



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

Access to Foreign Jurisdictions

March 2019

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

In 2018, CPAB's participating audit firms (PAFs) reported 476 RIs with 535 significant operations in 111 foreign jurisdictions (excluding the United States, the United Kingdom and Australia). Component auditors are used in the performance of the audit in 283 of these significant operations, representing 232 RIs with a total Canadian market capitalization of \$158.9B as of December 31, 2018.

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 four 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.



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:

- Luxembourg
- Portugal
- Spain
- Sweden

Exhibit 2.

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

- China
- Mexico
- Tunisia