

IAASB CAG PAPER



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Agenda Item

C.4

Committee: IAASB Consultative Advisory Group

Meeting Location: Toronto

Meeting Date: September 4-5, 2008

Report Back—Assurance Reports on Prospectus Information

Objectives of Agenda Item

1. The objective of this Agenda Item is to provide a brief report back on the proposals of Representatives on the IAASB's project proposal, "Assurance Reports on Prospectus Information," discussed at the March 3-4, 2008 CAG meeting.

Report Back – March 3-4, 2008 CAG Proposals

2. Below are extracts from the minutes of the March 3-4, 2008 CAG meeting¹ related to discussion of the Project Proposal, and an indication of how the IAASB responded to the Representatives' comments.

Representatives' comments	IAASB response
<p>The Representatives commented as follows:</p> <ul style="list-style-type: none">• Mr. Damant noted that this project is in the interest of investors. He asked about the next steps. Mr. Kellas explained that a task force will be established if the IAASB approves the project proposal at its March 2008 meeting.	<p>The IAASB unanimously approved the project proposal at its March 2008 meeting. A Project Task Force has been established, comprised of two IAASB participants and four external members with expertise on the subject. In addition, the Task Force includes a number of correspondent members from different jurisdictions to provide a wider perspective. The Task Force is chaired by Mr. Swanney of the IAASB. An additional IAASB member may be asked to join the Task Force once the composition of the 2009 IAASB is known. It is anticipated that the Task Force will present an issues paper to the IAASB at its March 2009 meeting.</p>

¹ The minutes will be approved at the September 4-5, 2008 IAASB CAG meeting.

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IAASB CAG Agenda (September 2008)

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Report Back—Assurance Reports on Prospectus Information

Representatives' comments	IAASB response
<ul style="list-style-type: none">Ms. Blomme expressed FEE's support for the project and, in particular, the proposal to prioritize work on assurance reports on pro forma financial information. She also hoped that further work could be done on assurance reports on prospective financial information. She referred to the discussion papers that FEE has issued in this area.	<p>The IAASB concluded that the prioritization of work on assurance reports on pro forma financial information over work on prospective financial information is appropriate. There is active support for consideration of a standard on pro forma financial information from European securities regulators, and it is likely that the European requirements relating to reports on such information will provide a strong basis for the development of a broader international standard. Further, the IAASB noted that the project's focus on pro forma financial information would be beneficial as various national standard setters have set standards on compilation of pro forma financial information and the work level underlying the auditor's reporting is different.</p> <p>The IAASB believes that the project will help resolve a number of issues that are common to both pro forma financial information and prospective financial information. Accordingly, the IAASB agreed with Working Group's recommendation that, immediately following the development of the proposed new ISAE on pro forma financial information, the IAASB should consider revising ISAE 3400,² taking into account the resolution of these common issues.</p>
<ul style="list-style-type: none">Mr. Ray referred to the guidance on comfort letters that exists in the United States. Mr. Morris noted that, in practice, there is diversity in what is done for public and private offerings with regard to communication with underwriters.	<p>At the meeting, Mr. Kellas explained that the project does not focus on comfort letters to avoid jurisdictional issues. The focus is on the reporting by the auditor on information provided to the public, rather than communication between the auditor and an underwriter.</p>

² ISAE 3400, "The Examination of Prospective Financial Information."