



Marje Russ, Chair
New Zealand Auditing and Assurance Standards Board
PO Box 11250
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Wellington 6142

13 September 2022

Exposure Draft NZAuASB ED 2022-3 Proposed SAE 3450 Assurance Over Financial Information Prepared in Connection with a Capital Raising

Dear Marje

We appreciate the opportunity to comment on the proposed NZAuASB ED 2022-3 Proposed SAE 3450 *Assurance Over Financial Information Prepared in Connection with a Capital Raising*.

This response is on behalf of PricewaterhouseCoopers New Zealand (PwC NZ). References to “PwC”, “we” and “our” refer to PwC NZ only. This submission is not made on behalf of the global network of member firms.

Overall comments

We are supportive of the NZAuASB issuing a standard dealing with assurance provided in connection with a capital raising. In New Zealand the absence of a specific standard dealing with prospective financial information has resulted in divergence in practice and reliance on standards issued in Australia for guidance on performing these assurance engagements.

We also recognise the importance of international consistency, particularly with Australia, given many entities having a primary and secondary listing on the New Zealand and Australian stock exchanges and therefore agree with the approach to align the standard with ASAE 3450 *Assurance Engagements involving Corporate Fundraising and/or Prospective Financial Information* issued by the Auditing and Assurance Standards Board in Australia.

We note that the standard also references ISAE(NZ) 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus*. We agree that the reference to ISAE(NZ) 3420 is appropriate, however, note that this standard itself may be in need of an update. For example the standard references a “Prospectus”. This term is no longer used in New Zealand financial markets legislation.



Questions for respondents

Our responses to the specific questions raised in the ED are attached in Appendix A. Other comments or suggestions of a grammatical nature will be provided to the XRB staff separately.

We appreciate the opportunity to provide feedback on the ED. Please do not hesitate to contact me should there be any matters you would like to discuss further.

Yours faithfully

A handwritten signature in black ink that reads "Karen Shires".

Karen Shires
Chief Risk & Reputation Officer



Appendix A

Responses to Questions for Respondents

Question 1: Do you agree with the scoping of the proposed SAE as described in paragraph 10 of this ITC? If not, please explain why not.

Given the complexity of these engagements, the fact that it includes assurance on both historical financial information and prospective financial information and the sufficient regularity of capital raising transactions in the New Zealand market, we agree that it is more appropriate to issue a narrow scope standard than not having a standard at all.

We do, however, note that New Zealand does not have an equivalent standard to International Standard on Assurance Engagements 3400 *The examination of Prospective Financial Information (previously ISA 810)* (ISAE 3400) issued by the International Auditing and Assurance Standards Board. Although ISAE 3400 is significantly out of date, the sections dealing with limited assurance over prospective financial information may be useful to Assurance Practitioners when performing assurance engagements over prospective financial information other than those relating to a capital raising.

We therefore suggest that the narrow scope of the standard is clearly stated, but that the standard does allow for use by Assurance Practitioners, adapted as necessary for the specific circumstances, for assurance engagements over prospective financial information prepared for another purpose.

Question 2: Do you agree that the assurance practitioner should provide a limited assurance conclusion only on the types of financial information covered by the assurance report? If not, please explain why not.

Yes, particularly given the subjective nature of prospective financial information.

Question 3: Do you agree that the proposed SAE should not include, as a precondition for engagement acceptance, that the assurance practitioner is also the auditor of the entity, if assurance is sought over historical financial information? If not, please explain why not.

Yes. There are clear benefits to the engagement being conducted by the firm that performs the audit as these engagements are assurance engagements. However the capital raising could be for an entity that has never been audited before, therefore a precondition that the assurance practitioner is also the auditor of the entity may not be practical in some circumstances.

Question 4: Is the interrelationship between the proposed SAE and the relevant review engagement standards, for assurance over the historical financial information, clear? If not, please explain why not and provide suggestions on how this could be clearer.

Yes. We believe that it is clear that you need to comply with both the proposed standard and the applicable review standard in order to provide limited assurance over the historical financial information.

Question 5: Is paragraph A11 sufficiently clear as to the difficulties the assurance practitioner might encounter when assurance is sought over historical financial information and the assurance practitioner is not also the auditor of the entity? If not, please explain why not and provide further examples.

Yes.



Question 6: Do you agree with the proposal to include the name of the lead assurance practitioner in the assurance report? If not, please explain why not.

Given the public nature of these engagements, we agree that, similar to the naming of the audit partner for a FMC reporting entity with higher public accountability in the audit report, it would be appropriate to name the assurance practitioner in this assurance report as well.

Question 7: In your view, are the required procedures consistent with a limited assurance engagement? If not, please identify the requirements and explain why, in your opinion, they are not consistent with a limited assurance engagement.

Yes. In writing a topic specific standard there is a delicate balance between principle based procedures aligned with the level of assurance you are looking to provide and specific procedures that the assurance practitioner should perform. Given the specialised nature of these engagements, we believe the level of detail provided in explaining the procedures the assurance practitioner is expected to perform is consistent with a limited assurance engagement.

Question 8: In your view, are there any other procedures that should be required? Please describe the procedures and why, in your view, those procedures should be required.

Yes. Given that the information over which the assurance practitioner is expressing a limited assurance conclusion is embedded in the Product Disclosure Statement or included in the Register Entry along with other information that is not subject to the assurance engagement, we recommend that the standard explain what, if any, are the assurance practitioner's obligations regarding the "other information" that accompanies the assurance practitioner's assurance report.

Although the proposed standard includes procedures regarding evaluating the suitability of the basis of preparation for prospective financial information, the standard, understandably, does not include any specific references to FRS-42 *Prospective Financial Statements*. However we believe that the proposed standard should indicate, possibly by way of a footnote, that for capital raisings in New Zealand where the historical financial statements are prepared under New Zealand Equivalents to International Financial Reporting Standards, any prospective financial statements (or other prospective financial information) should be prepared in accordance with FRS-42.

Question 9: Do you agree with the proposed effective date for engagements commencing on or after 15 December 2023, with early adoption permitted? If not, please explain why not.

Yes.