

**ASAE 3420**  
(June 2014)

# **Standard on Assurance Engagements**

## **ASAE 3420**

### ***Assurance Engagements To Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document***

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

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Draft

## PREFACE

### **Reasons for Issuing ASAE 3420**

The AUASB issues Standard on Assurance Engagements ASAE 3420 *Assurance Engagements To Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document* pursuant to the requirements of the legislative provisions explained below.

The AUASB is an independent statutory committee 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 other purposes.

### **Main Features**

This Standard on Assurance Engagements establishes requirements and provides application and other explanatory material regarding reporting on the compilation of pro forma historical financial information related to a prospectus, other public document, or prepared for other purposes.

Draft

### **AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) formulates this Standard on Assurance Engagements ASAE 3420 *Assurance Engagements To Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document* 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 Pronouncements*, which sets out the intentions of the AUASB on how the AUASB Standards are to be understood, interpreted and applied.

Dated: <TypeHere>

M H Kelsall  
Chairman - AUASB

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## **Conformity with International Standards on Assurance Engagements**

This Standard on Assurance Engagements conforms with International Standard on Assurance Engagements ISAE 3420 *Assurance Engagements to Report on Historical Financial Information* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Standard on Assurance Engagements (and do not appear in the text of the equivalent ISAE) are identified with the prefix “Aus”.

The following requirements are additional to ISAE 3420:

- Extending the application of the Standard to include assurance engagements to report on the compilation of pro forma financial information included in public documents (other than a prospectus) or prepared for any other purpose. (Ref: Para. Aus 0.1)
- Requirements related to the assurance practitioner being able to perform the engagement to report on the compilation of pro forma financial information as a limited assurance engagement. (Ref: Para. Aus 6.1, and Aus 35.2-Aus 35.4)
- Requirements related to the terms of the engagement. (Ref: Para. Aus 13.5-Aus 13.7)
- Requirements related to planning and performing the engagement. (Ref: Para. Aus 13.8, Aus 17.1, Aus 19.1, and Aus 26.1)
- Requirements related to the responsible party’s written representations. (Ref: Para. Aus 28.1, Aus 28.4)
- Requirements related to Forming the Conclusion. (Ref: Para. Aus 29.1, Aus 31.1, Aus 32.1, Aus 34.1, Aus 35.1-Aus 35.4)

The following application and other explanatory material is additional to ISAE 3420:

- Related application and other explanatory material related to the engagement being a limited assurance engagement.
- The inclusion of [Aus] Appendix 2 containing an illustrative assurance practitioner’s report in a limited assurance engagement.

This Standard on Assurance Engagements incorporates terminology and definitions used in Australia.

The equivalent requirements and related application and other explanatory material included in ISAE 3420 in respect of “relevant ethical requirements”, have been included in another Auditing Standard, ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*. There is no international equivalent to ASA 102.

Compliance with this Standard on Assurance Engagements enables compliance with ISAE 3420 to the extent the assurance practitioner conducts the engagement to report on the compilation of pro forma financial information included in a prospectus as a reasonable assurance engagement.

## STANDARD ON ASSURANCE ENGAGEMENTS ASAE 3420

### *Assurance Engagements To Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document*

#### Application

- Aus 0.1 This Standard on Assurance Engagements applies to attestation engagements to provide reasonable assurance on the compilation of pro forma historical financial information included in a prospectus, other public document, or prepared for any other purpose.
- Aus 0.2 This Standard on Assurance Engagements also applies, as appropriate, to attestation engagements to provide limited assurance on the compilation of pro forma historical financial information included in a prospectus, other public document, or prepared for any other purpose.

#### Operative Date

- Aus 0.3 This Standard on Assurance Engagements is operative for engagements commencing on or after 1 January 2016.

#### Introduction

##### Scope of this Standard on Assurance Engagements

1. [Deleted by the AUASB. Refer Aus 1.1]
- Aus 1.1 This Australian Standard on Assurance Engagements (ASAE) deals with limited or reasonable assurance attestation engagements undertaken by an assurance practitioner<sup>1</sup> to report on the responsible party's<sup>2</sup> compilation of pro forma historical financial information included in a prospectus, other public document, or prepared for any other purpose. For ease of reference, in this ASAE the term 'prospectus' is taken to include an other public document or non-public document prepared for any other purpose, unless otherwise noted. (Ref: Para. A1)
- Aus 1.2 When the assurance practitioner is requested to provide assurance on the pro forma financial information itself, refer to ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

##### *Nature of the Assurance Practitioner's Responsibility*

2. In an engagement performed under this ASAE, the assurance practitioner has no responsibility to compile the pro forma financial information for the entity; such responsibility rests with the responsible party. The assurance practitioner's sole responsibility is to report on whether the pro forma financial information has been compiled, in all material respects, by the responsible party on the basis of the applicable criteria.
3. This ASAE does not deal with non-assurance engagements in which the assurance practitioner is engaged by the entity to compile its historical financial statements.

<sup>1</sup> See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, paragraph 12(r).

<sup>2</sup> See the *Framework for Assurance Engagements* (the Assurance Framework), paragraphs 25-26, which describes the meaning of the term "responsible party." See also ASAE 3000, paragraph 12(v).



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*Purpose of Pro Forma Financial Information Included in a Prospectus*

4. The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event(s) or transaction(s) on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. This is achieved by applying pro forma adjustments to the unadjusted financial information. Pro forma financial information does not represent the entity's actual financial position, financial performance, or cash flows. (Ref: Para. A2-A3)

Aus 4.1 In this ASAE 'pro forma financial information' is taken to mean pro forma historical financial information. Reporting on the compilation of pro forma financial information in the form of a pro forma forecast is not included within the scope of this ASAE.

*Compilation of Pro Forma Financial Information*

5. The compilation of pro forma financial information involves the responsible party gathering, classifying, summarising and presenting financial information that illustrates the impact of a significant event(s) or transaction(s) on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at the selected date. Steps involved in this process include:
- Identifying the source of the unadjusted financial information to be used in compiling the pro forma financial information, and extracting the unadjusted financial information from that source; (Ref: Para. A4-A5)
  - Making pro forma adjustments to the unadjusted financial information for the purpose for which the pro forma financial information is presented; and
  - Presenting the resulting pro forma financial information with accompanying disclosures.

*Nature of Reasonable Assurance Engagement*

6. A reasonable assurance engagement to report on the compilation of pro forma financial information involves performing the procedures set out in this ASAE to assess whether the applicable criteria used by the responsible party in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event(s) or transaction(s), and to obtain sufficient appropriate evidence about whether: (Ref: Para. A6)
- The related pro forma adjustments give appropriate effect to those criteria; and
  - The resultant pro forma column (see paragraph 11(c) of this ASAE) reflects the proper application of those adjustments to the unadjusted financial information.

It also involves evaluating the overall presentation of the pro forma financial information. The engagement, however, does not involve the assurance practitioner updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, or performing an audit or review of the financial information used in compiling the pro forma financial information.

*Nature of Limited Assurance Engagement*

Aus 6.1 A limited assurance engagement to report on the compilation of pro forma financial information involves performing the procedures set out in this ASAE to assess whether anything comes to the assurance practitioner's attention that causes the assurance practitioner to believe that the applicable criteria used by the responsible party in the compilation of the pro forma financial information does not provide a

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reasonable basis for presenting the significant effects directly attributable to the event(s) or transaction(s), or that: (Ref: Para. Aus A6.1-A6.4)

- The related pro forma adjustments do not give appropriate effect to those criteria; and
- The resultant pro forma column (see paragraph 11(c) of this ASAE) does not reflect the proper application of those adjustments to the unadjusted financial information.

It also involves evaluating the overall presentation of the pro forma financial information. The engagement, however, does not involve the assurance practitioner updating or reissuing any previously issued reports or opinions on any historical financial information used in compiling the pro forma financial information, or performing an audit or review of the financial information used in compiling the pro forma financial information.

*Relationship with ASAE 3000, and Other Requirements*

7. The assurance practitioner is required to comply with ASAE 3000 and this ASAE when performing an assurance engagement to report on the compilation of pro forma historical financial information included in a prospectus, other public document, or prepared for any other purpose. This ASAE supplements, but does not replace, ASAE 3000, and expands on how ASAE 3000 is to be applied in a reasonable or limited assurance engagement to report on the compilation of pro forma financial information included in a prospectus, other public document, or prepared for any other purpose.

8. [Deleted by the AUASB. Refer Aus 8.1]

Aus 8.1 Compliance with ASAE 3000 requires, among other things, compliance with relevant ethical requirements related to assurance engagements.\* It also requires the lead assurance practitioner<sup>#</sup> to be a member of a firm that applies ASQC 1.<sup>†</sup>

**Effective Date**

9. [Deleted by the AUASB. Refer Aus 0.3]

**Objectives**

10. The objectives of the assurance practitioner are:

- (a) [Deleted by the AUASB. Refer Aus 10.1(a)]
- (b) [Deleted by the AUASB. Refer Aus 10.1(b)]

Aus 10.1 (a) To obtain reasonable or limited assurance, as appropriate, about whether the pro forma financial information has been compiled by the responsible party on the basis of the applicable criteria, thereby enabling the assurance practitioner to express a conclusion conveying that level of assurance; and

(b) To report in accordance with the assurance practitioner's findings.

**Definitions**

11. For the purposes of this Standard on Assurance Engagements, the following terms have the meanings attributed below:

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\* See ASAE 3000, paragraphs 3(a), 20 and 34. See also ASA 102 *Compliance with Relevant Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

# The term "lead assurance practitioner" is referred to as "lead engagement partner" in ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Service Engagements*.

† See ASAE 3000, paragraphs 3(b) and 31(a). See also Auditing Standard ASQC 1.

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- (a) Applicable criteria – The criteria used by the responsible party when compiling the pro forma financial information. Criteria may be established by applicable law or regulation or in the absence of established criteria, be developed by the responsible party. (Ref: Para. A7-A9)
- (b) Pro forma adjustments – In relation to unadjusted financial information, these include:
  - (i) Adjustments to unadjusted financial information that illustrate the impact of a significant event(s) or transaction(s) (“events” or “transactions”) as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration; and
  - (ii) Adjustments to unadjusted financial information that are necessary for the pro forma financial information to be compiled on a basis consistent with the applicable financial reporting framework of the reporting entity (“entity”) and its accounting policies under that framework. (Ref: Para. A15-A16)

Pro forma adjustments include the relevant financial information of a business that has been, or is to be, acquired (“acquiree”), or a business that has been, or is to be, divested (“divestee”), to the extent that such information is used in compiling the pro forma financial information (“acquiree or divestee financial information”).

- (c) [Deleted by the AUASB. Refer Aus 11.1]

Aus 11.1 Pro forma financial information – Historical financial information shown together with adjustments to illustrate the impact of an event(s) or transaction(s) on unadjusted financial information as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. In this ASAE, it is assumed that pro forma financial information is presented in columnar format consisting of (a) the unadjusted historical financial information; (b) the pro forma adjustments; and (c) the resulting pro forma column. (Ref: Para. A2)

- (d) Prospectus – A document issued pursuant to applicable law or regulation relating to the entity’s securities on which it is intended that a third party should make an investment decision.

Aus 11.2 Public document – a disclosure document, product disclosure statement or other documentation provided to shareholders, unit holders, or holders of a relevant interest in an entity (or which is provided to management of any entity) in relation to a scheme of arrangement under the Part 5.1 of the *Corporations Act 2001*, or a takeover or compulsory acquisition under Chapter 6 of the *Corporations Act 2001*.

- (e) Published financial information – Financial information of the entity or of an acquiree or a divestee that is made available publicly.
- (f) [Deleted by the AUASB. Refer Aus 11.3]

Aus 11.3 Unadjusted financial information – Historical financial information of the entity to which pro forma adjustments are applied by the responsible party. (Ref: Para. A4-A5)

## **Requirements**

### **ASAE 3000**

12. The assurance practitioner shall not represent compliance with this ASAE unless the assurance practitioner has complied with the requirements of both this ASAE and ASAE 3000.

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**Engagement Acceptance**

*Preconditions for Acceptance*

13. Before agreeing to accept an engagement to report on whether pro forma financial information included in a prospectus or other document has been compiled, in all material respects, on the basis of the applicable criteria, the assurance practitioner shall:
- (a) Determine that those persons who are to perform the engagement collectively have the appropriate competence and capabilities; (Ref: Para. A10-Aus A10.2)
  - (b) On the basis of a preliminary knowledge of the engagement circumstances and discussion with the responsible party, determine that the criteria that the assurance practitioner expects to be applied are suitable and that it is unlikely that the compilation of the pro forma financial information will be misleading for the purpose for which it is intended;
  - (c) If applicable, evaluate the wording of the assurance practitioner's conclusion prescribed by applicable law or regulation to determine that it will be possible for the assurance practitioner to express the conclusion so prescribed based on performing the procedures specified in this ASAE; (Ref: Para. A54-A56)
  - (d) Where the sources from which the unadjusted financial information and any acquiree or divestee financial information have been extracted have been audited or reviewed and a modified audit opinion or review conclusion has been expressed, or the report contains an Emphasis of Matter paragraph, consider whether or not applicable law or regulation permits the use of, or reference in the assurance practitioner's report to, the modified audit opinion or review conclusion or the report containing the Emphasis of Matter paragraph with respect to such sources;
  - (e) If the entity's historical financial information has never been audited or reviewed, consider whether the assurance practitioner can obtain a sufficient understanding of the entity and its accounting and financial reporting practices to perform the engagement; (Ref: Para. A31)
  - (f) If the event(s) or transaction(s) include(s) an acquisition and the acquiree's historical financial information has never been audited or reviewed, consider whether the assurance practitioner can obtain a sufficient understanding of the acquiree and its accounting and financial reporting practices to perform the engagement;
  - (g) Obtain the agreement of the responsible party that it acknowledges and understands its responsibility for: (Ref: Para. A11-A12)
    - (i) Adequately disclosing and describing the applicable criteria to the intended users if these are not publicly available;
    - (ii) Compiling the pro forma financial information on the basis of the applicable criteria; and
    - (iii) Providing the assurance practitioner with:
      - ◆ Access to all information (including, if applicable for the purposes of the engagement, information the responsible party has in respect of any acquiree(s) in a business combination transaction), such as records, documentation, and other material, relevant to evaluating whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria;

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- ◆ Additional information that the assurance practitioner may request from the responsible party for the purpose of the engagement;
  - ◆ Access to those within the entity and the entity's advisors from whom the assurance practitioner determines it necessary to obtain evidence relating to evaluating whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria; and
  - ◆ When needed for purposes of the engagement, access to appropriate individuals within the acquiree(s) in a business combination;
- (iv) Aus 13.1 The preparation of the unadjusted financial information used in preparing the pro forma financial information;
- (v) Aus 13.2 The preparation of the pro forma financial information itself;
- (vi) Aus 13.3 The selection of the applicable criteria; and
- (h) Aus 13.4 Determine whether the type of assurance requested is acceptable.  
(Ref: Para. Aus A10.2)

*Agreeing the Terms of the Assurance Engagement*

Aus 13.5 As required by ASAE 3000\* the assurance practitioner shall agree the terms of the assurance engagement with the responsible party in writing. (Ref: Para. Aus A10.3)

Aus 13.6 The agreed terms of the assurance engagement, as required by ASAE 3000, shall at a minimum, include:

- (a) the objective(s) and scope of the engagement, including:
- (i) the assurance practitioners' understanding of the purpose of the engagement and the intended users of the assurance report;
  - (ii) confirmation that the assurance practitioner will conduct the engagement in accordance with this ASAE;
  - (iii) the nature, source, time period covered and purpose of the pro forma financial information;
  - (iv) a statement that the assurance practitioner is not responsible for the preparation of the pro forma financial information or for applicable criteria;
  - (v) if applicable, a statement that an audit is not being performed and that consequently, an audit opinion will not be expressed;
- (b) a reference to the expected form and content of any reports to be issued by the assurance practitioner and a statement that there may be circumstances in which a report may differ from its expected form and content; and
- (i) an acknowledgement that the entity agrees to provide written representations at the conclusion of the engagement; and;

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\* See ASAE 3000, paragraphs 21-22.

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- (ii) a statement that the engagement cannot be relied upon to identify fraud, error(s), illegal action(s) or other irregularities that may exist within the entity;
- (c) the responsibilities of the assurance practitioner, including:
  - (i) compliance with relevant ethical requirements, including independence;
  - (ii) providing limited or reasonable assurance, as applicable, on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria;
  - (iii) determining whether the applicable criteria, selected by the responsible party for illustrating the significant effects directly attributable to the event(s) or transaction(s), are suitable;
  - (iv) performing assurance procedures on the responsible party's compilation of the pro forma financial information on the basis of the responsible party's specified applicable criteria to obtain sufficient appropriate evidence for the type of assurance required;  
(Ref: Para. Aus A10.4)
  - (v) issuing a written assurance report and any other reporting agreed with the responsible party;
  - (vi) where applicable, and once satisfied it is appropriate to, providing consent in the required form to the responsible party to the inclusion of the assurance practitioner's name and assurance report in the prospectus;
  - (vii) for the purposes of the engagement, the assurance practitioner is not responsible for:
    - ◆ updating or re-issuing any previously issued audit report or review conclusion on any financial information used in compiling the pro forma financial information; and
    - ◆ performing an audit or review of any financial information used in compiling the pro forma financial information or the pro forma financial information itself;
- (d) the responsibilities of the responsible party including those set out in paragraph 13(g) of this ASAE; and
- (e) such other terms and conditions that the assurance practitioner determines are appropriate in the engagement circumstances.

**Changes in the Terms of the Assurance Engagement**

Aus 13.7 If the assurance practitioner is unable to agree to a change in the terms of the engagement, and is not permitted by the responsible party to continue the original engagement, the assurance practitioner shall: (Ref: Para. Aus A12.1)

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\* See ASA 260 *Communication with Those Charged with Governance* for guidance on specific matters that may be communicated in an audit engagement that may be helpful in an assurance engagement involving reasonable assurance on historical financial information. Additionally, ASRE 2405 *Review of Historical Financial Information Other than a Financial Report* provides guidance on specific matters that may be communicated in a review engagement that may also be helpful in an assurance engagement involving a review of historical financial information.

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- (a) withdraw from the engagement where possible under applicable law or regulation; and
- (b) determine whether there is any obligation, either contractual or otherwise, to report the circumstances to parties other than the responsible party.

**Planning and Performing the Engagement**

Aus 13.8 The assurance practitioner shall use professional judgement\* to design and perform procedures whose nature, timing and extent are appropriate to the type of assurance required. (Ref: Para. Aus A12.2)

*Determining the Suitability of the Applicable Criteria*

14. The assurance practitioner shall determine whether the applicable criteria are suitable, as required by ASAE 3000<sup>3</sup>, and in particular shall determine that they include, at a minimum, that:
- (a) The unadjusted financial information be extracted from an appropriate source; (Ref: Para. A4-A5, A27)
  - (b) The pro forma adjustments be:
    - (i) directly attributable to the event(s) or transaction(s); (Ref: Para. A13-Aus A13.1)
    - (ii) factually supportable; and (Ref: Para. A14)
    - (iii) consistent with the entity's applicable financial reporting framework and its accounting policies under that framework; and (Ref: Para. A15-A16)
  - (c) Appropriate presentation be made and disclosures be provided to enable the intended users to understand the information conveyed. (Ref: Para. A2-A3, A42)
15. In addition, the assurance practitioner shall assess whether the applicable criteria are:
- (a) Consistent, and do not conflict, with applicable law or regulation; and
  - (b) Unlikely to result in pro forma financial information that is misleading.

*Materiality*

16. When planning and performing the engagement, the assurance practitioner shall consider materiality<sup>#</sup> with respect to evaluating whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria. (Ref: Para. A17-Aus A18.1)

*Obtaining an Understanding of How the Responsible Party Has Compiled the Pro Forma Financial Information and Other Engagement Circumstances*

17. The assurance practitioner shall obtain an understanding of: (Ref: Para. A19)
- (a) The event(s) or transaction(s) in respect of which the pro forma financial information is being compiled;

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\* The concepts and discussions on professional judgement relevant to audit engagements are contained in ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* and may be helpful in applying professional judgement in an assurance engagement.

<sup>3</sup> See ASAE 3000, paragraph 46L.

<sup>#</sup> See ASA 320 *Materiality in Planning and Performing an Audit* for guidance on planning materiality.

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- (b) How the responsible party has compiled the pro forma financial information;  
(Ref: Para. A20-A21)
- (c) The nature of the entity and any acquiree or divestee, including: (Ref: Para. A22-A23)
  - (i) Their operations;
  - (ii) Their assets and liabilities; and
  - (iii) The way they are structured and how they are financed; and
- (d) Relevant industry, legal and regulatory, and other external factors pertaining to the entity and any acquiree or divestee; and (Ref: Para. A24-A26)
- (e) The applicable financial reporting framework and the accounting and financial reporting practices of the entity and of any acquiree or divestee, including their selection and application of accounting policies.

Aus 17.1 The understanding shall be sufficient to enable the assurance practitioner to plan and design assurance procedures appropriate to the type of assurance required.

*Obtaining Evidence about the Appropriateness of the Source from Which the Unadjusted Financial Information Has Been Extracted*

- 18. The assurance practitioner shall determine whether the responsible party has extracted the unadjusted financial information from an appropriate source. (Ref: Para. A27-Aus A28.2)
- 19. If there is no audit or review report on the source from which the unadjusted financial information has been extracted, the assurance practitioner shall perform procedures to be satisfied that the source is appropriate. (Ref: Para. A29-A31)

Aus 19.1 If the assurance practitioner is not able to perform the procedures stated in paragraph 19 of this ASAE in order to obtain sufficient appropriate evidence \* on which to assess whether the source from which the unadjusted financial information has been extracted is appropriate, this constitutes a limitation of scope on the assurance practitioner's work, and the assurance practitioner shall modify the conclusion in the assurance report in accordance with ASAE 3000. #

- 20. The assurance practitioner shall determine whether the responsible party has appropriately extracted the unadjusted financial information from the source.

*Obtaining Evidence about the Appropriateness of the Pro Forma Adjustments*

- 21. In evaluating whether the pro forma adjustments are appropriate, the assurance practitioner shall determine whether the responsible party has identified the pro forma adjustments necessary to illustrate the impact of the event(s) or transaction(s) at the date or for the period of the illustration. (Ref: Para. A32)
- 22. In determining whether the pro forma adjustments are in accordance with the applicable criteria, the assurance practitioner shall determine whether they are:
  - (a) Directly attributable to the event(s) or transaction(s); (Ref: Para. A13-Aus A13.1)
  - (b) Factually supportable. If acquiree or divestee financial information is included in the pro forma adjustments and there is no audit or review report on the source from which such financial information has been extracted, the assurance practitioner shall perform

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\* See ASAE 3000, paragraphs 48L-51 for further information on obtaining evidence.

# See ASAE 3000, paragraph 66 for further information.



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procedures to be satisfied that the financial information is factually supportable; and  
(Ref: Para. A14, A33-A38)

- (c) Consistent with the entity's applicable financial reporting framework and its accounting policies under that framework. (Ref: Para. A15-A16)

*Modified Audit Opinion or Review Conclusion, or Emphasis of Matter Paragraph, with Respect to the Source from Which the Unadjusted Financial Information Has Been Extracted or the Source from Which the Acquiree or Divestee Financial Information Has Been Extracted*

23. A modified audit opinion or review conclusion may have been expressed with respect to either the source from which the unadjusted financial information has been extracted or the source from which the acquiree or divestee financial information has been extracted, or a report containing an Emphasis of Matter paragraph may have been issued with respect to such source. In such circumstances, if the applicable law or regulation does not prohibit the use of such a source, the assurance practitioner shall evaluate:

- (a) The potential consequence on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria; (Ref: Para. A39)
- (b) What further appropriate action to take; and (Ref: Para. A40)
- (c) Whether there is any effect on the assurance practitioner's ability to report in accordance with the terms of the engagement, including any effect on the assurance report.

*Source from Which the Unadjusted Financial Information Has Been Extracted or Pro Forma Adjustments Not Appropriate*

24. If, on the basis of the procedures performed, the assurance practitioner identifies that the responsible party has:

- (a) Used an inappropriate source from which to extract the unadjusted financial information; or
- (b) Omitted a pro forma adjustment that should be included, applied a pro forma adjustment that is not in accordance with the applicable criteria or otherwise inappropriately applied a pro forma adjustment,

the assurance practitioner shall discuss the matter with the responsible party. If the assurance practitioner is unable to agree with the responsible party as to how the matter can be resolved, the assurance practitioner shall evaluate what further action to take. (Ref: Para. A40)

*Obtaining Evidence about the Calculations within the Pro Forma Financial Information*

25. The assurance practitioner shall determine whether the calculations within the pro forma financial information are arithmetically accurate.

*Evaluating the Presentation of the Pro Forma Financial Information*

26. The assurance practitioner shall evaluate the presentation of the pro forma financial information. This shall include consideration of:

- (a) The overall presentation and structure of the pro forma financial information, including whether it is clearly labelled to distinguish it from historical or other financial information; (Ref: Para. A2-A3)
- (b) Whether the pro forma financial information and related explanatory notes illustrate the impact of the event(s) or transaction(s) in a manner that is not misleading; (Ref: Para. A41-Aus A41.1)

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(c) Whether appropriate disclosures are provided with the pro forma financial information to enable the intended users to understand the information conveyed; and  
(Ref: Para. A42)

(d) [Deleted by the AUASB. Refer Aus 26.1]

Aus 26.1 Whether the assurance practitioner has become aware of any significant events, related to the unadjusted financial information that have occurred subsequent to the date of the source from which the unadjusted financial information has been extracted, that may require reference to, or disclosure in, the pro forma financial information.  
(Ref: Para. Aus A43.1)

27. The assurance practitioner shall read the other information included in the prospectus containing the pro forma financial information to identify material inconsistencies, if any, with the pro forma financial information or the assurance report. If, on reading the other information, the assurance practitioner identifies a material inconsistency or becomes aware of a material misstatement of fact in relation to the pro forma financial information in that other information, the assurance practitioner shall discuss the matter with the responsible party. If correction of the matter is necessary and the responsible party refuses to do so, the assurance practitioner shall take further appropriate action. (Ref: Para. A44)

#### **Written Representations**

28. The assurance practitioner shall request written representations\* from the responsible party that:

(a) In compiling the pro forma financial information, the responsible party has identified all appropriate pro forma adjustments necessary to illustrate the impact of the event(s) or transaction(s) at the date or for the period of the illustration in accordance with the applicable criteria; (Ref: Para. A45)

(b) The pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria;

Aus 28.1 (c) They accept, acknowledge, and understand their responsibility for those matters described in paragraphs 13(g) to Aus 13.4 inclusive of this ASAE;

(d) They acknowledge the intended use of the pro forma financial information;

(e) There are no currently anticipated material changes to be made to the pro forma financial information between the date of the assurance report and the relevant date;

(f) There has been no matter, event, transaction, or issue that has arisen or been discovered subsequent to the preparation of the pro forma financial information that may impact, or require adjustment to, the pro forma financial information;

(g) They have provided the assurance practitioner with a listing of all known uncorrected immaterial misstatements in the pro forma financial information, together with an acknowledgement that the responsible party is responsible for confirming that such misstatements are immaterial; and

(h) Cover such other written representations as that the assurance practitioner determines are appropriate in the engagement circumstances.

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\* The concepts and discussions on obtaining written representations relevant to audit engagement are contained in ASA 580 *Written Representations* and may be helpful in determining the form and content of written representations applicable to an assurance engagement.

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Aus 28.2 The date of the representation letter shall be as near as practicable to, but not after, the date of the assurance report.

Aus 28.3 If the assurance practitioner has sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations or if the representations received are inconsistent with other evidence, the assurance practitioner shall:

- (a) discuss the matter with the responsible party;
- (b) perform other procedures to attempt to resolve any inconsistencies;
- (c) re-evaluate the integrity of the responsible party and evaluate the effect this may have on the reliability of representations (oral or written) and evidence in general; and
- (d) take appropriate action, including determining the possible effect on the assurance conclusion in the assurance report.

Aus 28.4 If the representations remain inconsistent with other evidence, the assurance practitioner shall reconsider the assessment of the competence, integrity, ethical values, or diligence of the responsible party or of its commitment to an enforcement of these, and shall determine the effect that this may have on the reliability of representations (oral or written) and evidence in general.

### **Forming the Conclusion**

29. [Deleted by the AUASB. Refer Aus 29.1]

Aus 29.1 The assurance practitioner shall conclude as to whether the assurance practitioner has obtained reasonable or limited assurance, as appropriate, on the compilation of the pro forma financial information. (Ref: Para. A46-A48)

30. In order to form that conclusion, the assurance practitioner shall conclude whether the assurance practitioner has obtained sufficient appropriate evidence about whether the compilation of the pro forma financial information is free from material omission, or inappropriate use or application of, a pro forma adjustment(s). That conclusion shall include an evaluation of whether the responsible party has adequately disclosed and described the applicable criteria in the prospectus to the extent that these are not publicly available. (Ref: Para. A49-A50)

### **Form of Conclusion**

#### *Unmodified Conclusion*

31. The assurance practitioner shall express an unmodified conclusion when the assurance practitioner concludes with reasonable assurance that the pro forma financial information has been compiled, in all material respects, by the responsible party on the basis of the applicable criteria.

Aus 31.1 In a limited assurance engagement, the assurance practitioner shall express an unmodified conclusion when the assurance practitioner concludes that nothing has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the pro forma financial information has not been compiled, in all material respects, by the responsible party on the basis of the applicable criteria.

#### *Modified Conclusion*

32. [Deleted by the AUASB. Refer Aus 32.1]

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- Aus 32.1 If the assurance practitioner concludes that a modified conclusion is appropriate in accordance with ASAE 3000, the assurance practitioner shall discuss the matter with the responsible party. If the responsible party does not agree to make the necessary changes, the assurance practitioner shall either:
- (a) withhold the assurance report;
  - (b) consider seeking legal advice;
  - (c) withdraw from the engagement, where practical and possible under applicable law or regulation; or
  - (d) modify the conclusion in accordance with the requirements in ASAE 3000<sup>4</sup> regarding modified conclusions.

33. [Deleted by the AUASB. Refer Aus 32.1(d)]

*Emphasis of Matter Paragraph*

34. In some circumstances, the assurance practitioner may consider it necessary to draw users' attention to a matter presented or disclosed in the pro forma financial information or the accompanying explanatory notes. This would be the case when, in the assurance practitioner's opinion, the matter is of such importance that it is fundamental to users' understanding of whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria. In such circumstances, the assurance practitioner shall include an Emphasis of Matter paragraph\* in the assurance practitioner's report provided that the assurance practitioner has obtained sufficient appropriate evidence that the matter does not affect whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria. Such a paragraph shall refer only to information presented or disclosed in the pro forma financial information or the accompanying explanatory notes.

**Preparing the Assurance Report**

- Aus 34.1 If applicable, the assurance practitioner's conclusion on the compilation of the pro forma financial information shall be clearly separated from assurance on any other type of financial information within the assurance report.
35. The assurance practitioner's report shall, at a minimum, include the following basic elements: (Ref: Para. A57-Aus A57.1)
- (a) A title that clearly indicates that the report is an independent assurance report; (Ref: Para. A51)
  - (b) An addressee(s), as agreed in the terms of engagement; (Ref: Para. A52)
  - (c) Introductory paragraphs that identify: (Ref: Para. A53)
    - (i) The pro forma financial information;
    - (ii) The source from which the unadjusted financial information has been extracted, and whether or not an audit or review report on such a source has been published;

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<sup>4</sup> See ASAE 3000, paragraph 74.

\* The concepts and discussions on the circumstances under which an emphasis of matter paragraph is included in an auditor's report are contained in ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* and may be helpful in an assurance engagement.

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- (iii) The period covered by, or the date of, the pro forma financial information; and
- (iv) The applicable criteria on the basis of which the responsible party has performed the compilation of the pro forma financial information, and the source of the criteria;
- (d) A statement that the responsible party is responsible for compiling the pro forma financial information on the basis of the applicable criteria;
- (e) A description of the assurance practitioner's responsibilities, including statements that:
  - (i) The assurance practitioner's responsibility is to conclude about whether the pro forma financial information has been compiled, in all material respects, by the responsible party on the basis of the applicable criteria;
  - (ii) For purposes of this engagement, the assurance practitioner is not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor has the assurance practitioner, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information;
  - (iii) The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event(s) or transaction(s) on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, the assurance practitioner does not provide any assurance that the actual outcome of the event(s) or transaction(s) at that date would have been as presented; and
- (f) A statement that the engagement was performed in accordance with ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information Included in a Prospectus or other Document*, which requires that the assurance practitioner plan and perform procedures to obtain the required type of assurance about whether the responsible party has compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria;
- (g) [Deleted by the AUASB. Refer Aus 35.1 (g)]
- Aus 35.1 (g) A statement that the firm of which the assurance practitioner is a member applies ASQC 1;
- (h) [Deleted by the AUASB. Refer Aus 35.2 (h)]
- Aus 35.2 (h) A statement that the assurance practitioner complies with the independence and other relevant ethical requirements related to assurance engagements;
- (i) Statements that:
  - (i) In a reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria, the engagement has involved performing procedures to assess whether the applicable criteria used by the responsible party in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event(s) or transaction(s), and to obtain sufficient appropriate evidence about whether:

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- ◆ The related pro forma adjustments give appropriate effect to those criteria; and
  - ◆ The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information; or
- (ii) Aus 35.3 In a limited assurance engagement to report on whether anything comes to the assurance practitioner's attention that causes the assurance practitioner to believe that the pro forma financial information has not been compiled, in all material respects, on the basis of the applicable criteria, the engagement has involved performing limited procedures to assess whether the applicable criteria used by the responsible party in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event(s) or transaction(s), and to obtain sufficient appropriate evidence about whether:
- ◆ The related pro forma adjustments give appropriate effect to those criteria; and
  - ◆ The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information; and
- (iii) The procedures selected depend on the assurance practitioner's professional judgement, having regard to the assurance practitioner's understanding of the nature of the entity, the event(s) or transaction(s) in respect of which the pro forma financial information has been compiled, the type of assurance to be expressed on the compilation, and other relevant engagement circumstances; and
- (iv) The engagement also involves evaluating the overall presentation of the pro forma financial information;
- (j) Unless otherwise required by applicable law or regulation:
- (i) The assurance practitioner's reasonable assurance unmodified conclusion uses one of the following phrases, which are regarded as being equivalent: (Ref: Para. A54-A56)
- ◆ The pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria; or
  - ◆ The pro forma financial information has been properly compiled on the basis stated; or
- (ii) Aus 35.4 The assurance practitioner's limited assurance unmodified conclusion uses one of the following phrases, which are regarded as being equivalent: (Ref: Para. A54-A56)
- ◆ nothing has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the pro forma financial information has not been compiled, in all material respects, on the basis of the applicable criteria; or
  - ◆ nothing has come to the assurance practitioner's attention that causes the assurance practitioner to

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believe that the pro forma financial information has not been properly compiled on the basis stated; or

- (iii) If the assurance practitioner's conclusion is modified, include a clear description of the reasons for the modification, with the effects appropriately quantified, to the extent reasonably practicable and disclosed in the report;

Aus 35.5 An independence, or disclosure of interest, statement;

- (k) The assurance practitioner's signature;

- (l) [Deleted by the AUASB. Refer Aus 35.4]

Aus 35.6 The date of the assurance practitioner's report shall be the date the assurance practitioner signs the report; and

- (m) The assurance practitioner's address.

\* \* \*

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## **Application and Other Explanatory Material**

### **Scope of this ASAE** (Ref: Para. Aus 1.1)

- A1. This ASAE does not deal with circumstances where pro forma financial information is provided as part of the entity's financial statements pursuant to the requirements of an applicable financial reporting framework.

### **Purpose of Pro Forma Financial Information Included in a Prospectus**

(Ref: Para. 4, Aus 11.1, 14(c), 26(a))

- A2. Pro forma financial information is accompanied by related explanatory notes that often disclose the matters set out in paragraph A42.
- A3. Different presentations of pro forma financial information may be included in the prospectus depending on the nature of the event(s) or transaction(s) and how the responsible party intends to illustrate the impact of such event(s) or transaction(s) on the unadjusted financial information of the entity. For example, the entity may acquire a number of businesses prior to an initial public offering. In such circumstances, the responsible party may choose to present a pro forma net asset statement to illustrate the impact of the acquisitions on the entity's financial position and key ratios such as debt to equity as if the acquired businesses had been combined with the entity at an earlier date. The responsible party may also choose to present a pro forma income statement to illustrate what the results of operations might have been for the period ended on that date. In such cases, the nature of the pro forma financial information may be described by titles such as "Statement of Pro Forma Net Assets as at 30 June 20X1" and "Pro Forma Income Statement for the Year Ended 30 June 20X1."

### **Compilation of Pro Forma Financial Information**

*Unadjusted Financial Information* (Ref: Para. 5, Aus 11.2-Aus 11.3, 14(a))

- A4. In many cases, the source from which the unadjusted financial information has been extracted will be published financial information such as annual or interim financial statements.
- A5. Depending on how the responsible party chooses to illustrate the impact of the event(s) or transaction(s), the unadjusted financial information may comprise either:
- One or more single financial statements, such as a statement of financial position and a statement of comprehensive income; or
  - Financial information that is appropriately condensed from a complete set of financial statements, for example, a statement of net assets.

### **Nature of the Assurance Engagement**

- A6. In this ASAE, describing the pro forma financial information as being "properly compiled" means that the pro forma financial information has been compiled, in all material respects, by the responsible party, on the basis of the applicable criteria. (Ref: Para. 6)
- Aus A6.1 The determination of the type of assurance to be provided on the responsible party's compilation of pro forma financial information is a matter for discussion and agreement between the responsible party and the assurance practitioner, having regard to the information requirements of intended users of the compiled pro forma financial information, the availability of sufficient appropriate evidence to support the compilation, time considerations and cost constraints.<sup>#</sup> (Ref: Para. Aus 6.1)

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<sup>#</sup> See ASAE 3000, paragraph 24-25 for further guidance.



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- Aus A6.2 In Australia, it is often the case that the responsible party will request an assurance practitioner to conduct an assurance engagement to report on the compilation of pro forma financial information in engagement circumstances where it is known that the assurance practitioner will not be able to access, on a timely basis, or at all, certain documentation (for example, detailed financial information and supporting records) or financial information from those entities whose financial information is included in the compilation (for example, in an acquisition). In such circumstances, the assurance practitioner may be able to plan and perform other procedures on the available documentation (for example, through being able to access the auditor's working paper file) in order to obtain sufficient appropriate evidence on the compilation of the pro forma financial information for that entity. The level of assurance obtained may however be lower than that required for a reasonable assurance engagement, but commensurate with limited assurance. If the assurance practitioner is not able to perform such other procedures, this represents a limitation of scope on the assurance practitioner's work which would at the minimum result in a modified assurance conclusion. If the assurance practitioner knows at the time of the responsible party's engagement request that the assurance practitioner will not be able to obtain sufficient appropriate evidence through performing other procedures, the assurance practitioner ordinarily would not accept the engagement, as these engagement circumstances represent a limitation of scope on the assurance practitioner's work which would at the minimum result in a modified assurance conclusion. (Ref: Para. Aus 6.1, Aus A10.2)
- Aus A6.3 In circumstances where the assurance practitioner will be able to access, on a timely basis, all required documentation of all entities whose financial information is included in the compilation, it would ordinarily be the case that the assurance practitioner would be able to provide reasonable assurance on the compilation of the pro forma financial information and hence conduct the engagement as a reasonable assurance engagement. (Ref: Para. Aus 6.1, Aus A10.2)
- Aus A6.4 The differences between the procedures performed in a reasonable assurance engagement as compared to a limited assurance engagement are explained at paragraph Aus A12.2. (Ref: Para. Aus 6.1)

## **Definitions**

### *Applicable Criteria* (Ref: Para. 11(a))

- A7. Where established criteria for compiling the pro forma financial information do not exist, the responsible party will have developed the criteria based on, for example, practice in a particular industry or the criteria of a jurisdiction that has developed established criteria, and disclosed that fact.
- A8. The applicable criteria for compiling the pro forma financial information will be suitable in the circumstances if they meet the requirements set out in paragraph 14.
- A9. Accompanying explanatory notes may include some additional detail about the criteria to describe how they illustrate the effects of the particular event(s) or transaction(s). This may include, for example:
- The date at which the event(s) is assumed to have occurred or the transaction(s) been undertaken; or
  - The approach used for allocating income, overheads, assets and liabilities between relevant businesses in a divestment.

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**Engagement Acceptance**

*Capabilities and Competence to Perform the Engagement* (Ref: Para. 13(a))

A10. [Deleted by the AUASB. Refer Aus A10.1<sup>5</sup>]

Aus A10.1 ASA 102\* issued by the AUASB requires the assurance practitioner to comply with relevant ethical requirements.

*Preconditions for Acceptance* (Ref: Para. Aus 13.4, 13(a))

Aus A10.2 Refer paragraphs Aus A6.2 and Aus A6.3 for guidance on determining the type of assurance to be provided.

*Agreeing on the Terms of the Assurance Engagement*

Aus A10.3 If the responsible party does not agree to sign the engagement letter, the assurance practitioner needs to consider whether it is appropriate to accept the engagement, taking into account that applicable law, regulation, or a pre-existing contract, may acknowledge or indicate such responsibility in sufficient detail the engagement terms. For example, under the *Corporations Act 2001*,<sup>†</sup> the directors of an entity are deemed responsible for financial information included in a public document used in offering securities. In such circumstances, the assurance practitioner may, using professional judgement, agree to accept the engagement terms. (Ref: Para. Aus 13.5)

Aus A10.4 The assurance practitioner exercises professional judgement as to what assurance procedures may be summarised in the engagement letter, taking into account the nature of the pro forma financial information, and the type of assurance required in the engagement circumstances. The assurance practitioner may include such terms and conditions as in the assurance practitioner's professional judgement are appropriate to the engagement. They may include: (Ref: Para. Aus 13.6(c)(iv))

- (a) important deadlines/timelines for the completion of the engagement. This may include deadlines such as the expected date of publication of the document and when the assurance practitioner's consent is required;
- (b) arrangements regarding the planning and performance of the engagement, including the composition of the engagement team (including any experts);
- (c) arrangements for the assurance practitioner to:
  - (i) attend meetings such as the due diligence committee meetings (if appropriate under the terms of the engagement)<sup>§</sup>;
  - (ii) receive draft and final versions of the prospectus in a timely manner when requested;
  - (iii) use the service(s) of the responsible party's experts and/or the assurance practitioner's experts; and
  - (iv) communicate directly with the entity's external auditor and/or other professional advisers regarding matters relevant to the pro forma financial information; and

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<sup>5</sup> [Footnote deleted by the AUASB. Refer Aus A10.1\*]

\* See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

<sup>†</sup> See Section 717 of the *Corporations Act 2001* for an overview of the procedures for offering securities.

<sup>§</sup> See APES 350 *Participation by Members in Public Practice in Due Diligence Committees in Connection with a Public Document*, as issued by the Accounting Professional & Ethical Standards Board, for further guidance.

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- (v) provide consent to the inclusion of the assurance practitioner's report in the prospectus. If the prospectus is prepared in accordance with the *Corporations Act 2001*,\* the form of the consent must be consistent with how the prospectus is intended to be distributed. For example, entities intending to distribute the prospectus in both electronic and paper forms must also obtain the assurance practitioner's consent to the inclusion of the assurance report in both forms.#

*The Responsible Party's Responsibilities* (Ref: Para. 13(g))

A11. An assurance engagement in accordance with this ASAE is conducted on the premise that the responsible party has acknowledged and understands that it has the responsibilities set out in paragraph 13(g). An assurance engagement to report on whether pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria is based on the assumption that:

- (a) The assurance practitioner's role does not involve taking responsibility for compiling such information;
- (b) The assurance practitioner has a reasonable expectation of obtaining the information necessary for the engagement; and

Aus A11.1 (c) The assurance practitioner's role does not include expressing a conclusion on the pro forma financial information itself, or for updating or re-issuing any previously issued audit reports or review conclusions related to the unadjusted financial information.

Accordingly, this premise is fundamental to the conduct of the engagement. To avoid misunderstanding, agreement is reached with the responsible party that it acknowledges and understands that it has such responsibilities as part of agreeing and recording the terms of the engagement as required by ASAE 3000.<sup>6</sup>

A12. If applicable law or regulation prescribes in sufficient detail the terms of the engagement, the assurance practitioner needs only record the fact that such law or regulation applies and that the responsible party acknowledges and understands its responsibilities as set out in paragraph 13(g).

**Changes in the Terms of the Assurance Engagement**

Aus A12.1 Examples of when requests from the responsible party to change the terms of the engagement may be received include where there has been a change in circumstances affecting the need for the service or a misunderstanding of the nature of the assurance services to be provided. The assurance practitioner considers the justification for the proposed change and any implications for the conduct and reporting of the engagement, as well as any evidence that was obtained prior to the assurance practitioner agreeing to the change. Changes requested by the responsible party that may be unacceptable to the assurance practitioner include: (Ref: Para. Aus 13.7)

- (a) a change that relates to historical financial information that is incorrect, incomplete or otherwise unsatisfactory;
- (b) limiting the time available for the assurance practitioner to perform the engagement;
- (c) preventing access to all relevant documents or persons requested; and/or

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\* See Section 716 of the *Corporations Act 2001*.

# See ASIC RG 107 *Electronic Prospectuses*.

<sup>6</sup> See ASAE 3000, paragraph 10.

- (d) not providing documents when requested, leading to time constraints that make the satisfactory completion of the engagement by the date required unachievable.

### **Planning and Performing the Engagement**

*Limited and Reasonable Assurance Engagements* (Ref: Para. Aus 13.8)

Aus A12.2 Because the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, the procedures the assurance practitioner will perform in a limited assurance engagement will vary in nature from, and are less in extent than for, a reasonable assurance engagement. Procedures performed in a reasonable assurance engagement are not incremental to those performed in a limited assurance engagement. Depending on the engagement circumstances, reasonable assurance procedures may include none, some, or all, of the limited assurance procedures specified, as well as other procedures, in order to obtain the higher level of reasonable assurance. The primary differences between the assurance practitioner's overall responses to address the assessed risks of material misstatement and further procedures for a reasonable assurance engagement and a limited assurance engagement on financial information are as follows:

- (a) *The emphasis placed on the nature of various procedures:* The emphasis placed on the nature of various procedures as a source of evidence will likely differ, depending on the engagement circumstances.
- (b) *The extent of further procedures:* The extent of further procedures performed in a limited assurance engagement is less than in a reasonable assurance engagement. This may involve:
  - ◆ reducing the number of items to be examined, for example, reducing sample sizes for tests of details; or
  - ◆ performing fewer procedures (for example, performing only analytical procedures in circumstances when, in a reasonable assurance engagement, both analytical procedures and tests of details would be performed).
- (c) *The nature of analytical procedures:* In a reasonable assurance engagement, analytical procedures performed in response to assessed risks of material misstatement involve developing expectations of quantities or ratios that are sufficiently precise to identify material misstatements. In a limited assurance engagement, on the other hand, analytical procedures are often designed to support expectations regarding the direction of trends, relationships and ratios rather than to identify misstatements with the level of precision expected in a reasonable assurance engagement.

Further, when significant fluctuations, relationships or differences are identified, appropriate evidence in a limited assurance engagement may often be obtained by making enquiries of the entity and considering responses received in the light of known engagement circumstances, without obtaining the additional evidence that would be required in the case of a reasonable assurance engagement.

In addition, when undertaking analytical procedures in a limited assurance engagement the assurance practitioner may, for example:

- ◆ Use data that is more highly aggregated.

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- ◆ Use data that has not been subjected to separate procedures to test its reliability to the same extent as it would be for a reasonable assurance engagement.

*Assessing the Suitability of the Applicable Criteria*

Directly Attributable Adjustments (Ref: Para. 14(b)(i), 22(a))

A13. It is necessary that the pro forma adjustments be directly attributable to the event(s) or transaction(s) to avoid the pro forma financial information reflecting matters that do not arise solely as a result of the event or that are not an integral part of the transaction. Directly attributable adjustments exclude those that relate to future events or are dependent on actions to be taken once the transaction(s) has been completed, even if such actions are key to the entity entering into the transaction (for example, closing of redundant production sites after an acquisition).

Aus A13.1 The assurance practitioner uses professional judgement in determining the extent of sufficient appropriate evidence required to support the pro forma adjustments being directly attributable to the event(s) or transaction(s), taking into consideration:

- the nature of the event(s) or transaction(s);
- the nature, type and materiality of the pro forma adjustments; and
- the type of assurance required.

Factually Supportable Adjustments (Ref: Para. 14(b)(ii), 22(b))

A14. It is also necessary that the pro forma adjustments be factually supportable in order to provide a reliable basis for the pro forma financial information. Factually supportable adjustments are capable of objective determination. Sources of factual support for the pro forma adjustments include, for example:

- Purchase and sale agreements.
- Financing documents for the event(s) or transaction(s), such as debt agreements.
- Independent valuation reports.
- Other documents relating to the event(s) or transaction(s).
- Published financial statements.
- Other financial information disclosed in the prospectus.
- Applicable legal or regulatory actions, such as in the area of taxation.
- Employment agreements.
- Actions of those charged with governance.

Adjustments Consistent with the Entity's Applicable Financial Reporting Framework and Its Accounting Policies under that Framework (Ref: Para. 11(b)(ii), 14(b)(iii), 22(c))

A15. For the pro forma financial information to be meaningful, it is necessary that the pro forma adjustments be consistent with the entity's applicable financial reporting framework and the accounting policies under that framework. In the context of a business combination, for example, compiling the pro forma financial information on the basis of the applicable criteria involves consideration of such matters as:

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- Whether differences exist between the acquiree's accounting policies and those of the entity; and
  - Whether accounting policies for transactions undertaken by the acquiree that the entity has not previously entered into, are policies that the entity would have adopted for such transactions under its applicable financial reporting framework, taking into account the entity's particular circumstances.
- A16. Consideration of the appropriateness of the entity's accounting policies may also be necessary in some circumstances. For example, as part of the event(s) or transaction(s), the entity may propose to issue complex financial instruments for the first time. If this is the case, it may be necessary to consider:
- Whether the responsible party has selected appropriate accounting policies to be used in accounting for such financial instruments under its applicable financial reporting framework; and
  - Whether it has appropriately applied such policies in compiling the pro forma financial information.

*Materiality* (Ref: Para. 16)

- A17. Materiality with regard to whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria, does not depend on a single quantitative measure. Instead, it depends on the size and nature of the omission or inappropriate application of an element of the compilation as described in paragraphs A18 and Aus A18.1, whether or not intentional. Professional judgement about these aspects of size and nature will, in turn, depend on such matters as:
- The context of the event(s) or transaction(s);
  - The purpose for which the pro forma financial information is being compiled; and
  - The related engagement circumstances.

The determining factor could be the size or the nature of the matter, or a combination of both.

- A18. The risk of the pro forma financial information not being considered compiled, in all material respects, on the basis of the applicable criteria may arise when there is evidence of, for example:
- Use of an inappropriate source from which to extract the unadjusted financial information.
  - Incorrect extraction of the unadjusted financial information from an appropriate source.
  - In relation to adjustments, the misapplication of accounting policies or the failure of the adjustments to be consistent with the entity's accounting policies.
  - Failure to make an adjustment required by the applicable criteria.
  - Making an adjustment that is not in accordance with the applicable criteria.
  - A mathematical or clerical mistake in the calculations within the pro forma financial information.
  - Inadequate, incorrect or omitted disclosures.

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Aus A18.1 Judgements about materiality are made in light of surrounding circumstances, and are affected by both quantitative and qualitative factors. It should be noted, however, that decisions regarding materiality are not affected by the level of assurance, that is, materiality for a reasonable assurance engagement is the same as for a limited assurance engagement.

*Obtaining an Understanding of How the Responsible Party Has Compiled the Pro Forma Financial Information and Other Engagement Circumstances* (Ref: Para. 17-Aus 17.1)

A19. The assurance practitioner may obtain this understanding through a combination of procedures such as:

- Enquiring of the responsible party and other entity personnel involved in compiling the pro forma financial information.
- Enquiring of other appropriate parties such as those charged with governance and the entity's advisors.
- Reading relevant supporting documentation such as contracts or agreements.
- Reading minutes of meetings of those charged with governance.

*How the Responsible Party Has Compiled the Pro Forma Financial Information* (Ref: Para. 17(b))

A20. The assurance practitioner may obtain an understanding of how the responsible party has compiled the pro forma financial information by considering, for example:

- The source from which the unadjusted financial information has been extracted.
- The steps taken by the responsible party to:
  - Extract the unadjusted financial information from the source.
  - Identify the appropriate pro forma adjustments, for example, how the responsible party has obtained acquiree financial information in compiling the pro forma financial information.
- The responsible party's competence in compiling pro forma financial information.
- The nature and extent of oversight by the responsible party of other entity personnel involved in compiling the pro forma financial information.
- The responsible party's approach to identifying appropriate disclosures to support the pro forma financial information.

A21. In a business combination or divestment, areas that may give rise to complexity in the compilation of the pro forma financial information include allocations of income, overheads, and assets and liabilities among or between the relevant businesses. Accordingly, it is important that the assurance practitioner understand the responsible party's approach and criteria for such allocations and that the explanatory notes accompanying the pro forma financial information disclose these matters.

*Nature of the Entity and Any Acquiree or Divestee* (Ref: Para. 17(c))

A22. An acquiree may be an incorporated entity or a separately identifiable unincorporated operation within another entity such as a division, branch or line of business. A divestee may be an incorporated entity such as a subsidiary or joint venture, or a separately identifiable unincorporated operation within the entity such as a division, branch or line of business.

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A23. The assurance practitioner may have all or part of the required understanding of the entity and any acquiree or divestee, and their respective environments, if the assurance practitioner has audited or reviewed their financial information.

Relevant Industry, Legal and Regulatory, and Other External Factors (Ref: Para. 17(d))

A24. Relevant industry factors include industry conditions such as the competitive environment, supplier and customer relationships, and technological developments. Examples of matters the assurance practitioner may consider include:

- The market and competition, including demand, capacity, and price competition.
- Common business practices within the industry.
- Cyclical or seasonal activity.
- Product technology relating to the entity's products.

A25. Relevant legal and regulatory factors include the legal and regulatory environment. This encompasses, among other matters, the applicable financial reporting framework in accordance with which the entity or, if applicable, the acquiree prepares its periodic financial information, and the legal and political environment. Examples of matters the assurance practitioner may consider include:

- Industry-specific accounting practices.
- Legal and regulatory framework for a regulated industry.
- Legislation and regulation that significantly affect the entity's or, if applicable, the acquiree's or divestee's operations, including direct supervisory activities.
- Taxation.
- Government policies currently affecting the conduct of the entity's or, if applicable, the acquiree's or divestee's business, such as monetary policies (including foreign exchange controls), fiscal policies, financial incentives (for example, government aid programs), and tariffs or trade restrictions policies.
- Environmental requirements affecting the entity's or acquiree's or divestee's industry and business.

A26. Examples of other external factors affecting the entity and, if applicable, the acquiree or divestee that the assurance practitioner may consider include the general economic conditions, interest rates and availability of financing, and inflation or currency revaluation.

*Obtaining Evidence about the Appropriateness of the Source from Which the Unadjusted Financial Information Has Been Extracted*

Relevant Factors to Consider (Ref: Para. 14(a), 18)

A27. Factors that affect the appropriateness of the source from which the unadjusted financial information has been extracted include whether there is an audit or review report on the source and whether the source:

- Is permitted or specifically prescribed by the applicable law or regulation, is permitted by the relevant securities exchange with which the prospectus is to be filed, or is used as such under normal market custom and practice.
- Is clearly identifiable.



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- Represents a reasonable starting point for compiling the pro forma financial information in the context of the event(s) or transaction(s), including whether it is consistent with the entity's accounting policies and is at an appropriate date or covers an appropriate period.

A28. An audit or review report on the source from which the unadjusted financial information has been extracted may have been issued by another assurance practitioner. In this situation, the need by the assurance practitioner reporting under this ASAE for an understanding of the entity and its accounting and financial reporting practices pursuant to the requirements of paragraphs 17(c) and (e), and to be satisfied that the source from which the unadjusted financial information has been extracted is appropriate, is not diminished.

Aus A28.1 The assurance practitioner's understanding of the entity and its accounting and financial reporting practices referred to in paragraph A28 may be obtained by:

- (a) Requesting a copy of the audit or review report accompanying the unadjusted financial information and, if obtained, reading it to understand if the report was modified or unmodified. If the report was modified, understanding the reasons for the modification;
- (b) Contacting the other assurance practitioner to request access to the audit working papers supporting the audit or review report and, if provided, reading the work papers to assess the appropriateness of the audit approach taken for the purposes of placing reliance on that audit or review report in assessing the appropriateness of the source of the unadjusted financial information;
- (c) Reading the unadjusted financial information to which the audit or review report relates to establish if its basis of preparation (that is, its accounting policies) and time frame covered are acceptable; and/or
- (d) Planning to perform further procedures as is considered necessary in the engagement circumstances.

Aus A28.2 If the assurance practitioner requests access to the audit working papers of another assurance practitioner and is unable to obtain such access, this constitutes a limitation of scope on the assurance practitioner being able to assess the appropriateness of the source of the unadjusted financial information. If the assurance practitioner is unable to perform alternative procedures to obtain sufficient appropriate evidence on its appropriateness, the assurance practitioner modifies the conclusion in the assurance report in accordance with ASAE 3000.\*

**No Audit or Review Report on the Source from Which the Unadjusted Financial Information Has Been Extracted (Ref: Para. 19)**

A29. When there is no audit or review report on the source from which the unadjusted financial information has been extracted, it is necessary for the assurance practitioner to perform procedures in relation to the appropriateness of that source. Factors that may affect the nature and extent of these procedures include, for example:

- Whether the assurance practitioner has previously audited or reviewed the entity's historical financial information, and the assurance practitioner's knowledge of the entity from such engagement.
- How recently the entity's historical financial information was audited or reviewed.

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\* See ASAE 3000, paragraphs 66 for further information.

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- Whether the entity's financial information is subject to periodic review by the assurance practitioner, for example, for purposes of meeting regulatory filing requirements.
  - Aus A29.1 Whether the assurance practitioner is able to access documentation describing, and supporting, the source of the unadjusted financial information.
  - Aus A29.2 The type of assurance to be provided.
- Aus A29.3 This ASAE does not require the assurance practitioner to perform an audit or review of the source from which the unadjusted financial information has been extracted as part of the engagement, if such an audit or review has not already been performed.
- A30. The entity's financial statements for the period immediately preceding that of the source from which the unadjusted financial information has been extracted are likely to have been audited or reviewed, even if the source from which the unadjusted financial information has been extracted itself is not. For example, the source from which the unadjusted financial information has been extracted may be interim financial statements that have not been audited or reviewed whereas the entity's financial statements for the immediately preceding financial year may have been audited. In such a case, procedures that the assurance practitioner may perform, having regard to the factors in paragraphs A29-Aus A29.3, in relation to the appropriateness of the source from which the unadjusted financial information has been extracted, may, depending on the type of assurance required, include:
- Enquiring of the responsible party about:
    - The process by which the source has been prepared and the reliability of the underlying accounting records to which the source is agreed or reconciled.
    - Whether all transactions for the time period have been recorded.
    - Whether the source has been prepared in accordance with the entity's accounting policies.
    - Whether there have been any changes in accounting policies from the most recent audited or reviewed period, and if so, how such changes have been dealt with.
    - Its assessment of the risk that the source may be materially misstated as a result of error or fraud.
    - The effect of changes in the entity's business activities and operations.
  - If the assurance practitioner has audited or reviewed the immediately preceding annual or interim financial information, considering the findings of such audit or review and whether these might indicate any issues with the preparation of the source from which the unadjusted financial information has been extracted.
  - Corroborating the information provided by the responsible party in response to the assurance practitioner's enquiries when the responses appear inconsistent with the assurance practitioner's understanding of the entity or the engagement circumstances.
  - Comparing the source with the corresponding prior period financial information and, as applicable, the immediately preceding annual or interim financial information, and discussing significant changes with the responsible party.
  - Aus A30.1 Agreeing or reconciling the source of the unadjusted financial information with underlying records.

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- Aus A30.2 Performing audit tests of certain material balances within the unadjusted financial information.

Historical financial information of the entity never audited or reviewed (Ref: Para. 13(e))

A31. Other than in the case of an entity formed for purposes of the transaction and which has never had any trading activity, applicable law or regulation may not permit an entity to issue a prospectus if its historical financial information has never been audited or reviewed.

*Obtaining Evidence about the Appropriateness of the Pro Forma Adjustments*

Identification of Appropriate Pro Forma Adjustments (Ref: Para. 21)

A32. Informed by the assurance practitioner's understanding of how the responsible party has compiled the pro forma financial information and other engagement circumstances, the assurance practitioner may obtain evidence regarding whether the responsible party has appropriately identified the necessary pro forma adjustments through a combination of procedures (depending on the type of assurance required), such as:

- Enquiring of relevant parties within an acquiree regarding the approach to extracting the acquiree financial information.
- Evaluating the reasonableness of the responsible party's approach to identifying and quantifying the appropriate pro forma adjustments, for example, the method used in identifying appropriate allocations of income, overheads, assets and liabilities among the relevant business.
- Evaluating specific aspects of the relevant contracts, agreements or other documents.
- Enquiring of the entity's advisors regarding specific aspects of the event or transaction and related contracts and agreements that are relevant to the identification of appropriate adjustment.
- Evaluating relevant analyses and worksheets prepared by the responsible party and other entity personnel involved in compiling the pro forma financial information.
- Obtaining evidence of the responsible party's oversight of other entity personnel involved in compiling the pro forma financial information.
- Performing analytical procedures.

Factual Support for Any Acquiree or Divestee Financial Information Included in the Pro Forma Adjustments (Ref: Para. 22(b))

Divestee financial information

A33. In the case of a divestment, the divestee's financial information will be derived from the source from which the unadjusted financial information has been extracted, which will often be audited or reviewed. The source from which the unadjusted financial information has been extracted will therefore provide the basis for the assurance practitioner to determine whether there is factual support for the divestee financial information. In such a case, matters to consider include, for example, whether income and expenses attributable to the divestee that are recorded at the consolidated level have been appropriately reflected in the pro forma adjustments.

A34. Where the source from which the unadjusted financial information has been extracted has not been audited or reviewed, the assurance practitioner may refer to the guidance in paragraphs A29-Aus A29.3 in determining whether the divestee financial information is factually supportable.

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Acquiree financial information

- A35. The source from which the acquiree financial information has been extracted may have been audited or reviewed. Where the source from which the acquiree financial information has been extracted has been audited or reviewed by the assurance practitioner, the acquiree financial information will, subject to any implications arising from the circumstances addressed in paragraph 23, be factually supportable.
- A36. The source from which the acquiree financial information has been extracted may have been audited or reviewed by another assurance practitioner. In this situation, the need by the assurance practitioner reporting under this ASAE for an understanding of the acquiree and its accounting and financial reporting practices pursuant to the requirements of paragraphs 17(c) and (e), and to be satisfied that the acquiree financial information is factually supportable, is not diminished.
- Aus A36.1 The assurance practitioner uses professional judgement to determine, based on the type of assurance, how to obtain such an understanding of the acquiree and its accounting and financial reporting practices such that the assurance practitioner can be satisfied that the acquiree's source from which the unadjusted financial information has been extracted is appropriate. See paragraphs A28-Aus A28.2 for procedures that may be helpful in obtaining such an understanding.
- A37. When the source from which the acquiree financial information has been extracted has not been audited or reviewed, it is necessary for the assurance practitioner to perform procedures in relation to the appropriateness of that source. Factors that may affect the nature and extent of these procedures include, for example:
- Whether the assurance practitioner has previously audited or reviewed the acquiree's historical financial information, and the assurance practitioner's knowledge of the acquiree from such engagement.
  - How recently the acquiree's historical financial information was audited or reviewed.
  - Whether the acquiree's financial information is subject to periodic review by the assurance practitioner, for example, for purposes of meeting applicable law or regulatory reporting requirements.
  - Aus A37.1 Whether the assurance practitioner is able to access documentation describing the source of the acquiree's unadjusted financial information.
  - Aus A37.2 The type of assurance to be provided.
- Aus A37.3 This ASAE does not require the assurance practitioner to perform an audit or review of the acquiree's unadjusted financial information as part of the engagement, if such an audit or review has not already been performed.
- A38. The acquiree's financial statements for the period immediately preceding that of the source from which the acquiree financial information has been extracted often will have been audited or reviewed, even if the source from which the acquiree financial information has been extracted itself is not. In such a case, procedures that the assurance practitioner may perform, having regard to the factors in paragraphs A37-Aus A37.3, in relation to whether the acquiree financial information is factually supportable include:
- Enquiring of the acquiree's management about:
    - The process by which the source from which the acquiree's financial information has been extracted has been prepared and the reliability of the underlying accounting records to which the source is agreed or reconciled.

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- Whether all transactions have been recorded.
- Whether the source from which the acquiree's financial information has been extracted has been prepared in accordance with the acquiree's accounting policies.
- Whether there have been any changes in accounting policies from the most recently audited or reviewed financial statements and, if so, how such changes have been dealt with.
- Its assessment of the risk that the source from which the acquiree's financial information has been extracted may be materially misstated as a result of error or fraud.
- The effect of changes in the acquiree's business activities and operations.
- If the assurance practitioner has audited or reviewed the immediately preceding annual or interim financial information, considering the findings of such audit or review and whether these might indicate any issues with the preparation of the source from which the acquiree financial information has been extracted.
- Corroborating the information provided by the acquiree's management in response to the assurance practitioner's enquiries when the responses appear inconsistent with the assurance practitioner's understanding of the acquiree or the engagement circumstances.
- Comparing the source from which the acquiree's financial information has been extracted with the corresponding prior period financial information and, as applicable, the immediately preceding annual or interim financial information, and discussing significant changes with the acquiree's management.

*Modified Audit Opinion or Review Conclusion, or Emphasis of Matter Paragraph, with Respect to the Source from Which the Unadjusted Financial Information Has Been Extracted or the Source from Which the Acquiree or Divestee Financial Information Has Been Extracted*

Potential Consequence (Ref: Para. 23(a))

A39. Not all modified audit opinions, review conclusions or Emphasis of Matter paragraphs with respect to either the source from which the unadjusted financial information has been extracted or the source from which the acquiree or divestee financial information has been extracted may necessarily affect whether the pro forma financial information can be compiled, in all material respects, on the basis of the applicable criteria. For example, a qualified audit opinion may have been expressed on the entity's financial statements because of the non-disclosure of remuneration for those charged with governance as required by the applicable financial reporting framework. If this is the case and these financial statements are used as the source from which the unadjusted financial information has been extracted, such qualification may have no consequence on whether pro forma net asset and income statements can be compiled, in all material respects, on the basis of the applicable criteria.

Further Appropriate Action (Ref: Para. 23(b), 24)

- A40. Further appropriate action that the assurance practitioner may take includes, for example:
- In relation to the requirement in paragraph 23(b):
    - Discussing the matter with the responsible party.
    - Where possible under applicable law or regulation, making a reference in the assurance practitioner's report to the modified audit opinion, review

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conclusion, or the Emphasis of Matter paragraph, if, in the assurance practitioner's professional judgement, the matter is of sufficient relevance and importance to users' understanding of the pro forma financial information.

- In relation to the requirement in paragraph 24, where possible under applicable law or regulation, modifying the assurance practitioner's conclusion.
- Seeking legal advice.
- Where possible under applicable law or regulation, withholding the assurance report or withdrawing from the engagement.

*Evaluating the Presentation of the Pro Forma Financial Information*

Avoiding Association with Misleading Financial Information (Ref: Para. 26(b))

A41. [Deleted by the AUASB. Refer Aus A41.1<sup>7</sup>]

Aus A41.1 Applicable law or regulation ordinarily requires that the assurance practitioner not knowingly be associated with reports, returns, communications or other information that the assurance practitioner believes contain misleading or deceptive statements.\* Additionally relevant ethical requirements<sup>#</sup> also contain requirements for the assurance practitioner to comply with.

Disclosures Accompanying the Pro Forma Financial Information (Ref: Para. 14(c), 26(c))

A42. Appropriate disclosures may include matters such as:

- The nature and purpose of the pro forma financial information, including the nature of the event(s) or transaction(s), and the date at which such event is assumed to have occurred or transaction been undertaken;
- The source from which the unadjusted financial information has been extracted, and whether or not an audit or review report on such a source has been published;
- The pro forma adjustments, including a description and explanation of each adjustment. This includes, in the case of acquiree or divestee financial information, the source from which such information has been extracted and whether or not an audit or review report on such a source has been published;
- If not publicly available, a description of the applicable criteria on the basis of which the pro forma financial information has been compiled; and
- A statement to the effect that the pro forma financial information has been compiled for illustrative purposes only and that, because of its nature, it does not represent the entity's actual financial position, financial performance, or cash flows.

Applicable law or regulation may require these or other specific disclosures.

Consideration of Significant Subsequent Events (Ref: Para. Aus 26.1)

A43. [Deleted by the AUASB. Refer Aus A43.1]

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<sup>7</sup> [Footnote deleted by the AUASB. Refer Aus A41.1<sup>#</sup>]  
<sup>\*</sup> See the *Corporations Act 2001* for further information.  
<sup>#</sup> See ASA 102.

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Aus A43.1 As the assurance practitioner is not reporting on the source from which the unadjusted financial information has been extracted, there is no requirement for the assurance practitioner to perform procedures to identify events related to the unadjusted financial information after the date of the source that require adjustment of, or disclosure in, such a source. Nevertheless, it is necessary for the assurance practitioner to consider whether any significant events relating to the unadjusted financial information subsequent to the date of the source from which the unadjusted financial information has been extracted have come to the assurance practitioner's attention that may require reference to, or disclosure in, the explanatory notes to the pro forma financial information to avoid the latter being misleading. Such consideration is based on performing the procedures under this ASAE or the assurance practitioner's knowledge of the entity and the engagement circumstances.

Material Inconsistency with Other Information (Ref: Para. 27)

A44. Further appropriate action that the assurance practitioner may take if the responsible party refuses to revise the pro forma financial information or the other information as appropriate includes, for example:

- Where possible under applicable law or regulation:
  - Describing the material inconsistency in the assurance practitioner's report.
  - Modifying the assurance practitioner's conclusion.
  - Withholding the assurance report or withdrawing from the engagement.
- Seeking legal advice.

**Written Representations** (Ref: Para. 28(a))

A45. In some circumstances, the types of transactions involved may require the responsible party to select accounting policies for the pro forma adjustments that the entity has not previously had to articulate because it had no relevant transactions. In such a case, the assurance practitioner may request the responsible party to expand the written representations to include confirmation that the selected accounting policies constitute the entity's adopted policies for such types of transactions.

### **Forming the Conclusion**

*Assurance on Further Matters Required by Applicable Law or Regulation* (Ref: Para. Aus 29.1)

A46. Applicable law or regulation may require the assurance practitioner to express a conclusion on matters other than whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria. In some of these circumstances, it may not be necessary for the assurance practitioner to perform additional procedures. For example applicable law or regulation may require the assurance practitioner to express an opinion about whether the basis on which the responsible party has compiled the pro forma financial information is consistent with the entity's accounting policies. Compliance with the requirements in paragraphs 18 and 22(c) of this ASAE provides a basis for expressing such an opinion.

A47. In other circumstances, the assurance practitioner may need to perform additional procedures. The nature and extent of such additional procedures will vary with the nature of the other matters on which the applicable law or regulation requires the assurance practitioner to express a conclusion.

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Statement of the Assurance Practitioner's Responsibility for the Report

- A48. Applicable law or regulation may require the assurance practitioner to include in the assurance practitioner's report an explicit statement asserting or confirming the assurance practitioner's responsibility for the report. The inclusion of such an additional legal or regulatory statement in the assurance practitioner's report is not incompatible with the requirements of this ASAE.

*Disclosure of the Applicable Criteria* (Ref: Para. 30)

- A49. The responsible party need not repeat in the explanatory notes accompanying the pro forma financial information any criteria that are prescribed by the applicable law or regulation, or promulgated by an authorised or recognised standard-setting organisation. Such criteria will be publicly available as part of the reporting regime and are therefore implicit in the responsible party's compilation of the pro forma financial information.
- A50. Where the responsible party has developed any specific criteria, it is necessary that those criteria be disclosed so that users may obtain a proper understanding of how the pro forma financial information has been compiled by the responsible party.

**Preparing the Assurance Report**

*Title* (Ref: Para. 35(a))

- A51. A title indicating that the report is the report of an independent assurance practitioner, for example, "Independent Assurance Practitioner's Assurance Report on the Compilation of Pro Forma Financial Information Included [in a Prospectus or other Document]," affirms that the assurance practitioner has met all of the relevant ethical requirements regarding independence as required by ASAE 3000.<sup>8</sup> This distinguishes the report of the independent assurance practitioner from reports issued by others.

*Addressee(s)* (Ref: Para. 35(b))

- A52. The relevant law or regulation may specify the addressee(s) of the report. Alternatively, the assurance practitioner may agree with the entity who the addressee(s) will be, as part of the terms of the engagement.

*Introductory Paragraphs* (Ref: Para. 35(c))

- A53. As the pro forma financial information will be included in a prospectus that contains other information, the assurance practitioner may consider, if the form of presentation allows, including a reference that identifies the section where the pro forma financial information is presented. This helps readers identify the pro forma financial information to which the assurance practitioner's report relates.

*Conclusion* (Ref: Para. 13(c), 35(h))

- A54. Whether the phrase "pro forma financial information has been compiled, in all material respects, on the basis of the [*applicable criteria*]," or the phrase "pro forma financial information has been properly compiled on the basis stated" is used to express the reasonable assurance conclusion is determined by applicable law or regulation or by generally accepted practice.
- Aus A54.1 In a limited assurance engagement, whether the phrase "nothing has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the pro forma financial information has not been compiled, in all material respects, on the basis of the [*applicable criteria*]," or the phrase "nothing has come to the

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<sup>8</sup> See ASAE 3000, paragraph 20.



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assurance practitioner's attention that causes the assurance practitioner to believe that the pro forma financial information has not been properly compiled on the basis stated" is used to express the limited assurance conclusion is determined by applicable law or regulation or by generally accepted practice.

- A55. Applicable law or regulation may prescribe the wording of the assurance practitioner's conclusion in terms other than those specified above. Where this is the case, it may be necessary for the assurance practitioner to exercise professional judgement to determine whether performing the procedures set out in this ASAE would enable the assurance practitioner to express the conclusion in the wording prescribed by that applicable law or regulation, or whether further procedures would be necessary.
- A56. When the assurance practitioner concludes that performing the procedures set out in this ASAE would be sufficient to enable the assurance practitioner to express the conclusion in the wording prescribed by applicable law or regulation, it may be appropriate to regard that wording as being equivalent to the two alternative wordings of the conclusion specified in this ASAE.

*Illustrative Reports* (Ref: Para. 35)

- A57. An assurance practitioner's report in a reasonable assurance engagement with an unmodified conclusion is set out in Appendix 1.
- Aus A57.1 An assurance practitioner's report in a limited assurance engagement with an unmodified conclusion is set out in Appendix 2.

**Appendix 1**

(Ref: Para.A57)

**ILLUSTRATIVE ASSURANCE PRACTITIONER'S REPORT IN A  
REASONABLE ASSURANCE ENGAGEMENT WITH AN UNMODIFIED  
CONCLUSION**

[Date]\*

[Addressee]

[Name of Entity]

[Address]

**Independent Reasonable Assurance Report on ABC Company's Compilation of Pro Forma Historical Financial Information Included in a Prospectus**

Dear [Addressee]#

We have completed our reasonable assurance engagement to report on ABC Company's compilation of pro forma financial information by [the responsible party]. The pro forma financial information consists of [the pro forma net asset statement as at [date]], [the pro forma Statement of Financial Performance for the period ended [date]], [the pro forma cash flow statement for the period ended [date]], and related notes [as set out on pages X-X of the prospectus issued by the company]. The applicable criteria is the basis of which [the responsible party] has compiled the pro forma financial information and are [specified in [insert details] and described in [Note X]/[described in [Note X]].

Expressions and terms defined in the prospectus have the same meaning in this report.

[Insert any background information relating to ABC Company and/or the proposed fundraising deemed relevant; if any.]

The pro forma financial information has been compiled by [the responsible party] to illustrate the impact of the [event(s) or transaction(s)] [described in Note X] on the [company's financial position as at insert date] [and] [the company's/its financial performance [and cash flows] for the period ended specify date] as if the [event(s) or transaction(s)] had taken place at [specify date] [and specify date respectively]. As part of this process, information about the company's [financial position], [financial performance] [and cash flows] has been extracted by [the responsible party] from the company's financial statements [for the period ended [date]], on which [[an audit]/[a review] report]/[no audit or review report] has been published.<sup>9</sup>

**[The Responsible Party's] Responsibility for the Pro Forma Financial Information**

[The responsible party] of ABC Company are responsible for properly compiling the pro forma financial information on the basis of the applicable criteria.

**Our Responsibilities**

*Our Independence and Quality Control*

We have complied with relevant ethical requirements related to assurance engagements which are founded on fundamental principles of integrity, objectivity, professional competence and due care,

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\* The date of both the hard copy and electronic version of the report should be the same. See ASIC's RG 107 *Electronic Prospectuses*.

# For example, the directors or other title as appropriate in the circumstances of the assurance engagement.

<sup>9</sup> Where the audit or review report has been modified, reference may be made to where the modification has been described in the prospectus.

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confidentiality and professional behaviour\*. The firm applies Australian Standard on Quality Control 1\* and accordingly maintains a comprehensive system of quality control included documented policies and procedures regarding compliance with relevant ethical requirements and applicable legal and regulatory requirements.

Our responsibility is to express an opinion about whether the pro forma financial information has been properly compiled, in all material respects, by [the responsible party] of ABC Company on the basis of the applicable criteria, as described in section [X] of the prospectus.

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3420, *Assurance Engagements To Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document* (ASAE 3420), issued by the Auditing and Assurance Standards Board.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the historical financial information used in compiling the pro forma financial information, or of the pro forma financial information itself.

The purpose of the pro forma financial information being included in a prospectus is solely to illustrate the impact of a significant event(s) or transaction(s) on unadjusted financial information of the company as if the event(s) had occurred or the transaction(s) had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event(s) or transaction(s) at [insert date] would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by [the responsible party] in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event(s) or transaction(s), and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the assurance practitioner's professional judgement, having regard to the assurance practitioner's understanding of the nature of the company, the event(s) or transaction(s) in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, [the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria as described in section [X] of the prospectus]/[the pro forma financial information has been properly compiled on the basis stated].

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\* See ASA 102 *Compliance with Relevant Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.  
\* See ASQC 1.

**Standard on Assurance Engagements ASAE 3420**  
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**Consent**

[Firm name] has consented to the inclusion of this report in the prospectus in the form and context in which it is included.

**Liability**

[Liability wording to be inserted for individual Firm practice.]

**Declaration of Independence [or Disclosure of Interest Statement]**

[Firm Name] does not have any interest in the outcome of this [transaction] other than in [state interest] for which normal professional fees will be received.

Yours faithfully

[Assurance practitioner's signature]

[Date of the assurance practitioner's report]

[Assurance practitioner's address]

Draft

**[Aus] Appendix 2**

(Ref: Para. Aus A57.1)

**ILLUSTRATIVE ASSURANCE PRACTITIONER'S REPORT IN A LIMITED ASSURANCE ENGAGEMENT WITH AN UNMODIFIED CONCLUSION**

[Date]<sup>\*</sup>

[Addressee]

[Name of Entity]

[Address]

**Independent Limited Assurance Report on ABC Company's Compilation of Pro Forma Historical Financial Information for a Document**

Dear [Addressee]<sup>#</sup>

We have completed our limited assurance engagement to report on ABC Company's compilation of pro forma financial information. The pro forma financial information consists of [the pro forma net asset statement as at [date]], [the pro forma Statement of Financial Performance for the period ended [date]], [the pro forma cash flow statement for the period ended [date],] and related notes as set out on pages X-X of the [insert details] issued by the company (collectively "the pro forma financial information"). The applicable criteria on which the [responsible party] have compiled the pro forma financial information are specified in [insert details] and described in [note X]/described in Note X] for inclusion in [insert details], dated on or about [insert date], and relating to the issue of [X shares/units] in ABC Company.

Expressions and terms defined in the [insert title] have the same meaning in this report.

[Insert any background information relating to ABC Company and/or the proposed fundraising deemed relevant, if any.]

The pro forma financial information has been compiled by the [responsible party] to illustrate the impact of the [event(s) or transaction(s)] [described in Note X] on the [company's financial position as at [insert date] [and] [the company's/its financial performance [and cash flows] for the period ended [insert date],] as if the [event(s) or transaction(s)] had taken place at [insert details] [and insert date respectively]. As part of this process, information about the company's [financial position], [financial performance] [and cash flows] has been extracted by the [responsible party] from the company's financial statements [for the period ended [date]], on which [[an audit]/[a review] report]/[no audit or review report] has been published.<sup>†</sup>

**[The Responsible Party's] Responsibilities for the Pro Forma Financial Information**

The [responsible party] of ABC Company are responsible for properly compiling the pro forma financial information on the basis of the applicable criteria.

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<sup>\*</sup> The date of both the hard copy and electronic version of the report should be the same. See ASIC's RG 107 *Electronic Prospectuses*.  
<sup>#</sup> For example, the directors or other title as appropriate in the circumstances of the assurance engagement.

<sup>†</sup> Where the audit or review report has been modified, reference may be made to where the modification has been described in the prospectus.

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**Our Responsibilities**

*Our Independence and Quality Control*

We have complied with relevant ethical requirements related to assurance engagements which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Australian Standard on Quality Control 1<sup>#</sup> and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with relevant ethical requirements and applicable legal and regulatory requirements.

Our responsibility is to express a conclusion on whether anything has come to our attention that the pro forma financial information has not been properly compiled, in all material respects, by the [responsible party] on the basis of the applicable criteria, as described in section [X] of the [insert details.]

We have conducted our limited assurance engagement in accordance with the Standard on Assurance Engagements ASAE 3420 *Assurance Engagements To Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document* (ASAE 3420), issued by the Auditing and Assurance Standards Board (AUASB).

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information, or of the pro forma financial information itself.

The purpose of the compilation of the pro forma financial information being included in a [insert details] is solely to illustrate the impact of a significant event(s) or transaction(s) on unadjusted financial information of the company as if the event(s) had occurred or the transaction(s) had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event(s) or transaction(s) at [insert date] would have been as presented.

A limited assurance engagement to report on whether anything comes to our attention that the pro forma financial information has not been properly compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by [the responsible party] in the compilation of the pro forma financial information does not provide a reasonable basis for presenting the significant effects directly attributable to the event(s) or transaction(s), and that the:

- related pro forma adjustments do not give appropriate effect to those criteria; and
- resultant pro forma financial information does not reflect the proper application of those adjustments to the unadjusted financial information.

The procedures we performed were based on our professional judgement and included making enquiries, primarily of persons responsible for financial and accounting matters, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of supporting documentation and agreeing or reconciling with underlying records, and other procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a

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\* See ASA 102 *Compliance with Relevant Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

# See ASQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Assurance Engagements and Related Services Engagements*.

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reasonable assurance opinion about whether the compilation of the pro forma financial information has been prepared, in all material respects, in accordance with the applicable criteria.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

**Limited Assurance Conclusion**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the pro forma financial information is not compiled, in all material respects, by the [responsible party] of ABC Company on the basis of the applicable criteria as described in section [X] of the [insert details.]

**Consent**

[Firm name] has consented to the inclusion of this report in the [insert details] in the form and context in which it is included.

**Liability**

[Liability wording to be inserted for individual Firm practice.]

**Declaration of Interest [or Disclosure of Interest Statement]**

[Firm Name] does not have any interest in the outcome of this [transaction] other than in [state interest] for which normal professional fees will be received.

Yours faithfully

[Assurance practitioner's signature]

[Date of the assurance practitioner's report]

[Assurance practitioner's address]