

## Access to Foreign Jurisdictions March 2020

CPAB's risk-based inspections model highlights reporting issuers (RIs) with significant operations<sup>1</sup> in foreign jurisdictions that might be candidates for inspection.

In 2019, CPAB's participating audit firms (PAFs) reported 538 RIs with 606 significant operations in 103 foreign jurisdictions (excluding the United States, the United Kingdom and Australia). Component auditors are used in the performance of the audit in 298 of these significant operations, representing 252 RIs with a total Canadian market capitalization of \$246.7B as of December 31, 2019.

The work of component auditors outside Canada can impact the execution of quality audits if the work is not executed in accordance with the group auditor's direction and carefully supervised and evaluated by the group auditor. CPAB's inspection activity of RIs with foreign operations is often limited to engagement files accessible only in Canada as we currently have no legal means to compel access to work completed by component auditors. Without access to component auditor working papers in foreign jurisdictions, CPAB is restricted in fulfilling its mandate.

CPAB has Memorandums of Understanding (MOUs) or equivalent arrangements with audit regulators in nine countries and is negotiating agreements with three other countries. Countries where CPAB has a fully negotiated MOU or negotiations are underway are listed in Exhibit 1.

Even with the MOU agreements currently in place or under negotiation, CPAB currently has no legal authority to compel cooperation from foreign audit regulators or component auditors. In past inspections, CPAB has requested and been denied access to component auditor working papers in the jurisdictions listed in Exhibit 2. CPAB is continuing to pursue legislative change to support its work as an independent audit regulator. During 2019 we worked with Canadian Securities Administrators to improve CPAB's access to audit work performed by component auditors in foreign jurisdictions. We anticipate finalization of the applicable rule changes in 2020.

---

<sup>1</sup> Significant operations are subsidiaries or components the assets or revenues of which constitute 20% or more of the RI's consolidated assets or revenues.

### Exhibit 1.

Foreign jurisdictions with a signed Memorandum of Understanding with CPAB are:

- United States
- United Kingdom
- Australia
- France
- Germany
- Ireland
- Japan
- The Netherlands
- Switzerland

Foreign jurisdictions negotiating a Memorandum of Understanding with CPAB are:

- Luxembourg
- Spain
- Sweden

### Exhibit 2.

Foreign jurisdictions where CPAB has requested and been denied access to component auditor working papers include:

- Bermuda
- China
- Mexico
- Tunisia