

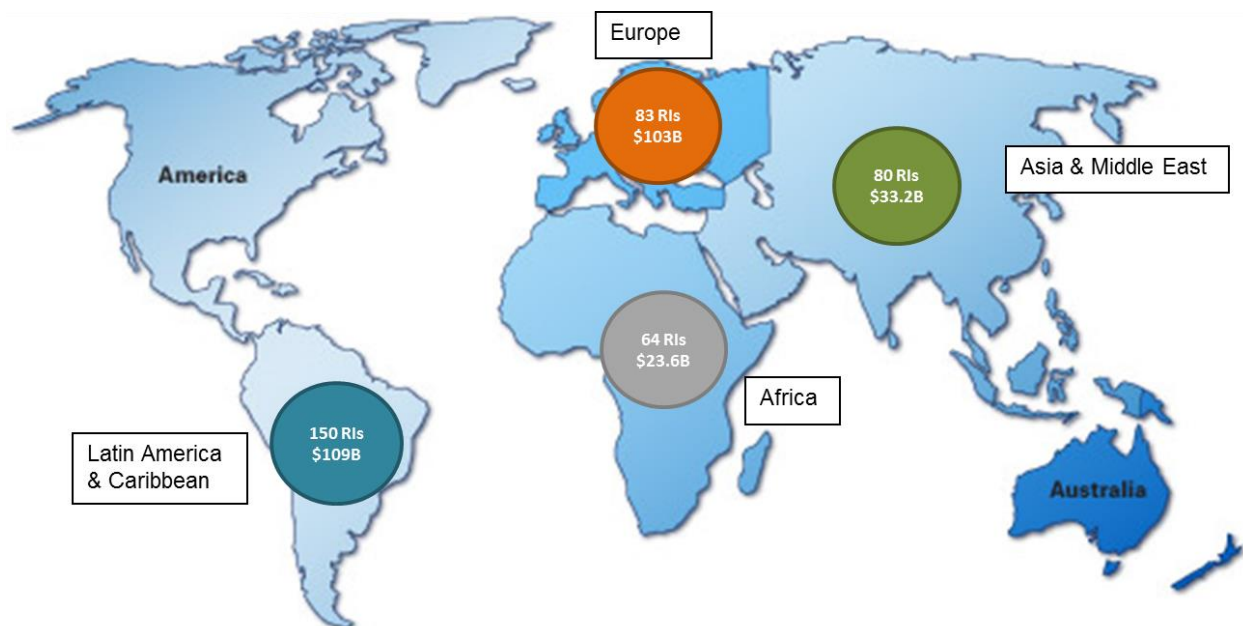
Access to Foreign Jurisdictions

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CPAB's risk-based inspections model highlights reporting issuers (RIs) with significant operations in foreign jurisdictions that might be candidates for inspection¹.

In 2016 CPAB identified 623 RIs with significant operations in 119 foreign jurisdictions (other than the United States, the United Kingdom and Australia²). Of these RIs, over half (377) operate in 92 foreign jurisdictions and use a component auditor in the performance of the audit (see map below for regional distribution).

CPAB has Memorandums of Understanding (MOUs) or equivalent arrangements with audit regulators in nine countries, and is currently negotiating MOUs with four others. CPAB cannot access component auditor working papers until an MOU is executed. (Countries where CPAB has a fully negotiated MOU or negotiations are underway are listed in Exhibit 1).



In 87 of those 92 foreign jurisdictions CPAB does not have agreements that would permit access to component auditor working papers for inspection purposes.

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

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



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Three hundred and forty-eight RIs with a total market cap of \$223.9B (at September 30, 2016) have significant components in these 87 jurisdictions. This includes 245 RIs with a total market cap of \$147.7B in 57 jurisdictions that are not members of the International Forum of Independent Audit Regulators (IFIAR).

In past inspections CPAB has been denied access to component auditor working papers in the jurisdictions in Exhibit 2. This list is subject to change as MOUs are finalized or inspection access to additional jurisdictions is requested by CPAB.

The work of component auditors outside Canada is still an area that can negatively impact execution of quality audits. CPAB has proposed a regulatory way forward to the relevant Canadian securities authorities to access information and related audit working papers so we may fulfil our mandate to protect Canadian investors.



Exhibit 1:

CPAB is in ongoing negotiations with IFIAR members to sign MOUs that would allow for access to component auditor working papers in their countries. There are currently 52 countries that are members of IFIAR.

The current list of CPAB signed MOUs includes:

Foreign Jurisdictions with a signed MOU with CPAB
United States *
United Kingdom *
Australia *
Japan *
The Netherlands *
France *
Germany *
Switzerland *
Ireland *

Foreign Jurisdictions negotiating an MOU with CPAB
China
Portugal *
Spain *
Sweden *

* Member of IFIAR



Exhibit 2:

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

FOREIGN JURISDICTION
Austria ² *
China ¹
Mexico ³
Portugal ¹ *
Slovakia ² *
Spain ¹ *
Sweden ¹ *
Tunisia ³

* Member of IFIAR

1. MOU with oversight body presently under negotiation.

2. No discussions currently underway.

3. At present these jurisdictions do not have audit oversight bodies, therefore an MOU is not possible.