

## 2.2.7 Comfort letters

### Introduction

Third parties such as underwriters, buyers, sellers, brokers, selling agents, or other auditors may seek comfort over financial and other information included in an offer document (an offer document is any form of invitation which offers securities to the public).

The auditor may undertake a comfort letter engagement in accordance with:

- Australian Standard on Related Services [ASRS 4450 'Comfort Letter Engagements'](#); or
- the requirements of a standard issued by a national audit standard-setting body from a jurisdiction where the party requesting a comfort letter resides.

ASRS 4450 contains mandatory requirements and guidance for these engagements.

A comfort letter is based on the auditor performing the requesting parties' specified procedures and consequently no assurance is expressed.

### Policies and guidance

#### Engagement acceptance and continuance

1. **Engagement Controllers (EC) must obtain:**
  - **written approval from the Deputy Auditor-General before agreeing to any requests for comfort letters in accordance with policy [2.2.10 'Approval for the Audit Office to perform additional services'](#)**
  - **an indemnity from the issuer or guarantor, as appropriate, for reimbursement of costs in the event of claims. The EC must discuss obtaining an indemnity with the Director, Governance (Legal) before accepting the engagement request. If an indemnity cannot be obtained, the EC must discuss with, and obtain approval from, the Deputy Auditor-General before accepting the engagement.**
2. **The EC must establish the Auditor-General has the mandate to issue the comfort letter. The engagement file must document the Auditor-General's legal authority to perform the requested service.**
3. **Before agreeing to the terms of providing a comfort letter, the EC must understand:**
  - **the parties to whom the comfort letter will be provided**
  - **specific matter(s) to be addressed in the comfort letter**
  - **the nature of the transaction that requires an offer document**
  - **jurisdiction(s) to which the offer document will be issued and applicable laws or regulations that may affect the comfort letter**
  - **whether the public sector entity and requesting party accept their responsibilities as specified in [ASRS 4450](#), (if applicable)**
  - **the implications of issuing a comfort letter under the standard of a different jurisdiction (if applicable).**

## Documenting Terms of the Engagement

4. **The EC must document the agreed terms in an engagement letter and send the draft letter to the Professional Services Branch (PSB) for review in accordance with policy [2.2.4 'Documentation of Engagement Terms'](#).** The engagement letter must be addressed to those responsible for governance of the entity and the requesting parties. It must contain the minimum requirements listed in paragraph 16 of ASRS 4450 (if the letter is issued under Australian jurisdiction) and state the engagement will be performed in accordance with ASRS 4450 and applicable Australian laws and regulations.
5. **The engagement file and the corresponding HPCM file must contain the written agreement between the entity and the requesting parties to the terms of engagement. If the entity does not agree to sign an agreement of terms, which is attached to the engagement letter, the engagement must not be accepted.** If the requesting parties are unable to evidence their agreement by signing the engagement letter, the auditor must perform procedures to ensure the requesting party understands the terms of the engagement.
6. **The EC shall not agree to a change in the scope of services outlined in the engagement letter if there is no reasonable justification for doing so. If the terms of engagement are agreed to be changed, the revised terms shall be documented in writing and co-signed by the EC, the responsible party of the entity and the requesting parties. The EC must:**
  - **advise the Deputy Auditor-General and obtain approval for the revised scope**
  - **once the Deputy Auditor-General's approval is obtained, send the draft revised terms of engagement to PSB for review before signing.**

## Performing the engagement

7. **The engagement team must:**
  - **perform the procedures specified in the engagement letter**
  - **refer to [ASRS 4450](#) (if relevant) when performing procedures or commenting on financial information other than audited or reviewed financial statements**
  - **document the nature, timing and extent of procedures performed as specified by the requesting parties and the results obtained, as identified in the comfort letter within the Non-General Purpose Financial Statements engagement file**
  - **send the draft comfort letter along with a copy of the underwriting agreement to PSB for review and clearance before issuing in accordance with Procedures on Engagements other than Audits of General Purpose Financial Statements.**
8. **The engagement team shall request a written representation letter from the entity's Chief Executive Officer and Chief Financial Officer (or equivalent). The date of the representation letter shall be either the cut-off date of the offering document, or as near as practicable to, but not after, the date of the comfort letter.**

## Consent to inclusion of the comfort letter in the offering circular

9. **Offering circulars relating to issues described in this section may require comfort letters to be included. The Audit Office will ordinarily only consent to the inclusion of the comfort letter in an offering circular if there is a regulatory requirement.**

## Issuing the comfort letter

10. The Auditor-General will sign the comfort letter where signing responsibility has not been delegated for the entity issuing the comfort letter. Audit teams should refer to **Signing the Independent Audit Reports (IARs)**. For those engagements where the Auditor-General has delegated signing responsibility to the EC, then the EC signs the comfort letter.

## Effective date

Issued May 2022 and effective May 2022.