

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

PROJECT PROPOSAL

Assurance Reports on Prospectus Information

1. Subject

- (a) The Working Group¹ proposes that IAASB develop a new International Standard on Assurance Engagements (ISAE) on pro forma financial information required in connection with a securities offering.
- (b) The Working Group believes that this project will resolve a number of issues that are common² to pro forma financial information and prospective financial information. The Working Group therefore suggests that, immediately following the development of the proposed new ISAE on pro forma financial information and subject to the finalisation of the IAASB's Proposed Strategy for 2009-2011, IAASB consider revising ISAE 3400, "The Examination of Prospective Financial Information," taking into account the resolution of these common issues.

2. Background, Project Rationale, and Objective

(a) Background

Nature of Prospectuses

The admission of an entity's securities to trading on any of the major stock exchanges around the world or an offer of securities generally requires the issue of an investment circular – often termed a prospectus (and in this paper referred to as a prospectus) – approved by a relevant securities regulator. The prospectus content is normally determined by statutory or regulatory requirement but ordinarily contains details of the offering entity and the securities being offered.³

Professional Accountants'⁴ Involvement with Prospectuses

Specific requirements on professional accountants in relation to their involvement in, and responsibility for, prospectuses are often imposed through statute or regulation to provide some form of public assurance over financial information contained within the prospectus. Such financial information ordinarily includes:

¹ At the IAASB meeting in February 2007, it was agreed that a working group of the major accounting firms would submit a project proposal on developing material in relation to assurance reports on prospectus information.

² For example, the meaning of "compiled," level of assurance that can be given, nature of assurance procedures, and reporting considerations.

³ A prospectus will usually contain such information as the entity's structure; the nature of its business, products or services, and its industry; its management; its financial record, performance and financial condition; details of future plans and use of the proceeds of the offering; and risk factors that should be considered before investment decisions are made in relation to the offered securities.

⁴ In this paper, the term "professional accountant" is used to encompass both the statutory auditor and an independent accountant (sometimes referred to as a "reporting accountant") preparing a report in connection with a securities offering.

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

- Historical financial information
- Interim financial information
- Pro forma financial information
- Prospective financial information⁵

Private reporting in connection with securities offerings is often requested by regulatory bodies, underwriters and others, who will often ask that the professional accountant perform specific procedures, report on findings and provide representations. Different practices have developed in different jurisdictions and the nature of the procedures requested is usually driven by local law, regulatory requirements and market practice.

Existing IAASB Standards

The existence of the ISA framework for auditing historical information and ISRE 2410 for reviews of interim financial information has meant that there are common standards which can be applied when audit reports and reviews are required. Issues for professional accountants in connection with reports appearing in a prospectus therefore tend to focus around the reporting on pro forma financial information and prospective financial information.

IAASB has two standards dealing with assurance engagements other than audits and reviews of historical financial information, namely ISAE 3000⁶ and ISAE 3400.

ISAE 3000 sets out general principles that professional accountants should apply where no specific ISAE is available. It is therefore relevant to the issue of professional accountants' opinions in prospectuses, as financial information other than financial statements (e.g., pro forma financial information and prospective financial information) may be required.

ISAE 3000 makes a distinction between two types of assurance engagement – a reasonable assurance engagement and a limited assurance engagement:

- In a *reasonable assurance* engagement the professional accountant seeks to reduce engagement risk to an acceptably low level as the basis for a positive form of expression of the professional accountant's conclusion (e.g., "In our opinion the pro forma financial information is properly compiled on the basis stated and the basis is consistent with the accounting policies of the issuer").
- In a *limited assurance* engagement, the professional accountant seeks to reduce engagement risk to an acceptable level, but where that risk is greater than for a reasonable assurance engagement. Reporting for a limited assurance engagement is in the form of negative assurance (e.g., "Based on our work nothing has come to our attention to cause us to believe that the pro forma financial information is not properly compiled on the

⁵ Prospective financial information comprises primary financial statements and elements, extracts and summaries of such statements and financial disclosures drawn up to a date, or for a period, in the future.

⁶ ISAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information."

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

basis stated or that the accounting policies used in the basis are not consistent with those of the issuer”).

ISAE 3000 establishes basic principles and essential procedures for the performance of assurance engagements other than audits or reviews of historical financial information, and is an appropriate framework for developing standards for specific types of assurance engagements that a professional accountant is commonly asked to perform. Currently, no international standard exists to address engagements to report on pro forma financial information. Given the frequency with which reports on pro forma financial information are required in prospectuses, a specific standard addressing such engagements is considered highly desirable.

ISAE 3400 deals with the examination of prospective financial information. It is not widely used in practice by professional accountants – mainly because it does not provide for the opinion that many regulators require and the level of assurance required on the underlying assumptions is viewed by some as being too high. Of all the European regulators, only Italy currently requires the use of ISAE 3400 for reporting on prospective financial information.

No international standard currently exists to address private reports, such as comfort letters.

(b) Public Interest Rationale for IAASB’s Undertaking the Project, and Issue Identification

Efficient international capital raising requires information that is understandable across borders, together with assurance designed to enhance users’ confidence in that information, wherever the users are based. Capital markets around the world are becoming more integrated and issuers are increasingly looking to raise capital, and investors are looking to invest capital, on an international rather than local basis. In the European Economic Area (EEA), the Prospectus Directive⁷ gives rise to a clear need for common assurance standards throughout the EEA. Representatives from countries outside the EEA have also indicated to the IAASB that there is a need for relevant assurance standards. Consequently this has led to a desire for the harmonisation around the world of the public and private reports provided by professional accountants in connection with prospectuses – particularly to ensure consistency in the type of procedures (i.e., reasonable assurance, limited assurance or agreed-upon procedures) the professional accountant should perform to support his/her report, and the form and content of the report.

(i) *Investors’ Expectation Gap*

With the increasingly integrated nature of global capital markets, there is a desire and an expectation amongst investors for harmonisation of the form and level of assurance given by professional accountants and consistency in the work done in support of that assurance. Investors might expect professional accountants to have undertaken their work

⁷ With the introduction of the Prospectus Directive (the “Directive”) and Prospectus Regulation (the “Regulation”) a European regime for prospectuses became effective on 1 July 2005. The Directive and Regulation were part of the ‘implementing the framework for financial markets: Action Plan’ published by the European Commission in 1999. The action plan identified a series of legislative actions needed in order to deliver components of a single European Capital Market.

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

in accordance with established standards consistent with a “reasonable assurance” opinion – in the absence of specific, relevant standards the actual work performed may fall short of expectations.

(ii) Need for Consistency in Reporting

The cross-border nature of transactions has created a desire for a common standard of reports that can be consistently applied in each jurisdiction. The existence of common reporting standards may help market practice converge by establishing new benchmarks for reporting by professional accountants in relation to securities offerings. In addition, common standards would help eliminate the confusion and lack of clarity that currently exist because professional accountants in different countries issue different reports.

Where public reporting by professional accountants is required, the decision as to what is acceptable in terms of accountants’ reports normally rests with the individual regulator involved in approving the prospectus. Whilst some regulators will specify the opinion paragraph, others will not. This leads to the desirability for an international standard that sets the level of assurance that can be provided, the form of reporting and the assurance procedures required for the given level of assurance.

In the EEA (see Appendix A), issuers can now ‘passport’ a prospectus (i.e., a prospectus approved by an appropriate regulator in the issuer’s own member state can be used to offer securities into any other EEA member state without the need for any additional approval). This has led to an increase in the number of multi-jurisdictional offerings in the EEA and brought into focus differences in reporting practices in the EEA. Investors might expect the work required in order to express an opinion on information required in an EEA prospectus in one jurisdiction to be the same as that in another.

(iii) Need for Consistency in the Extent of Professional Accountants’ Assurance Procedures

Internationally, a range of requirements are imposed on professional accountants in relation to prospectuses, based on the requirements of national legislation and stock exchange requirements. What the professional accountant does, or does not do, is therefore determined by a combination of regulatory requirements, market practice and liability issues.

Whilst the wording of reports around the world may vary, there are common issues associated with professional accountants’ involvement in prospectuses that could be addressed through the development of international standards – for example, what is the professional accountant’s responsibility for financial information underlying pro forma financial information and related pro forma adjustments? The need for harmonisation and consistency of work effort and reporting is therefore an international issue.

Further, other participants involved in the capital markets – sponsoring banks, lead managers and underwriters – all have an interest in consistent procedures being undertaken by professional accountants for a given level of assurance provided, particularly given the increasingly cross-border nature of securities offerings.

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

In the EEA, whilst the contents of a prospectus are now harmonised, the implementation of the Prospectus Regulation has been interpreted differently among member states, based on different cultural and historical practices. This has created differences in the work that professional accountants perform when associated with a prospectus, both publicly and privately. For example, the Prospectus Regulation, whilst specifying the language in the opinion paragraph of the professional accountant's report on pro forma information, does not elaborate on what the opinion actually means or the type of assurance required, nor on the expected assurance procedures to be undertaken. Consider an opinion that pro forma financial information is properly compiled and the basis of accounting is consistent – at one end of the spectrum this could simply mean that it adds up, at the other, something more akin to an audit opinion.

The Committee of European Securities Regulators (CESR) has produced limited guidance material on the preparation of pro forma financial information (and prospective financial information) but not on what the reports actually mean (that is, whether the professional accountant is required to report (i) on the process to compile the pro forma financial information or (ii) on the reported pro forma results).

The existence of high quality standards that are internationally accepted would provide investors and regulators with greater assurance that the professional accountants work has been performed to an appropriate standard and also clarify the nature of the assurance being given.

(c) Objective to be Achieved

The objective of the project is to develop a standard that sets out requirements for, and provides application guidance on, a professional accountant's responsibilities with respect to the assurance procedures and reporting considerations required in respect of assurance engagements on pro forma financial information.

3. Outline of the Project

(a) Project Scope

The scope of this project is limited to the development of requirements for, and application guidance on, professional accountants' responsibilities with respect to assurance engagements on pro forma financial information included in prospectuses, including the type of assurance engagement, the procedures required to support the conclusion expressed, and the form and content of the assurance report. The project will give recognition to, but not attempt to address, differences in legal or regulatory requirements.

Once the proposed project has been completed, it will be possible to look to address the other matters referred to in this paper – the revision of ISAE 3400, and whether any further work is needed on the professional accountant's involvement with historical and interim financial

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

information. It will also be possible to explore whether there is a need for common standards on private reports.⁸

There may also be need for coordination with project work, if any, that may be undertaken by the IAASB to revise ISA 720 (Redrafted),⁹ should the scope of that revision include considerations in connection with securities offerings.

In addition, the work on pro forma financial information, and in due course the revision of the ISAE 3400, is likely to identify clarifications and amendments that are needed in ISAE 3000.

In the longer term, the IAASB may find it appropriate to develop an overarching framework of public and private reporting principles in connection with prospectuses, and revising ISAE 3000. Common issues and principles identified as a result of the work to develop the proposed ISAE with which the professional accountant is expected to comply could form the basis of such a framework.

(b) Major Problems and Key Issues that Will be Addressed

The issues that will need to be dealt with in a new ISAE on pro forma financial information include:

ENGAGEMENT TERMS

The ISAE will provide guidance on matters such as:

- Engagement acceptance, including the identification of appropriate criteria against which to report, how to evaluate whether such criteria are suitable, and the professional accountant's responsibility for assessing appropriateness and reliability of the subject matter and the unadjusted information.
- Definitional considerations, such as what is intended to comprise pro forma financial information, the meaning of "properly compiled", etc. It may be necessary for reporting standards to define terminology and specify the level of assurance that can be provided where a "properly compiled" opinion is required.

TERMS OF REPORTING

The project will set out the minimum requirements with which the preparer must comply in order for the professional accountant to report.

INDEPENDENCE

⁸ In connection with securities offerings, regulatory bodies, underwriters and others will often request that the professional accountant perform specific procedures and report findings. Different practices have developed in different jurisdictions and the nature of the procedures requested is usually driven by local law, market and regulatory practice. These reporting engagements are normally contractual arrangements agreed between the parties involved.

⁹ ISA 720 (Redrafted), "The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements."

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

The project will refer to the need to follow relevant ethical requirements, especially in relation to independence and objectivity issues.

LEVEL OF ASSURANCE

The project will consider whether both “reasonable assurance” and “limited assurance” engagements should be covered by the ISAE.

ASSURANCE PROCEDURES

Developing the ISAE will include consideration of appropriate requirements and guidance addressing matters such as:

- Nature of evidence.
- Materiality.
- Nature, timing, and extent of procedures.
- Procedures appropriate to different levels of assurance.
- Using the work of an expert.
- Responsibilities with respect to subsequent events.
- The need for management representations and nature of such representations.
- Documentation.

ENGAGEMENT RISK

The ISAE will consider issues surrounding the risk that the professional accountant expresses an inappropriate opinion.

FORM AND CONTENT OF THE ASSURANCE REPORT

The ISAE should bring a degree of consistency to the form and content of assurance reports on pro forma financial information. Consistency of reporting¹⁰ (in addition to consistency of assurance procedures) is particularly important to reduce the likelihood of jurisdictional differences to the extent possible. Issues to be addressed also include the form and content of modification¹¹ to the assurance report. Illustrative reports should be provided.

OTHER ISSUES

Consent

In some jurisdictions, the professional accountant is required or expected to consent to the use of his/her report. In many jurisdictions, consent on *new opinions* issued for the purpose of the prospectus (e.g., in connection with pro forma financial information) is required.

¹⁰ In particular, the project will consider whether, in relation to pro forma financial information, it is acceptable to take historical financial information that has been audited by another auditor (and flag in the report that such information has been audited by another auditor), or whether specific assurance procedures should be performed on the information, and the nature of such procedures.

¹¹ In some jurisdictions, modifications are not accepted. The project will consider whether this matter could be covered during engagement acceptance if a modification is expected.

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

Practices relating to consent on *previously published* audit reports vary between jurisdictions, depending on local national laws and practices. Where consent is required, there are no common standards in relation to the question of what work, if any, the professional accountant should perform before giving that consent. Accordingly, the project will consider whether requirements and guidance are necessary regarding the issue of consent letters.

(c) Cost-Benefit Considerations

There is a possibility of increased costs in terms of work effort, particularly where there are no national standards or regulation; there is also the possibility of costs in reconciling requirements with national regulations if they differ. Benefits include those referred to above in terms of the public interest and increased market confidence, and may also include cost savings as professional accountants will have a standard benchmark to consider when discussing engagement terms with clients or otherwise; and more global savings in terms of convergence/monitoring if there is consistency in standards globally.

4. Implications for any Specific Persons or Groups

The project has particular implications for the following:

- (a) IFAC Member Bodies, national standards setters, and regional groups (e.g., FEE) who have requested the IAASB to undertake a project on the professional accountant's involvement in prospectuses;
- (b) IFAC Transnational Auditor's Committee, in terms of informing it of developments on the project;
- (c) International organisations (such as IOSCO); and
- (d) European regulatory bodies such as CESR (which has a role in facilitating consistent implementation of the EU Regulation amongst securities regulators in the EU), as their support for the use of any new assurance standards is necessary if these are to have international acceptability.

5. Development Process, Project Timetable and Project Output

(a) Development Process

Because of the nature of the subject, the project task force will consider specifically whether a consultation paper would be appropriate to obtain necessary input before issue of the draft ISAE.

(b) Project Timetable

The following project timetable is proposed (subject to the availability of the IAASB's time in light of the priority to be given to the Clarity project, and depending on whether the project task force and IAASB determine a need to issue a consultation paper before exposure):

New ISAE 3xxx – Pro Forma Financial Information

- Issues Paper – December 2008

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

- First Read of draft exposure draft – March 2009
- Exposure Draft – June 2009
- Final ISAE – June 2010

(c) Project Output

A new ISAE 3xxx, “The Examination of Pro Forma Financial Information,” drafted in accordance with IAASB’s Clarity drafting conventions.

6. Resources Required

A project task force will be created, consisting of between six to eight individuals, including a member of the IAASB as chair, and external experts with particular expertise in professional accountants’ involvement and reporting in connection with prospectuses.

The project task force will consult the following groups at appropriate stages of the project:

- The IAASB CAG;
- National standard setters, due to the potential effect any international standard may have on corresponding national standards, particularly from the perspective of convergence;
- IOSCO; and
- CESR.

Initially, it is not considered necessary to consult INTOSAI or the IFAC SMP Committee, given the subject matter of the project.

It is estimated that secretarial support to the project task force will require approximately 25% of an individual’s time. It is hoped the IAASB secretariat will be able to provide staff support to the task force.

7. Important Sources of Information that Address the Matter being Proposed

- International Framework for Assurance Engagements
- ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*
- ISAE 3400, *The Examination of Prospective Financial Information*
- UK Auditing Practices Board – Standards for Investment Reporting: SIR 3000 Investment Reporting Standards Applicable To Public Reporting Engagements On Profit Forecasts, SIR 4000 Investment Reporting Standards Applicable To Public Reporting On Pro Forma Financial Information
- IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS 1.004) (English translation)
- IDW Auditing Practice Statement: Audit of Pro Forma Financial Information (IDW AuPS 9.960.1) (English translation)

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

- ICAEW Technical Release TECH 18/98: Pro forma financial information Guidance for preparers under the Listing Rules
- ICAEW Prospective Financial Information Guidance for UK directors
- FEE Discussion Paper – The Auditor’s Involvement with the New EU Prospectus Directive
- FEE Analysis of Responses to FEE Discussion Paper “The Auditor’s Involvement with the New EU Prospectus Directive”
- FEE Discussion Paper – Comfort Letters Issued in Relation to Financial Information in a Prospectus
- FEE Analysis of Responses to FEE Discussion Paper “Comfort Letters Issued in Relation to Financial Information in a Prospectus”
- European Commission’s Regulation on Prospectuses no. 809/2004
- CESRs recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses No 809/2004

Prepared by David Swanney

Date February 13, 2008

(Chair on behalf of the Working Group)

The following should be completed after IAASB approval and after revising the project proposal form to reflect any changes by the IAASB.

Approved by _____

Date _____

(Chair on behalf of IAASB)

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

APPENDIX A

Professional Accountant's Involvement with the EU Prospectus Regulation

1. The new Directive and Regulation are maximum harmonisation measures, which means that Member States cannot impose additional requirements over and above those set out in the Regulation. A common framework for prospectuses therefore exists within Europe and this framework imposes certain reporting obligations on the professional accountant.
2. Whilst the extent of the professional accountant's involvement in a prospectus will vary according to individual circumstance, generally the professional accountant's involvement can be split into two areas: firstly the inclusion of reports in the prospectus; and secondly, the provision of private reports.

Reports Required

3. The Regulation introduced a number of reporting obligations on professional accountants which require the publication of specific opinions in the prospectus. The Regulation mentions the professional accountant in various contexts but in summary the professional accountant is involved in the following areas:
 - Historical financial information;
 - Interim financial information;
 - Pro forma financial information; and
 - Profit forecasts and estimates.¹²
4. The Regulation requires the inclusion of historic financial information which must be audited. The existence of the ISA framework for auditing historical information has meant that there are common standards which can be applied where audit reports are required under the Regulation. Issues have therefore tended to focus around the reporting on pro forma financial information and prospective financial information.
5. Whilst specific standards dealing with the production of the required pro forma and profit forecast reports have been developed in some member states, there are many where no standards exist. Moreover, there is no commonly accepted reporting framework to which third country issuers and their professional accountants can look to determine the extent of work required for the purposes of this reporting under the Regulation.

¹² Profit forecasts and profit estimates are a type of prospective financial information. Under the Prospectus Regulation, "profit forecast" means a form of words which expressly states or by implication indicates a figure or a minimum or maximum figure for the likely level of profits or losses for the current financial period and/or financial periods subsequent to that period, or contains data from which a calculation of such a figure for future profits or losses may be made, even if no particular figure is mentioned and the word "profit" is not used. "Profit estimate" means a profit forecast for a financial period which has expired and for which results have not yet been published.

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

6. The Regulation, whilst specifying the language in the opinion paragraph of the professional accountant's report on pro forma financial information, profit forecasts and profit estimates, does not elaborate on what the opinion actually means or the type of assurance required or on the expected work effort to be undertaken. The Regulation specifies that the opinion state the pro forma financial information is properly compiled and the basis of accounting is consistent with the accounting policies of the issuer. At one end of the spectrum this could simply mean that it adds up, at the other, something more akin to an audit opinion.
7. The consensus of the Working Group is that a positive form assurance is required, and this is supported by many respondents to FEE Discussion Paper on the Auditor's Involvement with the New EU Prospectus Directive. Under an ISAE 3000 framework this would mean that the provision of such an opinion is a reasonable assurance engagement.

Historical Financial Information

8. The Regulation requires the inclusion of historical financial information which must be audited. Audit reports must be reproduced in the prospectus. Frameworks for auditing historical financial information are well understood by professional accountants and therefore the issues tend to revolve around the level of work (if any) professional accountants should undertake when their historical audit reports are reproduced in a prospectus. Practices differ both inside and outside the EU due to the different legislative frameworks in each jurisdiction. One feature that may influence practice is whether the professional accountant is required to consent to the inclusion of their previously published report. ISAs 720 (Redrafted) and 560 (Redrafted)¹³ may be relevant where such a requirement exists and the respective audit was performed in accordance with ISA.
9. Where historical information financial information is restated for investors, the audit work on it will fall outside the scope of the statutory audit and will instead be audited for the purposes of the prospectus. This will require the issue of a new report for inclusion in the prospectus which should comply with an auditing standard applicable in a member state, or an equivalent standard.

Interim Review Reports

10. Where interim financial information is included in a prospectus the Regulation requires the inclusion of any previously published interim review report. Similar considerations around consent and the need for further work apply in the same way as for historical financial information.

Pro Forma Financial Information

11. When pro forma financial information is included in a prospectus or registration document relating to an equity security it must be accompanied by an opinion from the professional accountant that the pro forma information has been properly compiled on the basis stated and that the basis of preparation is consistent with the accounting policies of the issuer.

Prospective Financial Information

¹³ ISA 560 (Redrafted), "Subsequent Events."

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

12. For certain types of securities, when a profit forecast or estimate is included in the prospectus it must be accompanied by an opinion from the professional accountants that the profit forecast or estimate has been properly compiled on the basis stated and that that basis of accounting used is consistent with the accounting policies of the issuer.

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

APPENDIX B

COMMENTS BY TECHNICAL MANAGERS

The comments of Technical Manager from each technical area are required before this Project Proposal is considered by the board or committee proposing to undertake the project.

Technical Manager to the Compliance Advisory Panel

This project is of greatest relevance to the larger capital markets and the proposed consultation with IOSCO and national standard setters is of particular importance.

Project priority: Medium.

Signed Sylvia Barrett

Date February 13, 2008

Technical Manager to the Developing Nations Committee

In general, the level of prospectus activity is less as compared to the larger developed capital markets. However, individual emerging and developing economies are experiencing significant levels of capital investment. As with existing developed capital markets, emerging economies will benefit from having a common set of assurance requirements to report on pro forma financial information. In terms of implementation of the proposed standard, this will require the local regulatory bodies to embrace the standard to ensure consistency amongst national regulators as well as increased training of local auditors to understand pro forma and prospective information versus historical financial information.

Project priority: Medium.

Signed Sylvia Barrett

Date February 13, 2008

Technical Manager to the IAESB

No comments.

Signed David McPeak

Date February 13, 2008

Technical Manager to IESBA

No comments.

Signed Jan Munro

Date February 11, 2008

Technical Manager to the PAIB Committee

In general, quite a few PAIBs are involved in compiling “pro forma financial information”. However, the preparation of an assurance standard should not affect this process (other than

IAASB CAG PAPER

IAASB CAG Agenda (March 2008)

Agenda Item D.1

Project Proposal—Assurance Reports on Prospectus Information

raising awareness amongst PAIBs that these figures will be subject to more/different scrutiny by the reporting accountant). Perhaps this new standard could even be of benefit to the issuer, since it will be clearer to the reporting accountant what to do, and prevent him or her to micro audit because of uncertainty, saving money and time.

Signed Vincent Tophoff & Stathis Gould

Date February 13, 2008

Technical Manager to the IPSASB

No comments.

Signed Matthew Bohun

Date February 13, 2008

Technical Manager to the SMP Committee

Typically SMPs have few if any listed clients. However, international guidance in this area aimed at increasing the consistency and rigor of practice is clearly desirable and so we welcome the initiative.

Signed Paul Thompson

Date February 6, 2008

Technical Manager to the Transnational Auditors Committee

No comments.

Signed Russell Guthrie

Date February 13, 2008