sentence on page 179 to read "it does not include all of the <u>presentation and</u> disclosures required by Australian Accounting Standards <u>and other mandatory professional reporting requirements</u> applicable to year-end <u>general purpose</u> financial reports prepared in accordance with the Corporations Act 2001."
Appendix 4	Illustration 1 - Our responsibility	The review procedures described for both historical and pro forma financial information is exactly the same and the duplication should be removed.