

Access to Foreign Jurisdictions
March 2021

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

In 2020, CPAB's Participating Audit Firms (PAFs) reported significant operations in foreign jurisdictions and the use of component auditors in the performance of the audits as follows:

	Number of significant operations	Number of foreign jurisdictions	Number of instances of component auditor use	Number of reporting issuers with component auditors	Aggregate market capitalization at December 31, 2020
United States, United Kingdom and Australia²	707	3	116	110	\$723.7B
All other foreign jurisdictions	630	103	284 (in 76 foreign jurisdictions)	242	\$316.1B

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 two other countries. Countries where CPAB has a fully negotiated MOU or negotiations are underway are listed in Exhibit 1.

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 The United States, the United Kingdom and Australia are jurisdictions in which many Canadian RIs have significant operations and where CPAB has had longstanding arrangements with regulatory members of the International Forum of Independent Audit Regulators to facilitate working paper access.

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 2020 we continued our work 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 2021.

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:

- Spain
- Sweden

Exhibit 2.

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

- Bermuda
- China
- Mexico
- Tunisia