

CICA handbook – assurance revisions release nos. 15 & 16

June 2003

ASSURANCE RECOMMENDATIONS

Association, Section 5020

Appendix B revised to recognize the increase in scope of Section 7500 to include interim reports and other public documents containing audited or reviewed financial statements, and also annual information forms and management discussion and analysis.

The auditor's involvement with prospectuses and other offering documents, Section 7100.

Withdrawn. Replaced by new Sections 7110 and 7115 taken together.

Guidance in former paragraphs 7100.17-.20 dealing with the auditor's procedures with respect to financial and non-financial information contained in an offering document, other than financial statements and the report of the auditor, moved to revised Section 7500, and Section 7110 requires procedures to be carried out in accordance with that Section.

Guidance in former paragraphs 7100.47-.48 dealing with translation has been moved to revised Section 7500, and the example of a translation letter deleted.

The following Recommendations formerly appeared in Section 7100:

- .13 ♦ When the auditor is required to provide a comfort letter to securities regulatory authorities on unaudited interim financial statements included or incorporated by reference in a prospectus, the auditor should perform review procedures in accordance with AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS, Section 7050. [OCT. 2001 *]
- .14 ♦ When the prospectus includes unaudited financial statements the auditor should ensure that they are conspicuously marked unaudited to distinguish them from the audited financial statements. Similarly, other unaudited information, if any, in the notes to financial statements should be marked unaudited. [APRIL 1984 *]
- .15 ♦ To avoid the possibility that the expression of negative assurance in the comfort letter to securities regulatory authorities might be mistaken for an audit opinion, and to distinguish the letter's purpose, a comfort letter to securities regulatory authorities on the unaudited interim financial statements in the prospectus should:
 - (a) describe the interim financial statements and indicate clearly that they are unaudited;
 - (b) state that the auditor has performed a review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor;
 - (c) state that the letter is provided solely for the purpose of assisting the securities regulatory authority(ies) to which it is addressed in discharging its (their) responsibilities and should not be used for any other purpose;
 - (d) state that any use that a third party makes of the letter, or any reliance or decisions made based on it, are the responsibility of such third parties, and that the auditor accepts no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on it; and
 - (e) be signed and dated concurrently with the auditor's consent letter. [OCT. 2001 *]
- .21 ♦ In accordance with securities legislation, the auditor should read the entire prospectus and should perform such procedures as he or she considers necessary with respect to financial information in the prospectus, to be able to state that he or she has no reason to believe that there are any misrepresentations in the information in the prospectus that are derived from the financial statements or are within his or her knowledge as a result of the audit of such financial statements. [APRIL 1984 **]
- .26 ♦ When the prospectus includes pro forma financial statements, the auditor should perform procedures to be able to report whether, in his or her opinion, they have been properly compiled to give effect to the transactions and assumptions described in the notes thereto. [APRIL 1984 *]
- .34 ♦ The auditor should issue a letter to securities regulatory authorities expressing negative assurance on financial statements in a preliminary prospectus only when the audit of those financial statements has advanced sufficiently to justify such assurance. [APRIL 1984 **]
- .38 ♦ The auditor should perform limited enquiry and review procedures designed to determine whether management has identified events that may require an adjustment to, or disclosure in, the audited financial statements in the prospectus. The period covered by these procedures should extend from the date of the auditor's report in the prospectus to a date as close to the date of the consent as is reasonable and practicable. [APRIL 1984 *]

- .40 ♦ *The auditor's consent letter should be issued and the auditor's report signed only when:*
- the applicable Recommendations in this Section have been complied with;*
 - the underwriting agreement has been signed; and*
 - the final prospectus and the financial statements therein have been signed in accordance with applicable securities legislation. [APRIL 1984 *]*

Auditor involvement with offering documents of public and private entities, Section 7110 [JULY 2003 *]

New.

* The Recommendations in this Section apply to consents dated on or after November 1, 2003.

Auditor involvement with offering documents of public and private entities — current legislative and regulatory requirements, Section 7115 [JULY 2003 *]

New.

Sections 7110 and 7115, taken together, replace THE AUDITOR'S INVOLVEMENT WITH PROSPECTUSES AND OTHER OFFERING DOCUMENTS, Section 7100.

* The Recommendations in this Section apply to consents dated on or after November 1, 2003.

Auditor association with annual reports, interim reports and other public documents, Section 7500 [JULY 2003 *]

Revises and replaces THE AUDITOR'S INVOLVEMENT WITH ANNUAL REPORTS, Section 7500.

* The Recommendations in this Section apply to documents issued on or after November 1, 2003.

The following Recommendations formerly appeared in Section 7500:

- .09 ♦ *The auditor should determine whether the financial statements and his report thereon are accurately reproduced in the annual report. [JAN. 1986]*
- .13 ♦ *The auditor should read the other information in the annual report and consider whether any of this information is inconsistent with the financial statements on which he has reported. [JAN. 1986]*
- .16 ♦ *If the auditor concludes that an inconsistency results from a misstatement in the financial statements, he should:*
 - (a) *when his report has not been released and management will not correct the misstatement, follow the guidance in RESERVATIONS IN THE AUDITOR'S REPORT, Section 5510, or*
 - (b) *when his report has been released, follow the guidance in DATE OF THE AUDITOR'S REPORT, Subsequent discovery of a misstatement in the financial statements, Section 5405. [JAN. 1986 *]*
- .18 ♦ *If, after discussing the matter with management, the audit committee or equivalent, and the board of directors, the auditor is unable to satisfactorily resolve the treatment of:*
 - (a) *an error in the reproduction of the financial statements or the auditor's report thereon; or*
 - (b) *an inconsistency between the other information and the financial statements when the other information requires revision;**he should give formal notification of the unresolved matter to the board of directors and consider what further action, if any, may be appropriate. [JAN. 1986 **]*
- .20 ♦ *If, after discussion with management, the audit committee or equivalent, and the board of directors, the auditor still believes that the other information, although not inconsistent with the financial statements, contains a material misstatement of fact, he should formally notify the board of directors and consider what further action, if any, may be appropriate. [JAN. 1986 *]*

ASSURANCE AND RELATED SERVICES GUIDELINES

Examination of a financial forecast or projection included in a prospectus or other offering document (AuG-6)

Paragraph 49 revised to recognize the requirement in new Section 7110 that the auditor complete his or her audit before a preliminary prospectus is filed.

Auditing derivative financial instruments (AuG-39)

Issued April 2003.

