

BASIS FOR CONCLUSIONS Section 7170, Auditor's Consent to the Use of the Auditor's Report Included in a Business Acquisition Report

July 2015

This Basis for Conclusions has been prepared by staff of the Auditing and Assurance Standards Board (AASB). It relates to, but does not form part of, Section 7170, AUDITOR'S CONSENT TO THE USE OF THE AUDITOR'S REPORT INCLUDED IN A BUSINESS ACQUISITION REPORT.

Purpose of this Basis for Conclusions

This Basis for Conclusions provides a brief summary of the AASB's objectives in developing Section 7170, the public exposure and approval steps for this project and how the AASB dealt with significant matters arising from comments received in response to its Exposure Draft. This information is set out below.

Background

The development of Section 7170 is part of the AASB's project to revise the "7000 series of standards" that focus primarily on the auditor's role and responsibilities in the capital markets. Section 7170 replaces Section 7500, AUDITOR'S CONSENT TO THE USE OF THE AUDITOR'S REPORT IN CONNECTION WITH DESIGNATED DOCUMENTS.

In October 2014, the AASB issued an Exposure Draft of Section 7170 (ED-7170). One written response to ED-7170 was received. In addition to the written response, a consultation session with various stakeholders was held to seek input on ED-7170.

The AASB approved Section 7170 at its meeting in March 2015. The Auditing and Assurance Standards Oversight Council confirmed that the AASB followed due process in developing Section 7170 and related consequential amendments prior to their issuance in the CPA Canada Handbook – Assurance.

AASB's Objective in Developing Section 7170

The AASB's objective in developing Section 7170 is to address the auditor's responsibilities in responding to requests to consent to 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.

Significant Matters Arising from Comments in Response to ED-7170

Deferral of Effective Date

1. ED-7170 proposed that Section 7170 be effective for an auditor's consent issued on, or after, January 1, 2016.
2. When effective, Section 7170 will replace Section 7500. A respondent to ED-7170 expressed a concern that the withdrawal of Section 7500 would result in there being no standard to deal with the situation when an auditor is engaged to provide consent to the use of his or her report in a document other than an offering document or a business acquisition report. The respondent proposed, among other suggestions, that Section 7500 be retained until such time as extant Section 5020, ASSOCIATION, is revised to address the other situations relating to consent.
3. In response to the respondent's comment, the effective date for Section 7170, and the corresponding withdrawal of Section 7500, is deferred to June 1, 2016. The effective date of the proposed Canadian Standard on Association 5000, Association, will also be June 1, 2016.

Deletion of Guidance Relating to Determination of Accurate Reproduction of the Financial Statements

4. Paragraph A8 of ED-7170 provided guidance that, in the context of interim financial statements, the requirement in paragraph 12 regarding determination of accurate reproduction of financial statements applied only to interim financial statements that the auditor had previously reviewed in accordance with Section 7060, AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS, and not to the most recently issued interim financial statements included in the business acquisition report referred to in paragraph 10(e). This guidance was intended to address the circumstance whereby, for example, a private company is acquired and its interim financial statements are made publicly available for the first time in the business acquisition report. In such a case, there is no other set of interim financial statements for the auditor to compare to in order to determine accurate reproduction. In finalizing Section 7170, paragraph A8 was deleted as the fact that paragraph 12 would not apply in the circumstance contemplated should be obvious.

Clarification that the Auditor's Consent Is Not Included in a Business Acquisition Report

5. The statement that the auditor's consent is provided only to the acquirer in the first sentence of paragraph A12 is intended to highlight the fact that the auditor's consent is not referred to or included in the business acquisition report. In finalizing Section 7170, this intention was clarified in paragraph A12.

List of Respondents to the ED

PwC LLP

Summary of Participants in Face-to-Face Consultation

Location	Date	Practitioners	Non-practitioners
Vancouver	January 2015	15	3

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