



Exposure Draft

Proposed Other Canadian Standard — Specialized Area

Auditor's Consent to the Use of the Auditor's Report in Connection with a Designated Document

May 2018

**COMMENTS TO THE AASB MUST BE RECEIVED BY
July 31, 2018**

**Respondents are asked to email their comment letters
(in a Word file) to:**

info@aaasbcanada.ca

Please address your comments to:

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Director, Auditing and Assurance Standards

Auditing and Assurance Standards Board

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Individuals and organizations are invited to send written comments on the Exposure Draft proposals. Comments are requested from those who agree with the Exposure Draft as well as from those who do not.

Comments are most helpful if they are related to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning. All comments received by the AASB will be available on the website shortly after the comment deadline, unless confidentiality is requested. The request for confidentiality must be stated explicitly within the response.

Highlights

The Auditing and Assurance Standards Board (AASB) proposes, subject to comments received on exposure, to issue revised AUDITOR'S CONSENT TO THE USE OF THE AUDITOR'S REPORT IN CONNECTION WITH A DESIGNATED DOCUMENT, Section 7170. The revised Section 7170 would replace:

- Extant AUDITOR'S CONSENT TO THE USE OF THE AUDITOR'S REPORT INCLUDED IN A BUSINESS ACQUISITION REPORT, Section 7170; and
- AUDITOR'S CONSENT TO THE USE OF THE AUDITOR'S REPORT IN CONNECTION WITH DESIGNATED DOCUMENTS, Section 7500.

Background

In June 2017, the AASB approved a project to revise Section 7500. One of the issues to be considered as part of the Section 7500 revision project is how the CPA Handbook – Assurance should be structured to appropriately address standards on providing consent. The current structure may be confusing and may result in practitioners not applying the appropriate work effort when requested to consent.

Extant Section 7170 deals with an auditor's consent in connection with a business acquisition report. The AASB believes that the concepts within extant Section 7170 are also appropriate for addressing consent to the use of the auditor's report in connection with audited financial statements or other continuous disclosure documents containing¹ the audited financial statements filed with securities regulatory authorities. This is because the auditor's consent serves the same purpose of providing officers and directors with their due diligence defence or other similar purposes.

In September 2017, the AASB decided that, rather than making extensive revisions to Section 7500 to reflect the improvements already made in developing extant Section 7170, the best approach would be to expand the scope of Section 7170 and then withdraw Section 7500.

Main features of the Exposure Draft

Structure of the CPA Handbook – Assurance

As currently structured in the CPA Handbook – Assurance, a practitioner would look to the following standards when requested to consent:

- Section 7150² when requested to consent in connection with an offering document and non-offering prospectus;
- Extant Section 7170 when requested to consent in connection with a business acquisition report;
- Section 7500 when requested to consent in connection with audited financial statements, Management Discussion and Analysis (MD&A) and other continuous disclosure documents containing audited financial statements;
- Paragraphs 23-24 of Section 7500 when the auditor is deemed to be associated with an Annual Information Form (AIF); and
- CSOA 5000³ when requested to consent in connection with translated information or accompanying information not covered by Sections 7150, 7170 and 7500.

¹ References to audited financial statements and the auditor's report contained in a document include audited financial statements and the auditor's report incorporated by reference in the document.

² AUDITOR'S CONSENT TO THE USE OF A REPORT OF THE AUDITOR INCLUDED IN AN OFFERING DOCUMENT, Section 7150

³ Canadian Standard on Association (CSOA) 5000, *Use of the Practitioner's Communication or Name*

The complexity of the current structure may result in confusion as to which standard an auditor applies when requested to consent.

The Exposure Draft proposes an approach that serves the public interest by clarifying the structure to the CPA Canada Handbook – Assurance, with three standards addressing three different purposes of consent. Under the proposed approach, the practitioner would refer to:

- Section 7150 when requested to consent in connection with an offering document and non-offering prospectus to assist the entity in raising money and listing on stock exchanges;
- Revised Section 7170 when requested to consent in connection with audited financial statements or a document containing audited financial statements filed with securities regulatory authorities (other than a document addressed by Section 7150) to assist officers and directors of the entity (or acquirer of a business in the case of consent in connection with a Business Acquisition Report) to conduct a reasonable investigation for purposes of a due diligence defence or other similar purposes; and
- CSOA 5000 when requested to consent in connection with translated information or accompanying information not covered by Sections 7150 and 7170.

Consent in CPA Canada Handbook – Assurance		
Section 7150 Offering documents and non-offering prospectuses	Section 7170 Audited financial statements and other continuous disclosure documents containing audited financial statements filed with securities regulatory authorities	CSOA 5000 Translated information or accompanying information not covered by Section 7150 or Section 7170

Scope of revised Section 7170

The Exposure Draft proposes that the revised Section 7170 deal with an auditor's responsibilities in responding to requests to consent to the use of the auditor's report in connection with a designated document. A designated document consists of the following continuous disclosure documents filed with securities regulatory authorities:

- (a) audited financial statements; or
- (b) a document that contains, or incorporates by reference, the audited financial statements.

Documents currently within the scope of Section 7500 that will be included within the scope of the proposed Section 7170 include:

- the entity's audited financial statements; or
- the entity's annual report that contains the entity's audited financial statements and the auditor's report thereon.

Several documents currently within the scope of Section 7500 will be excluded from the scope of the revised Section 7170 unless they meet the definition of a designated document under the revised Section 7170. These documents include the entity's:

- MD&A;
- material change report; and
- AIF.

The AASB understands that auditors are rarely, if ever, requested to consent to the use of the auditor's report in connection with the MD&A, material change report and the AIF. If the auditor is requested to consent in connection with such a document, the auditor would refer to CSOA 5000 unless the document meets the definition of a designated document under proposed Section 7170.⁴

The AIF is not a designated document as defined in Section 7500. However, Section 7500 deems the auditor to be associated with the AIF when the auditor agrees to consent to the use of the auditor's report on an entity's financial statements and the entity intends to file an AIF with securities regulatory authorities. In response to a stakeholder comment raised during the exposure of Section 7500, the Basis for Conclusions on Section 7500 indicated that the AASB may reconsider the deemed association to the AIF in a future project to revise Section 7500.

When developing the revised Section 7170, the AASB reconsidered the appropriateness of deeming the auditor to be associated with the AIF. In light of its recent discussions on association, the Board has reversed this initial position.

Work effort

With the exception of interim review procedures for the purpose of identifying intervening period events, the requirements on the auditor's procedures in the Exposure Draft remain largely unchanged from those in extant Section 7170. When developing the Exposure Draft, the Board reconsidered all requirements and application and other explanatory material in extant Section 7170. The Board believes that the auditor's responsibilities relating to performing interim review procedures can be further clarified. Accordingly, the Board is proposing new requirements and application material to clarify:

- how the auditor responds to issues identified when performing procedures relating to intervening period events; and
- the objective of such procedures.

Please see the Appendix for a summary of areas where the requirements in extant Section 7170 differ from those in Section 7500.

Format of the auditor's consent

Section 7500 requires the auditor's consent to be in writing. The auditor's consent as contemplated in the Exposure Draft is provided only to officers and directors of the entity (or the acquirer in the context of a business acquisition) as agreed to in the terms of engagement. The auditor's consent is intended to assist officers and directors in discharging their responsibilities. Similar to extant Section 7170, the Exposure Draft is developed under the assumption that the users of the auditor's work (i.e., the directors and officers) are:

⁴ For example, there is a remote possibility that the auditor would be requested to consent to the use of the auditor's report in connection with a material change report or AIF that also contains audited financial statements.

- in a position to determine the nature and extent of the assistance they need from the auditor;
- able to question the auditor about the procedures carried out and the results of the procedures; and
- able to communicate with the auditor on a frequent and less formal basis.

Based on the focus on assisting officers and directors in discharging their responsibilities, the Exposure Draft proposes to permit the auditor's consent in connection with a designated document to be provided either orally or in writing.

In permitting the auditor's consent to be provided either in writing or orally, the AASB emphasizes that its intention is to permit flexibility in how the auditor's consent is delivered. Officers and directors who wish to have a written auditor's consent can request the auditor to provide the auditor's consent in writing.

Conforming amendments to Section 7150

Paragraph A3 of Section 7150 explains that “a non-offering prospectus is filed by an entity to become a reporting issuer, and not to raise money.” A listing document is a document that is issued by an entity in connection with an application for listing. In the AASB's view, a listing document is similar in nature to a non-offering prospectus. Therefore, the Board proposes a consequential amendment to paragraph A3 of Section 7150 to clarify that the listing document is included within the scope of Section 7150.

- A3. There may also be other documents, such as a non-offering prospectus, in which the auditor may be asked to provide consent. A non-offering prospectus is filed by an entity to become a reporting issuer, and not to raise money. Most of the securities regulatory requirements that apply to a prospectus that offers securities also apply to a non-offering prospectus. A listing document is a document that is issued by an entity in connection with an application for listing. This Section may be applied, adapted as necessary in the circumstances, to an auditor's consent to the use of a report of the auditor included in a non-offering prospectus or a listing document.

Effective date

Subject to input the AASB receives from Canadian stakeholders, the revised Section 7170 would be effective for consents issued on or after June 1, 2019. Earlier application would be permitted.

Comments requested

The AASB requests comments on any aspect of proposed Section 7170. Comments are most helpful when they relate to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning.

The AASB seeks views on the following questions:

1. The section on the Structure of the CPA Handbook – Assurance sets out the three standards that deal with consent to the use of the practitioner's name or report. Is there any information on which the practitioner may be requested to provide consent that:
 - (a) is not covered by Section 7150, Section 7170 or CSOA 5000; and
 - (b) in your view, should be addressed by a standard within the CPA Handbook – Assurance?

If so, please identify the information and your views on the practitioner's responsibilities to obtain a basis to provide consent in connection with that information. For example, should the practitioner's responsibilities be similar to those set out in Section 7150, proposed Section 7170 or CSOA 5000?

2. Do you agree with the scope of the proposed Section 7170?
3. Do you agree with the proposed requirements and application and other explanatory material on the auditor's interim review procedures for the purpose of identifying intervening period events?
4. The AASB is proposing to permit the auditor's consent to be provided either orally or in writing. Are there any other matters that the Board should take into consideration when finalizing the requirements relating to the format of the auditor's consent?
5. Do you agree with the conforming amendment to Section 7150 to clarify that a listing document is within the scope of Section 7150?
6. Do you agree with the proposed effective date?
7. Have you identified any other issues, including implementation issues relating to the proposed Section 7170?

The deadline for providing your comments to the AASB is July 31, 2018.

Appendix

Summary of areas where the requirements in extant Section 7170 differ from those in Section 7500

Prior to the development of extant Section 7170, an auditor's consent in connection with a business acquisition report was addressed in Section 7500. When developing extant Section 7170, the AASB carefully considered the balance between requiring sufficient work effort for the auditor to obtain an appropriate basis to provide consent and avoiding placing overly onerous obligations on the auditor (and therefore costs to the entities). To achieve an appropriate balance that is in the public interest, extant Section 7170 included a number of requirements that differ from those in Section 7500. The Board also deliberated the format and content of the auditor's consent and removed requirements that it believes are unnecessary. Stakeholders agreed with the requirements during exposure of extant Section 7170.

The following summarizes areas where the requirements in extant Section 7170 differ from those in Section 7500. These requirements are also reflected in the proposed Section 7170.

	Extant Section 7170	Section 7500
Interim review procedures See extant paragraphs 7170.10(e) and (f), and paragraph 7500.17	Auditor is required to perform interim review procedures on the most recent interim financial statements only if it is included in the designated document. If the interim financial statements are not included in the designated document, the auditor is required to read the interim financial statements.	Auditor is required to perform interim review procedures on the most recent interim financial statements.
Format of consent See extant paragraph 7170.5(b) and paragraph 7500.8(b)	Section 7170 permits the auditor's consent to be provided either orally or in writing.	Section 7500 requires the auditor's consent to be in writing.
Identification of auditor's report See extant paragraph 7170.15(c) and paragraph 7500.22(c)	Section 7170 requires the auditor's consent to identify the auditor's report but not the reference to modifications in the auditor's report.	Section 7500 requires the auditor's consent to identify the auditor's report and any modifications therein.
Statement on use of the auditor's consent See paragraph 7500.22(g)	Section 7170 does not have such a requirement.	Section 7500 requires the auditor's consent to include a statement that the auditor's consent is provided for use solely in connection with the continuous disclosure document pursuant to the continuous disclosure provisions of securities legislation of an identified jurisdiction or jurisdictions, and that, accordingly, the auditor does not consent to the use of the auditor's report for any other purpose.

SPECIALIZED AREAS

SECTION 7170

auditor's consent to the use of the auditor's report in connection with a designated document

(Effective for an auditor's consent issued on or after June 1, 2019.)*

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Introduction

Scope of this Section

1. This Section deals with an auditor's responsibilities in responding to requests to consent to the use of the auditor's report in connection with a designated document. A designated document is a document other than a document addressed by Section 7150ⁱⁱ, and consists of the following continuous disclosure documents filed with securities regulatory authorities:
 - (a) Audited financial statements; or
 - (b) A document that contains, or incorporates by reference, the audited financial statements.

If the designated document is to be included in an offering document such as a prospectus, Section 7150 sets out the auditor's responsibilities when the auditor is requested to consent to the use of the auditor's report included in the offering document. (Ref: Para. A1-A3)

Consent to the Use of the Auditor's Report

2. Consenting to the use of the auditor's report in connection with a designated document is a matter of contract between the auditor and the entity. Accordingly, the auditor is never obliged to consent to the use of auditor's report. (Ref: Para. A4-A5)

Effective Date

3. This Section is effective for an auditor's consent issued on or after June 1, 2019.

Objective

4. The objective of the auditor is to obtain an appropriate basis to consent to the use of the auditor's report in connection with the designated document. Obtaining an appropriate basis includes the resolution of matters that have come to the auditor's attention as a result of performing the procedures in this Section.

Definitions

5. For purposes of this Section, the following terms have the meanings attributed below:
 - (a) Business acquisition report – A business acquisition report as defined in securities legislation. The business acquisition report is filed with securities regulatory authorities and describes the significant business acquired and the effect of the acquisition on the acquirer.
 - (b) Consent – An oral or written acknowledgment that the auditor agrees to the use of the auditor's report.
 - (c) Intervening period – The period between the date of the auditor's report on the most recent audited financial statements and the date of the auditor's consent.
 - (d) Other information – Financial and non-financial information, other than the audited financial statements and the auditor's report thereon, included in a designated document.
6. For the purposes of this Section, references to auditor's reports, financial statements or other information "in", "included in", or "contained in" a document includes information incorporated by reference in the document. In the case of a business acquisition report, unless otherwise specified, references to "entity" refer to the acquirer or the acquired business depending on the context in which the reference is used.

Requirements

Engagement Acceptance Considerations and Agreeing the Terms of Engagement

7. Before accepting an engagement that includes a request for the auditor to issue consent to the use of the auditor's report, the auditor shall reach an understanding and agreement with management or those charged with governance of the entity as to the nature and terms of the engagement. (Ref: Para. A6-A7)
8. The agreed terms of the engagement shall be recorded in an engagement letter or other suitable form of written agreement and shall include:
 - (a) The objective and scope of the engagement;
 - (b) The responsibilities of management;
 - (c) If applicable, a statement that the auditor will not be performing an engagement to audit or review the designated document as a whole; and
 - (d) Reference to the expected form and content of the consent. (Ref: Para. A6-A7)
9. An engagement to provide consent is not an assurance engagement. The auditor is also unable to provide assurance on the other information unless the auditor has performed an engagement to audit or review that information in accordance with applicable assurance standards.

Performing Procedures to Provide a Basis for Consent

Intervening Period Events

10. The auditor shall perform procedures designed to assess whether management has appropriately identified and addressed intervening period events indicating the existence of material misstatements in the audited financial statements. The auditor's procedures shall include:
 - (a) Obtaining an understanding of any procedures management has established to ensure that intervening period events are identified;
 - (b) Inquiring of management as to whether intervening period events were identified and, if so, how they were dealt with;
 - (c) Requesting from appropriate parties written representations relating to intervening period events that could materially affect the audited financial statements;
 - (d) Reading minutes, if any, of meetings of the owners, management and those charged with governance of the entity that have been held in the intervening period and inquiring about matters discussed at any such meetings for which minutes are not yet available;
 - (e) If interim financial statements are included in the designated document, performing interim review procedures on the interim financial statements if an engagement to review those interim financial statements has not previously been performed; and
 - (f) If interim financial statements are not included in the designated document, reading the latest interim financial statements, if any, that have been prepared subsequent to the most recent set of audited financial statements included in the designated document. (Ref: Para. A8-A11)
11. If a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall take appropriate actions in accordance with CAS 560ⁱⁱⁱ.

12. If an intervening period event other than the type described in paragraph 11 is identified, the auditor shall consider what actions, if any, are necessary. (Ref: Para. A12)

Other Information

13. The auditor shall read the other information. If the auditor becomes aware of a material inconsistency between that information and the audited financial statements, the auditor shall determine what effect, if any, the material inconsistency has on the audited financial statements and the auditor's report thereon. (Ref: Para. A13-A14)

Accurate Reproduction of the Financial Statements Reported on by the Auditor and the Auditor's Report Thereon

14. The auditor shall determine whether the audited financial statements and the auditor's report thereon have been accurately reproduced. (Ref: Para. A15)

Resolution of Matters

15. In performing the procedures to obtain an appropriate basis to consent to the use of the auditor's report, if the auditor becomes aware of:

- (a) A material inconsistency or a potential misrepresentation in the other information;
- (b) An apparent failure, through omission or otherwise, of the designated document to comply with the applicable regulatory form requirements; or
- (c) Any other matters when performing the procedures in paragraphs 10-14,

the auditor shall discuss the matters with management and, when applicable, those charged with governance, or legal counsel, of the entity and perform any other necessary procedures to resolve the matters. (Ref: Para. A16-A17)

16. If the auditor is unable to satisfactorily resolve all matters that have come to the auditor's attention, the auditor shall notify those charged with governance that the auditor does not consent to the use of the auditor's report.

The Auditor's Consent

Form and Content of the Auditor's Consent

17. A consent provided by the auditor shall:

- (a) Be addressed to an appropriate addressee;
- (b) Identify the designated document;
- (c) Identify the auditor's report; and
- (d) Express the auditor's consent to the use of the auditor's report in connection with the designated document. (Ref: Para. A18)

Date of Consent

18. The auditor's written consent shall be dated, and the auditor's oral consent shall be provided, no earlier than the date at which the auditor has obtained evidence on which to base the auditor's consent, including evidence that those with recognized authority have asserted that they have taken responsibility for the designated document.

Documentation

19. The auditor shall document the form and content of the consent, and the basis for providing consent in accordance with this Section. (Ref: Para. A19)

Application and Other Explanatory Material

Scope of this Section (Ref: Para. 1)

- A1. Designated documents applicable to this Section include, for example:
- Audited financial statements.
 - Annual report.
 - Business acquisition report.
- A2. Documents addressed by Section 7150 are excluded from this Section. Such documents include, for example, preliminary prospectuses, prospectuses, private placement offering memoranda, statements of material facts, takeover bid circulars, issuer bid circulars, information circulars, non-offering prospectus, and listing documents.
- A3. CSOA 5000^{iv} sets out the auditor's responsibilities if the auditor is requested to consent to the use of the auditor's report or name in connection with accompanying information that is not contemplated in this Section or in Section 7150; for example, the entity's Management Discussion and Analysis, which does not contain, or incorporate by reference, the audited financial statements.

Consent to the Use of the Auditor's Report (Ref: Para. 2)

- A4. The auditor may encounter circumstances when the auditor may be considered to have consented, or to have agreed to provide consent, when that was not the case. For example, if a business acquisition report includes audited financial statements of an acquired business and the auditor's report thereon, and the auditor has not provided consent to the inclusion of the auditor's report in the business acquisition report, securities regulations require the business acquisition report to disclose this fact. The auditor of an acquired business may become aware that the acquirer's business acquisition report did not include such a disclosure even though the auditor's consent was not obtained. In such circumstances, CSOA 5000^v deals with the auditor's responsibilities when the auditor becomes aware of an inappropriate use of the auditor's name or report.
- A5. Appendix 1 illustrates a letter from the auditor to the acquirer when the auditor becomes aware that the auditor's report on the financial statements of the acquired business on which the auditor reported are included in a business acquisition report without disclosure that the auditor's consent has not been obtained, and the auditor:
- (a) Has been engaged to perform, but has not completed, procedures under this Section; or
 - (b) Has not been engaged to perform the procedures under this Section.

The illustrative letter may be adapted, as necessary, to notify the entity that the auditor does not consent to the use of the auditor's report in connection with the audited financial statements or document.

Engagement Acceptance Considerations and Agreeing the Terms of Engagement

(Ref: Para. 7-8)

- A6. The auditor may wish to obtain management's agreement that management will obtain the auditor's consent before using the auditor's report on the entity's audited financial statements or in connection with the entity's annual report by including appropriate wording in an engagement letter for the audit of the annual financial statements. For consent to the use of the auditor's report in connection with a business acquisition report, the auditor may set out the terms of engagement in a separate engagement letter. Appendix 2 illustrates an engagement letter when the auditor is engaged to provide consent to the use of the auditor's report in connection with a business acquisition report. This illustrative engagement letter may be adapted, as necessary, for an auditor's consent in connection with other designated documents.
- A7. When the auditor is being asked to consent to the use of the auditor's report in connection with a designated document that may subsequently be incorporated into an offering document, the auditor may wish to explain that additional procedures may be necessary. For example, securities legislation in many Canadian jurisdictions requires unaudited financial statements included in a prospectus to be reviewed, and may require additional procedures to be performed on the comparative information in the interim and annual financial statements.

Performing Procedures to Provide a Basis for Consent

Intervening Period Events (Ref: Para. 10-14)

- A8. In complying with paragraph 10(c) for consent in connection with a business acquisition report, the auditor may, for example, request written representations from:
- Management of the acquirer or acquired business, as appropriate, relating to matters that management has communicated to the auditor that could materially affect the audited financial statements of the acquired business on which the auditor has reported.
 - The auditor of the acquirer as to whether the acquirer's auditor's procedures revealed any matters that could materially affect the audited financial statements of the acquired business reported on.
- A9. In the context of a business acquisition, paragraph 10(d) requires the auditor to read the minutes, if any, of meetings of the owners, management and those charged with governance of the acquired business that have been held in the intervening period and inquiring about matters discussed at any such meetings for which minutes are not yet available.
- A10. Paragraph 10(e) requires the auditor to perform interim review procedures, but not an interim review engagement, on interim financial statements included in the designated document. The interim review procedures are those set out in paragraphs 7 to 13 and 15 to 17 of Section 7060^{vi}. Since the intent of performing the interim review procedures is to identify intervening period events, interim review procedures on the comparative period are usually not necessary. This contrasts with situations when the auditor has been engaged to consent in connection with an offering document, in which case, Section 7150 requires the auditor to also perform interim review procedures on the comparative interim periods.
- A11. Management is responsible for identifying intervening period events and for understanding and complying with requirements in the applicable securities legislation. In performing procedures to assess whether management has appropriately identified and addressed intervening period events, the auditor's primary focus is on whether intervening period events indicate the existence of material misstatements in the audited financial statements.

A12. An intervening period event other than the type described in paragraph 11 includes, for example, a possible material misstatement in the interim financial statements that might have affected the auditor's interim review report had the auditor known about it. In such cases, possible actions that the auditor may take include those set out in paragraph A40 of Section 7060.

Other Information (Ref: Para. 13)

A13. If the other information falls within the scope of CAS 720,^{vii} the auditor may have met the requirement in paragraph 11 when performing the procedures under CAS 720.

A14. In the context of a business acquisition report, other information is the information other than the audited financial statements on which the auditor reported and the auditor's report thereon. Other information includes, for example, pro forma financial statements included in the business acquisition report.

Accurate Reproduction of the Financial Statements Reported on by the Auditor and the Auditor's Report Thereon (Ref: Para. 14)

A15. In determining whether the audited financial statements and the auditor's report thereon have been accurately reproduced, the auditor may determine whether there has been an accurate reproduction of:

- (a) If applicable, the audited financial statements and the auditor's report thereon that are to be included in a designated document prior to providing consent; and
- (b) The audited financial statements and the auditor's report thereon that are posted on SEDAR,^{viii} or included in the designated document that is posted on SEDAR, subsequent to providing consent.

However, the auditor has no professional obligation to obtain and perform procedures on the designated document that is subsequently reproduced, in whole or in part, either in hard copy or in electronic form. Such reproduction is only a means of distributing information, and references to designated document in this Section do not include such reproduction. Further, the auditor has no obligation to monitor subsequent amendments to the designated document on the web site, or posted on other electronic sites, unless engaged to do so.

Resolution of Matters (Ref: Para. 15)

A16. When reading the other information, the auditor may become aware of information that, although not materially inconsistent with the audited financial statements, appears to be a misrepresentation. Paragraph 15(a) requires the auditor to respond when the auditor becomes aware of a potential misrepresentation. Some securities legislation provides a right of action against the directors, officers and insiders of an entity and, in some circumstances, auditors and other experts, if a document with which they are associated contains a misrepresentation (as defined in legislative provisions). The term "misrepresentation" has different definitions under different securities acts. Generally, it refers to an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made. In this context, a "material fact" means a fact that would reasonably be expected to have a significant effect on the market price or value of the securities.

A17. If the auditor's discussion with management and, where appropriate, those charged with governance, fails to dispel the auditor's concerns regarding a possible misrepresentation in the other information, or a failure to comply with the applicable regulatory form requirements, the auditor may request permission to discuss the matter further with the entity's legal counsel. Because legal counsel are experts in legal disclosure requirements, the auditor will normally be able to rely on their opinion regarding how the relevant matters can be resolved appropriately. The auditor may wish to receive written confirmation from legal counsel of their view on the matter.

The Auditor's Consent

Form and Content of the Auditor's Consent (Ref: Para. 17)

A18. The auditor's consent arises through an agreement between the auditor and the entity, and is provided only to the entity as agreed to in the terms of engagement. The auditor's consent may be provided orally or in writing, and is not referred to or included in any of the filings to securities regulatory authorities. However, it is preferable for the auditor's consent to be in writing to avoid misunderstanding. Appendix 3 provides illustrations of written auditor's consents.

Documentation (Ref: Para. 19)

A19. The documentation may include matters such as:

- The nature, timing and extent of the procedures performed and the results of the procedures.
- The nature of any significant matters that have come to the auditor's attention and how these matters have been resolved.

Appendix 1

(Ref: Para. A5)

Letter Advising the Acquirer that the Auditor Does Not Consent to the Use of the Auditor's Report

The following is an example of a letter from the auditor of the acquired business to the acquirer when the auditor becomes aware that the audited financial statements of the acquired business on which the auditor reported are included in the acquirer's business acquisition report without disclosure that the auditor has not provided consent, and the auditor:

- (a) has been engaged to perform, but has not completed, procedures under this Section; or
- (b) has not been engaged to perform the procedures under this Section.

June 22, 20X4

To: The Board of Directors, [acquirer]

Dear Sirs / Mesdames:

I understand that my report on the audited financial statements of [acquired business] dated [date] has been reproduced in the business acquisition report.

- (a) Auditor engaged to perform, but has not completed, procedures under this Section:

I have been engaged to perform, but have not yet completed, the procedures required to enable me to consent to the use of my report referred to above. Therefore, I do not consent to the use of my name or report in the business acquisition report. [The auditor may wish to include legal liability clauses such as not accepting responsibility with respect to the business acquisition report.]

— or —

- (b) Auditor not engaged to perform procedures under this Section:

As you know, I was engaged to audit the annual financial statements of [acquired business] for the year ended December 31, 20X3, and to report thereon to the shareholders. I completed my audit on [date], and issued my report to the shareholders on that date. My audit was planned and performed for this purpose only. I have not performed any work subsequent to [date] with respect to the [acquired business]'s financial statements.

I have not been engaged to perform the procedures necessary to consent to the use of my report and, consequently, I do not consent to the use of my name or report in the business acquisition report. [The auditor may wish to include legal liability clauses such as not accepting responsibility with respect to the business acquisition report.]

[Auditor's signature]

[Date]

[Auditor's address]

Auditor's Engagement Letter

The following is an example of an engagement letter when the auditor is engaged by the acquired business to consent to the use of the auditor's report on the audited financial statements of the acquired business in the acquirer's business acquisition report. The engagement letter will need to be varied according to individual circumstances such as when the auditor is engaged by the acquirer instead of the acquired business.

June 22, 20X4

To: The President, [acquired business]

Dear Sir / Madam:

I have audited the financial statements of [acquired business], which comprise the statement of financial position as at December 31, 20X3, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. My report to the shareholders on the financial statements was dated February 23, 20X4. My report is to be included in the [acquirer]'s business acquisition report, to be filed by [acquirer] under the Securities Acts of [province(s)] (the Act[s]).

In order to consent to the use of my audit report in the business acquisition report, my professional standards require that I carry out certain procedures, including:

- A review of intervening period events and transactions up to the date [acquirer] files the business acquisition report with regulatory authorities, including performing review procedures on [acquired business]'s interim financial statements included in the business acquisition report;
- Obtaining updated management representations;
- Reading the business acquisition report; and
- Determining whether the financial statements on which I have reported and, if applicable, my report thereon have been accurately reproduced in the business acquisition report.

It is not my objective, nor am I able, to perform an engagement to audit or review the business acquisition report as a whole. I am also unable to provide assurance on the other information in the business acquisition report as I have not been engaged to audit or review the other information. The procedures I perform under Section 7170, *Auditor's Consent to the Use of the Auditor's Report in Connection with a Designated Document*, as set out in the CPA Canada Handbook – Assurance do not constitute an engagement to audit or review the business acquisition report as a whole.

[Insert appropriate reference to the expected form and content of the auditor's consent.]

[The auditor may include additional matters relating to legal liability issues.]

Please confirm your understanding and agreement with the foregoing by signing and dating a copy of this letter and returning it to me.

[Auditor's signature]

We have read and accept the foregoing understanding.

[Acquired business]

By _____ Date _____

Appendix 3

(Ref: Para. A18)

Illustrations of the Auditor's Consent

- Illustration 1: An auditor's consent to the use of the auditor's report the use of the auditor's report on the audited financial statements of the acquired business that are to be included in a business acquisition report issued by the acquirer.
- Illustration 2: An auditor's consent to the use of the auditor's report on the entity's audited financial statements that are to be filed with securities regulatory authorities.

Illustration 1: An auditor's consent to the use of the auditor's report the use of the auditor's report on the audited financial statements of the acquired business that are to be included in a business acquisition report issued by the acquirer.

The Auditor's Consent

AUDITOR'S CONSENT

[Entity or Acquirer]

I refer to the business acquisition report of [acquirer] dated May 5, 20X4.

I consent to the use in the above-mentioned business acquisition report, of my report dated February 15, 20X4 to the [directors / shareholders] of [acquired business] on the financial statements of [acquired business], which comprise of the statement of financial position as at December 31, 20X3, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, to be filed with securities regulatory authorities on SEDAR on [date of filing].

[Auditor's signature]

[Auditor's address]

[Date of consent]

Illustration 2: An auditor's consent to the use of the auditor's report on the entity's audited financial statements that are to be filed with securities regulatory authorities.

The Auditor's Consent

AUDITOR'S CONSENT

[Entity]

I consent to the use of my report dated February 15, 20X4 to the [directors / shareholders] of [entity] on the financial statements of [entity], which comprise of the statement of financial position as at December 31, 20X3, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, to be filed with securities regulatory authorities on SEDAR on [date of filing].

[Auditor's signature]

[Auditor's address]

[Date of consent]

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- ⁱ * For engagements before the effective date, practitioners may continue to refer to AUDITOR'S CONSENT TO THE USE OF THE AUDITOR'S REPORT INCLUDED IN A BUSINESS ACQUISITION REPORT, Section 7170, or AUDITOR'S CONSENT TO THE USE OF THE AUDITOR'S REPORT IN CONNECTION WITH DESIGNATED DOCUMENTS, Section 7500, as appropriate.
- ⁱⁱ AUDITOR'S CONSENT TO THE USE OF A REPORT OF THE AUDITOR INCLUDED IN AN OFFERING DOCUMENT, Section 7150
- ⁱⁱⁱ CAS 560, *Subsequent Events*
- ^{iv} CSOA 5000, *Use of the Practitioner's Communication or Name*
- ^v CSOA 5000, paragraph 12
- ^{vi} AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS, Section 7060
- ^{vii} CAS 720, *The Auditor's Responsibilities Relating to Other Information*
- ^{viii} SEDAR is the System for Electronic Document Analysis and Retrieval, a mandatory document filing and retrieval system for Canadian public companies operated by the Canadian Securities Administrators. There may also be similar electronic filing systems in other jurisdictions such as the Electronic Data-Gathering, Analysis, and Retrieval system (EDGAR), which performs automated collection, validation, indexing, acceptance, and forwarding of submissions by entities that are required by law to file forms with the U.S. Securities and Exchange Commission.

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