

**Assurance Reports on the Process to Compile Pro Forma
Financial Information Included in a Prospectus—
Issues and IAASB Task Force Proposals****I. Out-of-Session Feedback**

1. On the Steering Committee's advice, the Task Force issued on December 16, 2009 a Request for Comments to the IAASB, seeking specific comments on the draft of the proposed ISAE 3420¹ as it stood at the conclusion of the December 2009 IAASB. The Task Force is grateful for the feedback it has received through that process. The substantive comments received are summarized below, together with the Task Force's responses and revised proposals.

II. Overview of this Paper

2. The significant matters discussed in this paper are as follows:
 - A. Scope and Global Applicability of the Standard
 - B. Focus of the Proposed ISAE—Reporting on Process vs. PFI
 - C. Practitioner's Responsibilities Regarding Column 1
 - D. Use of the Term "Compilation"
 - E. Applicable Criteria vs. Basis of Compilation
 - F. Materiality
 - G. Subsequent Events
 - H. Over-Engineering and Complexity of the Standard
 - I. Proposed Questions for Explanatory Memorandum
 - J. Provisional Effective Date
 - K. Consideration by IAASB of Significant Matters Identified by the Task Force

III. Significant Matters**A. Scope and Global Applicability of the Standard**

3. Echoing some views expressed at the December 2009 meeting, two IAASB respondents to the Request for Comments were concerned that the draft ISAE appeared too EU-focused. They suggested that this would cast doubt on whether the standard would be applicable in other jurisdictions. In their view, this in turn raises a matter of principle as to whether the IAASB should be issuing a standard for just one part of the world without considering practices in other jurisdictions. They also felt that the proposed wording of the opinion seemed to have been pre-determined based on the EU legal requirement.

¹ Proposed ISAE 3420, "Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus."

4. Another IAASB respondent was of the view that an international standard in relation to pro forma financial information (“PFI”) should cover not only engagements to report on the process but also engagements to report on the PFI itself (i.e. reasonable and limited assurance on the PFI, and reasonable assurance on the process). While acknowledging that this would lengthen the standard, the respondent suggested that there is a precedent to this approach in ISA 710,² which addresses two kinds of financial reporting frameworks in one standard. In support of this view, the respondent also commented as follows:
 - Reporting on the PFI would require sufficient assurance on the underlying financial information. Reporting on the process, however, should not require too many procedures on the underlying financial information other than determining whether it is appropriate (without considering the reliability of the information). This would be subject to there being nothing obviously misleading about that underlying financial information and no obvious material inconsistencies came to the practitioner’s attention. A disclaimer of opinion would therefore be needed in relation to the PFI in the latter case.
 - For engagements to report on the PFI, ISA 510³ would provide a principles-based approach for determining the extent of work needed to express the appropriate opinion or conclusion. The practitioner would need to consider how much additional assurance would be needed based on the practitioner’s previous involvement (unaudited/unreviewed to audited) with the underlying financial information, i.e. a sliding scale of work effort.
5. Another IAASB respondent took the opposite view, arguing that, as securities regulations and related liability regimes are fundamentally different in different jurisdictions, it would be impossible to develop a standard that would be applicable in all jurisdictions. The respondent was also of the view that a case has not been made for the need for a global solution to differently worded opinions. The respondent suggested that focusing on the wording of the opinion that is required to be given would be an effective way of differentiating the scope of the standard (i.e. in which jurisdictions it would apply).

Task Force Response

6. The Task Force noted that the IAASB had effectively agreed at the March 2009 meeting that the scope of this standard should encompass engagements to report on the *process* of compilation only. The minutes of this meeting record, in particular, the following:

“Mr. Swanney noted that the IAASB Consultative Advisory Group (CAG) generally supported the Task Force’s views that the objective of an assurance engagement in relation to pro forma financial information should be to report on whether the information has been properly compiled, and that the term “properly compiled” relates to the process of putting the information together and not the provision of assurance on the information itself. ...

An IAASB member noted that the term ‘properly compiled’ is already used in a number of regulatory frameworks around the world in connection with reporting on pro forma financial

² ISA 710, “Comparative Information–Corresponding Figures and Comparative Financial Statements.”

³ ISA 510, “Initial Audit Engagements– Opening Balances.”

information, and that this fact cannot be denied. The IAASB acknowledged this and agreed that in the circumstances, the key is transparency.”

7. The Task Force believes that expanding the scope of the project to deal also with engagements to report on PFI would not only significantly increase the length of the standard and delay this project, but also result in an entirely different project. Further, the likely increase in complexity that would result would be a matter of significant concern, given the perception expressed at the December 2009 meeting that the proposed standard seemed over-engineered and complex. Increased complexity would arise from having to address matters such as the extent to which the requirements of the ISAs would need to be adapted for engagements to provide reasonable assurance on the PFI – for example, the practitioner’s responsibilities regarding material misstatements in the underlying financial information and the PFI due to fraud, evaluation of misstatements in the PFI, subsequent events, and the nature and extent of evidence-gathering procedures.
8. While views were expressed at the December 2009 meeting that an approach other than reporting on the process might be taken in some jurisdictions, the Task Force does not believe that this alternative has been sufficiently researched to provide a sound basis for developing a standard for that alternative. Indeed, a separate project proposal would seem to be called for before deciding to go down this path.
9. Nevertheless, the Task Force does not disagree that there would be merit in consulting further on the need for, and feasibility of, a standard addressing reporting on the PFI. The Task Force believes that issuing an exposure draft (ED) focused on the process would provide a means for the IAASB to do so, through the inclusion of appropriate questions on the matter in the explanatory memorandum to the ED.
10. With regard to the concerns that the standard would not be globally applicable, the Task Force notes from the results of the June 2008 IAASB staff survey⁴ that relevant regulations in four non-EU jurisdictions (Hong Kong, Malaysia, Singapore and South Africa) specifically require assurance to be provided in relation to whether the PFI has been *properly compiled*. Accordingly, the EU reporting model is not limited to a single jurisdiction only. Further, in 7 other jurisdictions (Brazil, Canada, India, Japan, Kenya, Korea and Russia), no regulatory requirements currently exist for assurance to be provided in relation to the PFI, whereas in 2 others (China and New Zealand) it would seem to be subject to market practice. Thus, without prejudging whether these 9 jurisdictions (and others not included in the survey) would adopt the standard, there would not appear to be regulatory impediments to adoption of the standard in many parts of the world if such adoption were deemed to serve national purposes.
11. With regard to the view that the proposed standard seems overly EU-focused, the Task Force notes that the EU represents a major economic bloc and not a single country. More importantly, however, capital market transactions nowadays transcend national borders.

⁴ The June 2008 survey of 19 non-EU jurisdictions addressed their regulatory requirements pertaining to reporting in relation to PFI and the nature of any related national assurance standards and guidance. The 19 jurisdictions comprised Australia, Brazil, Canada, China (Mainland), Hong Kong, India, Japan, Kenya, Korea, Malaysia, New Zealand, Russia, Saudi Arabia, Singapore, South Africa, USA, Argentina, Mexico, and United Arab Emirates.

The standard would therefore not be limited to EU practitioners only. Further, there is a public interest need for a global standard because of the current diversity in practice. Indeed, as should be clear from the survey results above, many practitioners do not have local standards to guide their performance of these engagements. A global standard would consequently enhance the consistency of performance of these engagements. The Task Force therefore does not support the view that the proposed ISAE would not have global applicability.

B. Focus of the Proposed ISAE—Reporting on Process vs. PFI

12. At the December 2009 meeting, some IAASB members felt that the draft ISAE lacked overall clarity, specifically in relation to how it distinguished between reporting on the process of compilation vs. reporting on the PFI. This view was reiterated by an IAASB respondent to the subsequent Request for Comments, who felt that to a great extent the draft ISAE was focused not on the process but on the PFI itself. Accordingly, the respondent suggested the need for the draft to be revised to make it truly process-focused.
13. Two IAASB respondents were of the view that the wording of the opinion in the draft was closer to what one would expect from an engagement focused on the PFI itself rather than on the process. They therefore suggested that the wording of the opinion should be changed to be more in terms of whether the process of compiling the PFI is appropriate.

Task Force Response and Revised Proposals

14. The Task Force accepted the concerns regarding the clarity of the proposed standard. Accordingly, the Task Force proposes the following revisions to clarify that the focus of the standard is solely on the process:
 - (a) Amending the title of the standard to state that it is dealing with assurance reports on the *process to compile* PFI included in a prospectus.
 - (b) Amending the scope paragraph to indicate that the ISAE deals with reasonable assurance engagements to report on the process to compile PFI, as opposed to reasonable assurance engagements to report on the proper compilation of PFI (see paragraph 1).⁵
 - (c) In describing the nature of the engagement in paragraph 5, explaining that describing the PFI as having been “properly compiled” means that the responsible party has, in all material respects, applied the process of compilation in accordance with the applicable criteria.
 - (d) Indicating that the purpose of the practitioner’s procedures is to enable the practitioner to report on the process applied and not to report on the PFI itself (see paragraph 6).
 - (e) In the context of the practitioner’s procedures and the responsible party’s actions, referring throughout the draft to the *process to compile the PFI*.

⁵ Paragraph numbers refer to the revised draft of the ISAE (Agenda Item 2-B) unless otherwise stated.

- (f) Amending the illustrative wording of the report to make it even clearer that the practitioner is reporting on the process and not on the PFI (see Appendix 1).
15. In relation to the opinion, the Task Force recognizes the importance of balancing the need for global applicability of the standard with the need to maintain compatibility with existing regulatory requirements in many jurisdictions for the practitioner to express an opinion as to whether the PFI has been “properly compiled.” The Task Force therefore proposes the following two alternative wordings for the opinion based on the equivalency of meaning established in the proposed standard (see paragraph 14(c) above) between the term “properly compiled” and the phrase “the process to compile the PFI has, in all material respects, been applied in accordance with the applicable criteria:”
- (a) Whether the process to compile the PFI has, in all material respects, been applied in accordance with the applicable criteria; or
- (b) Whether the PFI has been properly compiled on the basis stated. (See paragraph 28(h)).

The Task Force proposes guidance in paragraph A55 to explain the equivalency of these alternatives.

C. Practitioner’s Responsibilities Regarding Column 1

16. An IAASB respondent observed a lack of clarity regarding the practitioner’s responsibilities in relation to the unadjusted financial information (“column 1”) and whether and, if so, how the engagement would be affected if column 1 were audited vs. reviewed vs. neither. The respondent suggested that it would not be appropriate for the practitioner’s opinion to be the same in these three circumstances.
17. Another IAASB respondent was of the view that it would not be possible for the practitioner to obtain reasonable assurance that the source of column 1 is credible and ensure that consistent accounting policies are applied to adjustments without the experience of a previous audit or review of that source. Accordingly, this respondent suggested the need for the source of column 1 to be audited or reviewed.

Task Force Response and Revised Proposals

18. The Task Force believes that it would not be appropriate to require column 1 to be audited or reviewed. This is because the focus is on reporting on the process and not on the PFI. Equally, the Task Force did not support the view that as the practitioner is only reporting on the process, the practitioner need not be concerned with the appropriateness of the source of column 1. The Task Force’s view is that the integrity of the process depends on the appropriateness of this source (i.e. whether it is “fit for purpose”). The Task Force believes that there was broad agreement on this at the December 2009 IAASB meeting. This view is also consistent with the prior discussions at the March 2009 IAASB meeting.
19. Accordingly, the proposed standard requires the practitioner to determine whether the source of column 1 is appropriate, and provides guidance on factors the practitioner may consider in making this determination (see paragraphs 18(a) and A33-A38). Because a determining criterion for reporting on the *process* is whether the source of column 1 is

appropriate, the wording of the opinion will not be a function of whether this source has been audited, reviewed, or neither. The Task Force therefore does not share the view that the wording of the opinion on the *process* should be subject to the audit or review condition of the source of column 1.

20. Equally, where the source has been audited or reviewed, the Task Force now believes that it should not matter who has performed the audit or review in determining whether the source is appropriate. In the Task Force's view, whether the source has been audited or reviewed by another practitioner should be a risk management consideration for the practitioner. Accordingly, the Task Force has deleted the guidance addressing the practitioner's work effort when the source has been audited or reviewed by another practitioner. Nevertheless, the Task Force believes that this should not absolve the practitioner from the need to obtain a sufficient understanding of the entity and its accounting and financial reporting practices in order to perform the engagement. The Task Force proposes guidance to that effect in paragraph **A35**.
21. Where the source has not been audited or reviewed (an infrequent occurrence), the Task Force believes that it may be necessary for the practitioner to perform some work on this source, for the reasons mentioned in paragraph 18 above, in order to establish that there is a credible basis for column 1. The Task Force is of the view that the nature and extent of this work effort will be a matter of the practitioner's professional judgment in the circumstances. Accordingly, the Task Force proposes to retain the guidance on (a) relevant factors to consider and (b) the nature and extent of procedures in such circumstances (see paragraphs **A36-A38**), but subject to seeking respondents' specific views on the matter on exposure.

D. Use of the Term "Compilation"

22. Two IAASB respondents objected to the use of the term "compilation" in the proposed standard, noting that it is a term of art in many parts of the world to signify a level of service performed by a professional accountant. They were of the view that another term such as "preparation" could just as easily be used, with an explanation of its meaning and a footnote indicating that it has the same meaning as "compilation" if that term is used in the regulations of particular jurisdictions.

Task Force Response and Revised Proposals

23. The Task Force noted that this matter was discussed at some length at the March 2009 meeting, the minutes of which note the following:

"The IAASB noted that a clear explanation of the term 'properly compiled' is of high importance given the potential for confusion with engagements to compile financial information that are long established in a number of jurisdictions. In this regard, it was suggested that consideration be given to using other possible terms such as 'properly prepared.' However, it was noted that the term 'properly prepared' itself has specific connotations in the context of both management's preparation of financial statements and engagements to report on financial information under a compliance framework.

An IAASB member noted that the term 'properly compiled' is already used in a number of regulatory frameworks around the world in connection with reporting on pro forma financial information, and that this fact cannot be denied. The IAASB acknowledged this and agreed that in the circumstances, the key is transparency."

24. As noted in paragraph 10 above, the term “properly compiled” is used not only in the EU but also in a number of other jurisdictions in the context of reporting on the process of compiling PFI. More importantly, the Task Force believes that using a different term could create a significant risk that the resulting standard would not even meet the needs of jurisdictions where the “properly compiled” terminology is already well established for such engagements. Such an outcome would be inconsistent with the original remit of the project, which was to focus on a well established regime (i.e. the EU) and then identify principal issues for this regime and obtain input on the applicability and relevance of these issues in a more global context.
25. Nevertheless, the Task Force acknowledges that the standard could more clearly demarcate the type of assurance engagement it addresses from a non-assurance engagement in which the practitioner compiles the entity’s financial statements. Accordingly, the Task Force proposes that the standard emphasize this distinction (see paragraph 2). The Task Force believes that this should leave no doubt as to the nature of an engagement to report on the process of compilation.

E. Applicable Criteria vs. Basis of Compilation

26. Three IAASB respondents were of the view that confusion remained in the draft regarding the relationship between the applicable criteria and the basis of compilation. In particular, they noted that it was unclear whether the applicable criteria form part of the basis of compilation, or vice versa.

Task Force Response and Revised Proposals

27. The Task Force acknowledged that there was an element of overlap between the meanings of the two terms in the draft. Therefore, to eliminate the confusion, the Task Force proposes the following changes to the draft:
 - Revising the definition of “applicable criteria” to state that these are the “criteria in accordance with which the process to compile the pro forma financial information is to be applied,” consistent with the process-focused nature of the standard (see paragraph 11(a)).
 - Deleting the definition of the term “basis of compilation” from the standard.
 - Explaining that the applicable criteria may be established either by an authorized or recognized standard setting organization or by the relevant law or regulation (see paragraph A5).
 - Explaining that established criteria will be publicly available as part of the regulatory regime and therefore need not be repeated in the disclosures, but that criteria specifically developed by the responsible party would need to be disclosed (see paragraphs A18-A19).

F. Materiality

28. One IAASB respondent commented that the concept of materiality should apply to engagements covered by the proposed ISAE. Yet, the proposed wording of the opinion

included no reference to the phrase “in all material respects” to signify the importance of materiality in the practitioner determination of the nature and extent of procedures and the practitioner’s evaluation of the evidence obtained. The respondent added that, without the reference to materiality, the proposed report would be inconsistent with all other assurance reports in the IAASB’s suite of assurance standards.

Task Force Response and Revised Proposals

29. The Task Force agreed that a reference to materiality in the opinion would be appropriate, in line with the guidance in paragraph 57 of the *International Framework for Assurance Engagements*:

“In an assertion-based engagement, the practitioner’s conclusion can be worded either:

- (a) In terms of the responsible party’s assertion (for example: ‘In our opinion *the responsible party’s* assertion that internal control is effective, in all material respects, based on *XYZ criteria*, is fairly stated’); or
- (b) Directly in terms of the subject matter and the criteria (for example: ‘In our opinion internal control is effective, in all material respects, based on *XYZ criteria*’).”

30. The Task Force notes that there is already a precedent in the IAASB’s standards in referring to materiality when the practitioner is reporting on a process. Specifically, ISAE 3402 requires the service auditor’s opinion to be “expressed in the positive form, on whether, *in all material respects*, based on suitable criteria ...”⁶
31. Accordingly, the proposed wording of the opinion that explicitly addresses the process of compilation includes a reference to materiality (see paragraph 28(h)).

G. Subsequent Events

32. Two IAASB respondents disagreed that the practitioner should have no responsibility for subsequent events when reporting on the process to compile PFI. They were of the view that the practitioner should be required to take into account events or transactions that occur between the date of the PFI and the date of the practitioner’s report that may have an effect on the PFI (for example, a subsequent event that would require an additional pro forma adjustment) or that may otherwise require disclosure elsewhere in the prospectus. In addition, they felt that there may be situations where an event or transaction occurred after the date of the source information that may need to be reflected as a pro forma adjustment in order for the PFI not to be misleading (for example, the conversion by the entity of preferred shares into common shares, an awareness of which may be relevant to users’ understanding of the entity’s current capitalization).

Task Force Response and Revised Proposals

33. The Task Force is of the view that as the practitioner is not reporting on the source of column 1 or restating or updating it, the practitioner should not have any responsibility to perform subsequent event procedures after the date of the source information. Nevertheless, the Task Force accepted that there is an overriding requirement for the practitioner not to be

⁶ ISAE 3402, “Assurance Reports on Controls at a Service Organization,” paragraph 53(k).

associated with misleading information, notwithstanding the fact that the practitioner is only reporting on the process to compile the PFI.

34. Therefore, to the extent that significant events occurred after the date of the source information (and thus after the date of the PFI) but before the date of the practitioner’s report that may cause the PFI to be misleading, the Task Force believes that the practitioner should have a responsibility to consider whether these subsequent events need to be referred to or disclosed in the explanatory notes accompanying the PFI. However, the Task Force’s view is that the practitioner would already consider such events in connection with the practitioner’s other work regarding the prospectus. Accordingly, the Task Force does not believe that an explicit requirement to perform procedures to identify subsequent events would be necessary in this standard. Nevertheless, the Task Force proposes guidance to highlight the need for the practitioner to remain alert to any subsequent events, whether through performing work under this ISAE or otherwise (see paragraph A44).

H. Over-Engineering and Complexity of the Standard

35. As noted above, a view was expressed at the December 2009 meeting that the proposed standard seemed over-engineered and unduly complex. This view was reiterated by an IAASB respondent to the subsequent Request for Comments, who suggested that the draft could be shortened and made simpler in a number of ways.

Task Force Response and Revised Proposals

36. The Task Force accepted these comments. Accordingly, the Task Force proposes the following main changes to simplify the proposed standard:
- Deleting the definitions of the terms “pro forma financial information” and “proper compilation” (the definition of the latter in particular repeats much of the description of the process of compilation in paragraph 5).
 - Deleting the large number of requirements and guidance on modifications and Emphasis of Matter paragraphs (EOMs), as well as the illustrative report containing a modified opinion.
 - Broadly merging and simplifying the remaining requirements and guidance where appropriate, as shown in the marked draft in Agenda Item 2-B.

(The Task Force believes that it would be appropriate to delete the requirements and guidance pertaining to modifications and EOMs as these are expected to be generic to the proposed revised ISAE 3000⁷ and thus could be leveraged from there. Nevertheless, the Task Force is of the view that respondents’ views could be specifically sought on exposure as to whether these requirements and guidance should remain in the proposed ISAE 3420).

37. The Task Force believes that the above changes, as well as others resulting from addressing the other matters discussed above, have led to an overall clarification and simplification of the draft. Nevertheless, the Task Force has not discounted the possibility of further simplification once the IAASB finalizes the revised ISAE 3000.

⁷ ISAE 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information.”

I. Proposed Questions for Explanatory Memorandum

38. In the light of the above issues, and subject to the IAASB approving the proposed standard for issue as an ED, the Task Force proposes that respondents' views be specifically sought on the following matters on exposure:
- (a) In relation to reporting on the process to compile the PFI:
 - (i) Having regard to circumstances where the source of column 1 is audited, reviewed or neither, do respondents believe that the proposed extent of the practitioner's work effort on such source in each of the three circumstances is appropriate, excessive, or inadequate in order to be satisfied that the source is appropriate? (And likewise, in relation to the factual support for acquiree or divestee financial information).
 - (ii) Do respondents believe that the proposed nature and extent of the practitioner's work effort on other aspects of the engagement are appropriate?
 - (b) Do respondents agree that the scope of the proposed standard should be limited to circumstances where:
 - (i) The PFI is included in a prospectus?
 - (ii) The practitioner is required to report on the PFI by law or regulation?
 - (iii) It is generally accepted practice for the practitioner to report on the PFI in the jurisdiction in which the prospectus is to be issued?
 - (c) Do respondent believe that it is appropriate for the standard to use the terms "compile" and "compilation" to describe the process of putting the PFI together?
 - (d) Assuming that the proposed revised ISAE 3000 will include generic requirements and guidance on modified opinions and EOMs, do respondents believe that proposed ISAE 3420 should establish specific requirements and provide guidance on these matters in the context of reporting on the process to compile PFI?
 - (e) Do respondents believe that there would be benefit in IAASB developing a separate standard on reporting on PFI? If yes:
 - (i) Should both reasonable assurance and limited assurance on the PFI be addressed?
 - (ii) What should be the nature and extent of the practitioner's work effort on the underlying financial information and the pro forma adjustments in order to be able to report on the PFI in each case?
 - (iii) If both reasonable assurance and limited assurance on the PFI should be pursued, should two separate standards be developed? What types of standard should these be (i.e. ISAEs, ISAs or ISREs)?
39. Notwithstanding these questions, the Task Force believes that it would be important to emphasize in the explanatory memorandum that the proposed ISAE 3420 is being developed alongside the proposed revised ISAE 3000. Consequently, the IAASB may not issue the former as a final standard until after the latter has been finalized.

J. Provisional Effective Date

Need for an Effective Date

40. At the March 2008 IAASB-National Auditing Standard Setters meeting, participants considered the matter of effective dates for future IAASB standards. There was general support for considering effective dates at the time of exposure of a standard and for seeking comments thereon. One particular question that was considered was whether non-audit standards should have a different effective date model than the ISAs. Some participants suggested that non-audit standards need not have effective dates while others were of the view that they are important to encourage use of, and compliance with, the standards.
41. The principal arguments for not having an effective date for a non-audit standard are that setting such a date would:
 - Impose an artificial timeframe that may not be meaningful where there is no legal or regulatory requirement for practitioners to apply the standard for engagements within the scope the standard; and
 - Prevent users, and therefore the public interest, from receiving the full benefit of the new standard as soon as it is released.
42. On the other hand, setting an effective date would allow for an effective transition for national standard setters that may have existing standards dealing with the same subject matter and who wish to adopt or converge with the international standard. This would allow time for essential preparatory work at the national level for effective introduction of the international standard, including any necessary translation, due process and implementation activities. Doing so would thus enable each adopting jurisdiction to have a standard that is fully compliant with the IAASB's. It would also provide for clarity relative to the applicability of the international standard for engagements that may already be in progress when the standard is issued.
43. In addition, setting an effective date should not necessarily prevent users from receiving the full benefits from early adoption of the new standard, as the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services* permits application of an IAASB standard before its effective date.
44. For the latter reasons, the Task Force believes that an effective date should be set for the proposed ISAE 3420, consistent with the approach taken with the final ISAE 3402⁸ and extant ISAE 3000.

What Would be an Appropriate Effective Date?

45. The nature of the standard dictates in large measure the extent of the required implementation activities. This is not only in relation to the complexity or impact of the standard but also its subject matter. There is also the question of whether there is a strong need for the standard to come into effect in a relatively timely manner. This would depend on the public interest need being addressed by the standard.

⁸ ISAE 3402, "Assurance Reports on Controls at a Service Organization."

46. The Task Force believes that the proposals in the proposed ISAE 3420 do not represent fundamentally new or complex assurance principles, and that the subject matter of the standard does not represent fundamentally new ground for practitioners. Accordingly, it is unlikely that the development of extensive new training, implementation guidance and new methodologies would be required in support of effective implementation of the standard. In addition, given the present diversity and inconsistency of practice around the world in this area, there is a strong public interest need for the standard to be applicable at the earliest opportunity.
47. Given these considerations, and subject to any effect the revision of ISAE 3000 may have on ISAE 3420, the Task Force believes that an appropriate effective date for the standard would be 18 months after its expected date of final approval (March 2011), i.e. for assurance reports dated on or after October 1, 2012.
48. Subject to the IAASB's views, the Task Force recommends that comments be sought specifically on this proposed effective date on exposure.

K. Consideration by IAASB of Significant Matters Identified by Task Force

49. In the Task Force's view, the significant matters the Task Force has identified as a result of its deliberations since the beginning of this project, and the Task Force's considerations thereon, have all been reflected in the issues papers presented at the IAASB meetings in March, September and December 2009, and this meeting. In the Task Force's view, there are no significant matters discussed within the Task Force on this project that have not been brought to the IAASB's attention.