

**CICA handbook – assurance  
highlight summary no. 16  
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**HIGHLIGHT SUMMARY**

(Note: New Handbook material or changes in existing material are identified in each HANDBOOK REVISIONS RELEASE.)

**Auditor involvement with offering documents of public and private entities, Section 7110**

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

Together, these two new Sections revise and replace existing Section 7100. Section 7110 sets out the auditor's professional responsibilities with respect to offering documents, while Section 7115 deals with the related requirements of securities legislation and regulation.

Section 7110 applies to offering documents of any entity, including public and private businesses, not-for-profit organizations, and government entities, when the auditor consents to the use of his or her audit report in an offering document or to the incorporation of the audit report in such a document. The auditor's consent (as opposed to the required consent letter to securities regulatory authorities) is reproduced in the offering document.

Section 7110 makes the following significant changes:

- the auditor (or another public accountant) is required to review all unaudited financial statements included in an offering document, whether or not this is required by securities legislation;
- the auditor's subsequent events review procedures are expanded to include all of the work normally performed in a financial statement audit;
- Recommendations regarding the auditor's procedures on information other than the financial statements and auditor's report, and regarding translation, are transferred to Section 7500; and
- additional guidance is provided on the auditor's procedures with respect to pro forma financial statements. Compilation reports are to be issued only when required by securities regulation.

Section 7115 deals with the various communications required to be issued by the auditor to securities regulatory authorities:

- consent letter;
- comfort letter on unaudited financial statements; and
- advice letter issued when the audit report in a preliminary prospectus is unsigned.

Section 7115 requires that the auditor complete all of the requirements of Section 7110 before issuing a consent letter to securities regulatory authorities. The Section also contains an example of the compilation report on pro forma financial statements that an auditor might issue when this is required under securities regulation.

Sections 7110 and 7115 are effective when the auditor's consent is dated on or after November 1, 2003.

**Auditor association with annual reports, interim reports and other public documents, Section 7500**

The scope of this revised Section, which previously dealt only with annual reports, has been broadened to encompass a number of other public documents containing financial statements that the auditor has audited or reviewed:

- interim reports;
- prospectuses and other securities offering circulars;
- share exchange takeover circulars, issuer bid circulars, and certain management information circulars; and
- material change reports, business acquisition reports, or press releases.

The Recommendations:

- apply to all annual information forms (AIFs) and management discussion and analysis (MD&A) whether or not they contain financial statements with which the auditor is associated;
- encourage the use of an engagement letter to establish an understanding and agreement with the client as to the nature, extent and timing of the auditor's involvement;
- continue to require the auditor to be satisfied that the financial statements and report (if any) are accurately reproduced, and to read and consider all of the other information contained in the document;

- specify the auditor's responsibilities to perform procedures on documents reproduced on electronic media including SEDAR, EDGAR (in the US), and the entity's web site; and
- outline the course the auditor would follow if he or she encounters problems in performing the required procedures, and the means of dealing with unresolved issues.

The Recommendations in revised Section 7500 are effective when the auditor is associated with a designated public document (as defined in paragraph 7500.12) issued on or after November 1, 2003.

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