
INDEPENDENT REGULATORY BOARD FOR AUDITORS
COMMITTEE FOR AUDITING STANDARDS

**IAASB Proposes New Standard to Strengthen Reporting on
Pro Forma Financial Information in Prospectuses – ISAE 3420**

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The International Auditing and Assurance Standards Board (IAASB) released a proposed new assurance standard that addresses the process of compiling pro forma financial information included in prospectuses on 28 April 2010. Recognizing the increasingly integrated nature of global capital markets and the importance of pro forma financial information in the public's investment decisions, the newly proposed standard is designed to enhance public confidence in how such financial information is produced.

The proposed standard, *Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus*, deals with information—necessary in many forms of domestic and cross-border securities offerings—that illustrates the impact of an event or transaction on an issuer's financial information. It provides comprehensive guidance on the nature and extent of a practitioner's work when reporting on whether the process of compiling pro forma financial information has been properly followed. It also covers related engagement acceptance and reporting considerations, and provides an illustrative report arising from such an engagement.

“Our research indicates that many jurisdictions around the world need a common, high-quality standard that can be consistently, globally applied. Our goal, therefore, is to guide and contribute to the quality of practice in an area of great importance to capital markets,” said Arnold Schilder, Chairman of the IAASB.

While all stakeholders are invited to comment on the proposed ISAE 3420, the IAASB recognizes that pro forma financial information is of particular interest and relevance to issuers, investors, analysts, professionals working at securities exchanges, and regulators. Accordingly, the IAASB invites respondents from these constituencies in particular to comment on the proposal, including the content of the illustrative practitioner's report.

“Internationally, investors, regulators, and other stakeholders want and expect consistent, quality work by assurance practitioners, as well as clear and understandable reporting. Over the years, however, different countries have developed different practices in relation to reporting on the process of compiling this type of information, and this is a situation that is not sustainable in the public interest,” noted James Gunn, IAASB Technical Director. “The proposed standard seeks to address this issue by helping to create a level playing field for practitioners for such engagements, thereby enabling them to better meet the expectations of investors, regulators, and others.”

How to Comment

Comments may be submitted to the IRBA by **16 September 2010** (2 weeks before the IAASB comment date deadline of 30 September 2010). The Committee for Auditing Standards (CFAS) Task Group preparing the IRBA comments will then incorporate all comments received in the response for South Africa. Comments should be submitted by email to standards@irba.co.za, in a **Word** format.

The proposed standard is available in PDF format and may be downloaded from the IRBA [website](#). Should you have any further queries or experience any technical difficulties in downloading the documents please do not hesitate to contact the Standards Department at +27 (0)87 940 8800 or send an email to standards@irba.co.za.

Alternatively comments may be submitted directly to IFAC. To access the proposed standard or submit a comment, visit the IAASB's website at www.iaasb.org/ExposureDrafts.php. Comments on the exposure draft are requested by **30 September 2010**.

Sandy van Esch

Director: Standards

About the IRBA

The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes. The CFAS assists the IRBA to develop and maintain auditing pronouncements which are internationally comparable.