

The Chairman
Auditing and Assurance Standards Board
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By Email: edcomments@auasb.gov.au

25 November 2011

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Dear Merran

ED 02/11 Proposed Standard on Assurance Engagements ASAE 3450
Assurance Engagements involving Corporate Fundraisings and/or
Prospective Financial Information (Re-issuance of AUS 804 – Audit of
Prospective Financial Information)

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Auditing and Assurance Standards Board (AUASB) with its comments on ED 02/11 Proposed Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* (the ED).

Grant Thornton's response reflects our position as auditors and business advisers both to listed companies and privately held companies and businesses, and this submission has benefited with some initial input from our clients, Grant Thornton International (GTI), and discussions with key constituents.

General comments

Overall, we support the AUASB's work in developing this ED, however we do not support issuing the ED in its existing form for the following reasons:

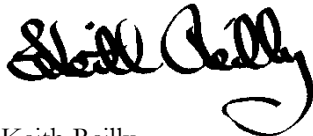
- a Grant Thornton is concerned with the scope of the ED which we believe from our interpretation is too broad and could capture a broad range of fundraisings which accountants including advisory and insolvency practitioners currently undertake particularly for limited scope small scale capital raisings. This may include a brief analysis for a client on how to deal with a re-negotiation with one or more financial institutions or even a new relationship with a financial institution which is intended to re-finance existing debt. We contrast this with a major capital raising that is intended for a public offering that could include a takeover, scheme of arrangement or share and debenture raisings ((paragraph 13 (g) of the ED).

- b Whilst we acknowledge that work on the ED has been progressing for some time, Grant Thornton questions why the ED has not taken into account the work that the International Auditing & Assurance Standards board has been doing on ISAE 3420 Assurance Engagements to Report on Compilation of Pro Forma Financial Information Included in a Prospectus which was approved by the IAASB at its September 2011 meeting. Grant Thornton believes that the ED needs to be consistent with ISAE 3420.
- c The ED needs to incorporate the release of the Australian Securities & Investments Commission (ASIC) Regulatory Guide 228 Prospectuses: Effective disclosure for retail investors which was issued on 10 November 2011.
- d The ED is voluminous (211 pages) and many practitioners will struggle with its size. Grant Thornton suggests that a number of issues need to be reviewed including:
 - (i) The need for 'reasonable assurance' for Corporate Fundraisings and Prospective Financial Information; and
 - (ii) The Need for Historical, Prospective and Pro forma Financial Information.

Our responses to the specific questions and other matters are included in the attached Appendix.

If you require any further information or comment, please contact me.

Yours sincerely
GRANT THORNTON AUSTRALIA LIMITED



Keith Reilly
National Head of Professional Standards

APPENDIX 1 - Comments on AUASB Specific Questions

Q1. Have applicable laws and regulations been appropriately addressed in the proposed standard?

- a No. Grant Thornton questions why the ED has not taken into account the work that the International Auditing & Assurance Standards board has been doing on ISAE 3420 Assurance Engagements to Report on Compilation of Pro Forma Financial Information Included in a Prospectus which was approved by the IAASB at its September 2011 meeting. Grant Thornton believes that the ED needs to be consistent with ISAE 3420.
- b The ED needs to incorporate the release of the Australian Securities & Investments Commission (ASIC) Regulatory Guide 228 Prospectuses: Effective disclosure for retail investors which was issued on 10 November 2011.

Q2. Are there any references to relevant laws or regulations that have been omitted?

- a No. Grant Thornton questions why the ED has not taken into account the work that the International Auditing & Assurance Standards board has been doing on ISAE 3420 Assurance Engagements to Report on Compilation of Pro Forma Financial Information Included in a Prospectus which was approved by the IAASB at its September 2011 meeting. Grant Thornton believes that the ED needs to be consistent with ISAE 3420.
- b The ED needs to incorporate the release of the Australian Securities & Investments Commission (ASIC) Regulatory Guide 228 Prospectuses: Effective disclosure for retail investors which was issued on 10 November 2011

Q3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed Standard, or may conflict with the proposed Standard?

- a Yes. Grant Thornton questions why the ED has not taken into account the work that the International Auditing & Assurance Standards board has been doing on ISAE 3420 Assurance Engagements to Report on Compilation of Pro Forma Financial Information Included in a Prospectus which was approved by the IAASB at its September 2011 meeting. Grant Thornton believes that the ED needs to be consistent with ISAE 3420.
- b The ED needs to incorporate the release of the Australian Securities & Investments Commission (ASIC) Regulatory Guide 228 Prospectuses: Effective disclosure for retail investors which was issued on 10 November 2011.

Q4. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the requirements of this proposed Standard on Assurance Engagements? If there are significant costs, do these outweigh the benefits to the users of assurance services?

- a Grant Thornton is concerned with the ED is voluminous (211 pages) and many practitioners will struggle with its size. Grant Thornton suggests that a number of issues need to be reviewed including:
 - i The need for 'reasonable assurance' for Corporate Fundraisings and Prospective Financial Information; and
 - ii The Need for Historical, Prospective and Pro forma Financial Information.

Q5. Are there any other significant public interest matters that constituents wish to raise?

No, apart from issues raised in our earlier comments regarding the complexity of the ED, compatibility with ISAE 340, and consistency with Regulatory Guide 228.

Q6. Should this proposed Standard be split according to the type of financial information?

Yes.

Q7. Should the section covering assurance on the compilation of pro forma financial information be included in a separate Standard? The AUASB notes that the IAASB will be issuing ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus late in 2011 and this proposed ASAE 3450 has incorporated, where appropriate, requirements and related guidance from the ISAE 3420 Exposure Draft. The AUASB will consider making further consequential changes to the proposed ASAE 3450 when ISAE 3420 is issued.

Yes.

Q8. Should the section covering assurance on historical financial information be included in the proposed Standard?

Yes.

Q9. Should the section covering assurance on prospective financial information be included in the proposed Standard?

Yes.

Q10. Are there any public sector issues which should be addressed in this proposed Standard?

Apart from our earlier comments, Grant Thornton is not aware of any other specific public sector issues.

Q11. Are there any SME issues which should be addressed in this proposed Standard?

Yes, Grant Thornton is concerned with the scope of the ED which we believe from our interpretation is too broad and could capture a broad range of fundraisings which accountants including advisory and insolvency practitioners currently undertake particularly for limited scope small scale capital raisings. This may include a brief analysis for a client on how to deal with a re-negotiation with one or more financial institutions or even a new relationship with a financial institution which is intended to re-finance existing debt. We contrast this with a major capital raising that is intended for a public offering that could include a takeover, scheme of arrangement or share and debenture raisings ((paragraph 13 (g) of the ED).