

**CIRCULAR TO:**    **FULL MEMBERS**  
                          **ASSOCIATE MEMBERS DEALING**  
                          **CLEARING MEMBERS**

**NO.28/2000**

**NEW AUDITOR'S CERTIFICATE**

The Exchange and the Clearing House have reviewed the standard form of the audit certificate which is to be signed by Members' auditors and lodged with the Exchange within three months of the end of the Members' financial years. The certificate is a form prescribed by the Exchange Board and by the Clearing House Board, and is in identical terms. It forms the Eighth Schedule to the Articles of the Exchange and Form 1 in the Ninth Schedule to the Clearing By-Laws.

The current certificate has been in use for many years, and following the review it has been substantially rewritten so as to comply with the current Australian auditing standards.

Members should ensure that their auditors are aware of the new certificate so that it may be included in the process for their forthcoming audit programmes.

**BARBARA JONES**  
**COMPANY SECRETARY**

**7 FEBRUARY 2000**

**Independent auditors' report to the directors of [Entity Name]**

*(This certificate forms the Eighth Schedule to SFE Articles and Form 1 in the Ninth Schedule to Clearing By-Laws)*

**Scope**

We have conducted an independent audit in accordance with Australian Auditing Standards to provide an opinion on the design of the internal control procedures relating to dealing activities established by [Entity name] (the "Member") to ensure compliance with the requirements set out in the Business Rules of the Sydney Futures Exchange, for the [period] ended [date]. The Member's directors are responsible for establishing and monitoring an effective internal control structure comprising control procedures which ensure dealing activities comply with the requirements of the Business Rules, including maintaining the required level of net tangible assets.

This audit report has been prepared for the directors and the Sydney Futures Exchange in accordance with Article [3.6(3)(b)(iv) /4.6(4)(c)(iv) / 4A.7A(4)(c)(iv)]<sup>1</sup> of the Business Rules. We disclaim any assumption of responsibility for reliance on this report to which it relates to any person other than the directors and the Sydney Futures Exchange or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards and accordingly included such tests and procedures as we considered necessary in the circumstances. These procedures have been undertaken to form an opinion whether in all material aspects, the control procedures in relation to the Member's dealing activities were adequately designed to comply with the Business Rules and operated effectively. These procedures included examination, on a test basis, of accounting records and other evidence supporting the level of net tangible assets, as defined in the Exchange's Articles of Association, maintained by the Member.

**Inherent limitations**

An audit is not designed to detect all weaknesses in control procedures or compliance with the Business Rules as it is not performed continuously throughout the period and tests performed are on a sample basis.

**Internal controls**

Because of the inherent limitations in any internal control structure it is possible that errors and irregularities may occur and may not be detected. Further, the internal control structure, within which the control procedures relating to the Member's dealing activities that we have audited operate, has not been the subject of a separate audit, and no opinion is expressed as to its effectiveness.

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<sup>1</sup> Article 3.6(3)(b)(iv) - Floor Members; Article 4.6(4)(c)(iv) – Associate Members; Article 4A.7A(4)(c)(iv) – Local Members

Any projection of the evaluation of internal control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

### **Net tangible assets**

The accounting records and data used by the Member to determine net tangible asset levels throughout the year do not necessarily reflect the normal year end financial adjustments for such matters as accruals, prepayments, provisioning and valuations necessary for year end financial report preparation.

Our audit opinion has been formed on the above basis.

### **Audit Opinion**

In our opinion,

- (a) The internal control procedures relating to the dealing activities of the Member are/are not adequately designed and operated effectively, having regard to the nature and size of the business of the Member, to ensure compliance with the SFE Rules during the [period] ended [date].
- (b) The Member has/has not maintained the required level of net tangible assets throughout the [period] ended [date]; and
- (c) There are/are not reasonable grounds to believe the Member will be able to meet their obligations as and when they fall due.

[Name of firm]

Address [address]

Dated [date]

**Appendix: Directors' Declaration**

As directors of [Entity name], we are responsible for establishing and monitoring an effective internal control system for the dealing activities of [Entity name] in order to comply with the Sydney Futures Exchange Business Rules. In carrying out this responsibility, we have had regard to the interests of the clients and owners of the business, and to the general effectiveness and efficiency of the operations of the business.

In the opinion of the directors of [Entity name]:

- (a) The internal control procedures relating to the dealing activities of the Member are/are not adequately designed and operated effectively, having regard to the nature and size of the business of the Member, to ensure compliance with the SFE Rules during the [period] ended [date].
- (b) The Member has/has not maintained the required level of net tangible assets throughout the [period] ended [date]; and
- (c) There are/are not reasonable grounds to believe the Member will be able to meet their obligations as and when they fall due.

Signed in accordance with a resolution of the Board.

Date: [date]