

Assurance Over Financial Information Prepared in
Connection with a Capital Raising

Consultation Feedback

SAE 3450

Explanations for decisions made



April 2023





About this summary

In December 2022, the XRB issued SAE 3450 *Assurance Over Financial Information Prepared in Connection with a Capital Raising* in response to calls from practitioners in New Zealand.

Assurance over financial information prepared in connection with a capital raising is not required by regulation but is often voluntarily sought by the engaging entity and there is no international standard specific to this subject matter.

SAE 3450 was developed, based on ASAE 3450¹, adapted as necessary to reflect the NZ environment.

The exposure draft and accompanying consultation document can be accessed [here](#).

This explanations for decisions made provides a high-level overview of the changes made following consultation and the reasons therefor.

1. Standard on Assurance Engagements ASAE 3450, *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* issued by the Auditing and Assurance Standards Board (Australia)



Submissions received

The XRB received detailed feedback from three respondents (two via formal written submissions and 1 via interview).

In addition, a virtual feedback event was held which was attended by around 15 participants. The exposure draft received a high level of support.

Thank you to our stakeholders
for the valuable feedback
provided



Scope of the standard

While there was general support for the narrow scope of the standard, feedback highlighted that the standard contains a valuable framework for broader application for assurance over financial information that has been prepared for a purpose other than capital raising. Accordingly, the scope of SAE 3450 permits application of the standard, adapted as necessary, to financial information prepared for another purpose.



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Scope of the engagement

Our consultation process identified some differences in practices between the firms, with some firms limiting the scope of the engagement to assurance over specific line items in the product disclosure statement (e.g., with respect to historical financial information, assurance over revenue, EBITDA and net profit after tax) and other firms agreeing the scope to be over the full underlying financial statements included in the online register, (e.g., the primary financial statements such as an income statement, cash flow statement or balance sheet prepared in accordance with appropriate recognition and measurement principles).

Market practice in New Zealand permits disclosure in the offer document of selected historical, pro forma historical, prospective and pro forma prospective financial information in tabular form representing individual financial statement line items as well as non-GAAP key metrics. These individual line items are ordinarily extracted or derived from the published financial statements (prospective or historical) but do not represent full primary statements.

Given the voluntary nature of this type of assurance engagement, with the scope of the engagement determined by the engaging party and the assurance practitioner, and to reflect various market practices, in finalising the standard, we included an additional illustrative report demonstrating the scope of the engagement based on a review of the full set of financial information.



Consistency with the Equivalent Australian Standard (ASAE)

We were encouraged to align the final standard more closely with the ASAE. Where possible we have done so, however, there remain a number of differences between SAE 3450 and the ASAE that reflect differences in the regulatory environment, differences in the financial reporting framework and the XRB's efforts not to duplicate requirements and application material contained in the base standards².



Interaction with Other Standards

To respond to concerns that the interaction between the proposed standard and the base standards is not clear, in finalising the standard, we redrafted a number of paragraphs to clearly place the requirement on the practitioner to perform the requirement, while maintaining the link with the base standards².

2. When performing the assurance engagement, the assurance practitioner is required to comply with ISAE (NZ) 3000 (Revised), *Assurance Engagements other than Audits and Reviews of Historical Financial Information*, and the applicable Review Engagement Standard and SAE 3450. For purposes of this explanation for decisions made, the term "base standards" is used to refer to ISAE (NZ) 3000 (Revised) and the applicable review engagement standards.



What we also heard

- Given the type of financial information being assured, and its purpose, a limited assurance conclusion is appropriate.
 - While this type of assurance engagement is generally performed by the audit firm, the engagement may be performed by another firm.
 - Respondents generally agreed with, or were ambivalent about, the requirement to name the lead assurance practitioner.
 - Agreement with the proposed application date, for engagements commencing on or after 15 December 2023.
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- The requirements to obtain an understanding and to perform procedures (particularly with respect to prospective financial information) are quite prescriptive and repetitive. We acknowledge this is the case
 - There is need to explain what, if any, the assurance practitioner's responsibilities are regarding the "other information" that accompanies the assurance practitioner's report. An "other information" section has been added to the illustrative report.

Acknowledgements

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