



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

Access to Foreign Jurisdictions March 2018

CPAB's risk-based inspections model highlights reporting issuers (RIs) with significant operations¹ in foreign jurisdictions that might be candidates for inspection.

In 2017, CPAB's participating audit firms (PAFs) reported 481 RIs with 540 significant operations in 115 foreign jurisdictions (excluding the United States, the United Kingdom and Australia)². Component auditors are used in the performance of the audit in 279 of these significant operations, representing 246 RIs with a total market capitalization of \$189.8 billion as at December 31, 2017.

The work of component auditors outside Canada continues to be an area that can negatively impact the execution of quality audits. 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 five 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.

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

² These are well-regulated jurisdictions in which many Canadian RIs have significant operations and where CPAB has MOUs facilitating working paper access. Given their long established regulatory and legal regimes, these jurisdictions are not considered to be high risk. Each has an established audit regulator that is a member of the International Forum of Independent Audit Regulators (IFIAR).



Exhibit 1.

Foreign jurisdictions with a signed MOU with CPAB are:

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

Foreign jurisdictions negotiating an MOU with CPAB are:

- China
- Luxembourg
- Portugal
- Spain
- Sweden

Exhibit 2.

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

- Austria
- China
- Mexico
- Portugal
- Slovakia
- Spain
- Sweden
- Tunisia