
INDEPENDENT REGULATORY BOARD FOR AUDITORS

COMMITTEE FOR AUDITING STANDARDS

ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus

Illustrative Independent Reporting Accountant's Assurance Report on the Compilation of Pro Forma Financial Information Included in a Prospectus/Pre-Listing Statement/Circular

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The International Assurance Engagement Standard (ISAE) 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* (ISAE 3420) was issued by the International Audit and Assurance Standards Board (the IAASB) in December 2011.

The IRBA Board has approved the adoption of ISAE 3420 for use by registered auditors in South Africa when accepting assurance engagements to provide a reporting accountant's report on the compilation of pro forma financial information included in a prospectus/pre-listing statement/circular issued by applicant issuers or issuers listed on the JSE Limited (JSE). Registered auditors are advised to familiarise themselves with the comprehensive *Requirements and Application and Other Explanatory Material* in ISAE 3420 when accepting and performing such assurance engagements.

Implementation in South Africa

The JSE issued Bulletin 8 of 2012 on 3 September 2012 containing the amendments to paragraphs 8.15, 8.48(b) and 8.51 of the JSE Listings Requirements that require the application of ISAE 3420 in such engagements.

The IRBA now issues the *Illustrative Independent Reporting Accountant's Assurance Report on the Compilation of Pro Forma Financial Information Included in a Prospectus/Pre-Listing Statement/Circular* that replaces Appendix A in ISAE 3420 and is to be applied by reporting accountants when reporting on pro forma financial information as required by paragraphs 8.15, 8.48(b) and 8.51 of the JSE Listings Requirements.

Only registered auditors and audit firms accredited by the JSE are permitted to provide an *Independent Reporting Accountant's Assurance Report on the Compilation of Pro Forma Financial Information Included in a Prospectus/Pre-Listing Statement/Circular*. If the report is signed by a JSE accredited registered auditor, who is not also accredited as a reporting accountant specialist, an accredited reporting accountant specialist must also issue a report thereon to the JSE.

The SAICA *Guide on Pro Forma Financial Information* has been revised and issued in September 2012 to assist directors in preparing pro forma financial information, and investors in understanding the pro forma effects and accounting implications of the corporate action. This revised SAICA *Guide on Pro Forma Financial Information* no longer contains the guidance previously included for reporting accountants as such guidance is now provided in ISAE 3420 and guidance issued by the IRBA.

Reporting accountants issuing reports on pro forma financial information **prior to 31 March 2013** are required to apply the guidance in the original 2005 SAICA *Guide on Pro Forma Financial Information*.

Definitions in ISAE 3420

The following definitions in ISAE 3420, have the specific meanings indicated below when applied in South Africa:

- "*Practitioners*" refers to registered auditors. In the context of the JSE it refers to those registered auditors and reporting accountant specialists accredited by the JSE;
- "*Applicable criteria*" are those specified in the JSE Listings Requirements for Pro Forma Financial Information; and
- "*Prospectus*" includes pro forma information contained in a pre-listing statement or circular.

ISAE 3420 requires compliance with the International Ethics Standards Board for Accountant's (IESBA) *Code of Ethics for Professional Accountants*. Registered auditors, including reporting accountant

specialists, are required to comply with the independence and other requirements of the IRBA *Code of Professional Conduct for Registered Auditors and Rules Regarding Improper Conduct* in the conduct of such engagements in South Africa.

Effective date

ISAE 3420 is effective for assurance reports on pro forma financial information **issued on or after 31 March 2013**. From this date, ISAE 3420 is to be applied by all JSE accredited registered auditors and accredited reporting accountant specialists in the performance of assurance engagements on the *Compilation of Pro Forma Financial Information Included in a Prospectus, Pre-Listing Statement or Circular*.

The following documents and/or hyperlinks to the relevant websites where they are available for download may be accessed from the IRBA [website](#):

- *The Illustrative Independent Reporting Accountant's Assurance Report on the Compilation of Pro Forma Financial Information Included in a Prospectus/Pre-Listing Statement/Circular (available in both PDF and Word formats)*;
- *ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*;
- *JSE Limited Bulletin 8 of 2012 (issued 3 September 2012)*; and
- *The SAICA Guide on Pro Forma Financial Information revised and issued September 2012*.

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.

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.