



Auditing and Assurance Standards Council

August 31, 2010

TO : **Philippine Institute of Certified Public Accountants**
Association of CPAs in Public Practice
Organizations Interested in Auditing Standards

The **Auditing and Assurance Standards Council (AASC)** is the body authorized to establish and promulgate generally accepted auditing standards in the Philippines. The AASC pronouncements are adopted from the International Standards on quality control, auditing, review, other assurance and related services and International Practice Statements issued by the International Auditing and Assurance Standards Board (IAASB). The IAASB was established by the International Federation of Accountants (IFAC) to develop and issue such pronouncements, collectively referred to as "IAASB's Standards and Practice Statements."

The main objective of the AASC in adopting IAASB's Standards and Practice Statements is to attain uniformity of the local auditing standards and other pronouncements with the IAASB's pronouncements. This harmonization is expected to enhance the reliability and acceptability of audited financial statements of Philippine companies.

In connection with its standard-setting function, the AASC has approved the distribution for comment of the following exposure draft (ED):

**ED No. 116: Philippine Standard on Assurance Engagements (PSAE) 3420,
Assurance Reports on the Process to Compile Pro Forma Financial
Information Included in a Prospectus**

The above ED of PSAE 3420 is based on the ED of International Standard on Assurance Engagements (ISAE) 3420, *Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus*. It deals with reasonable assurance engagements undertaken by a professional accountant in public practice to report on the process to compile pro forma financial information included in a prospectus, where such reporting is required by securities law or the regulation of the securities exchange in the jurisdiction in which the prospectus is to be issued, or where this reporting is generally accepted practice in such jurisdiction. The Explanatory Memorandum attached to the ED is the exact version of what is included in the ED prepared by the IAASB and has been retained in its entirety to provide readers with the necessary background in the issuance of the proposed standard.

The AASC wishes to obtain your comments on the above ED, as well as the views of the members of your organization and other interested parties. In order to achieve maximum exposure and feedback, the AASC encourages the reproduction of the ED.



Comments should be submitted so as to be received by **September 20, 2010**, preferably by e-mail or in writing. Comments should be addressed to:

Judith V. Lopez
Chairman
Auditing and Assurance Standards Council
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The comments obtained will be considered in developing AASC's comments on ISAE 3420 to be submitted to the IAASB on September 30, 2010.

We thank you for your cooperation in this effort to establish and improve generally accepted auditing standards in the Philippines. We look forward to receiving your comments.

Very truly yours,



Judith V. Lopez
Chairman