

CSA Notice of Publication*Amendments to
National Instrument 52-108 Auditor Oversight
Changes to
Companion Policy 52-108 Auditor Oversight*

January 13, 2022

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing the following materials:

- Amendments to National Instrument 52-108 *Auditor Oversight* (the **Amendments**);
- Changes to Companion Policy 52-108 *Auditor Oversight* (the **CP Changes**);

(collectively, the **Revisions**).

The Amendments require actions by reporting issuers and participating audit firms that will assist the Canadian Public Accountability Board (**CPAB**) in accessing audit working papers of component auditors, particularly in certain foreign jurisdictions. The CP Changes provide guidance on how we will interpret and apply the Amendments.

In connection with the Revisions, CPAB has also issued guidance on their website to provide additional insight to auditors on the processes they will employ to operationalize the Amendments.

The original proposals were published on October 3, 2019. We received 6 comment letters, which were all from audit firms. The list of commenters and a summary of comments is attached as Annex A.

The text of the Revisions is contained in Annexes B and C of this Notice. Local amendments, if any, are in Annex D of this Notice. This Notice will also be available on the websites of CSA jurisdictions, including:

www.lautorite.qc.ca
www.albertasecurities.com
www.besc.bc.ca
www.nssc.novascotia.ca
www.fcnb.ca
www.osc.gov.on.ca
www.fcaa.gov.sk.ca
www.msc.gov.mb.ca

Provided all necessary ministerial approvals are obtained, the Amendments will come into force on March 30, 2022.

Substance and purpose

The Revisions aim to respond to challenges CPAB has had in getting access to audit work performed by an audit firm in a foreign jurisdiction that forms part of the audit evidence supporting an auditor's report issued by a participating audit firm (a **PAF**). An audit firm performing such audit work is commonly referred to as a 'component auditor'.

The Amendments require a reporting issuer to give notice in writing to a component auditor that meets the significance thresholds (a **significant component auditor**) that the reporting issuer permits the significant component auditor to provide CPAB with access to its audit work relating to the audit of the reporting issuer's financial statements if that access is requested by CPAB.

The Amendments also require a reporting issuer to give notice in writing to a significant component auditor that the reporting issuer permits the significant component auditor to enter into an agreement with CPAB governing access to the audit work the significant component auditor has performed in relation to a component of the reporting issuer (a **CPAB access agreement**) if the component auditor does not voluntarily provide access to CPAB upon request. If, despite a reporting issuer's permission and CPAB's request, the component auditor does not enter into a CPAB access agreement, a PAF is, after a prescribed period of time for transition, not permitted to use the audit firm as a significant component auditor.

Background

A reporting issuer may have operations in a foreign jurisdiction that differs from its head office jurisdiction. This may present challenges for the reporting issuer's auditor due to different languages, laws and business practices in a foreign jurisdiction. In responding to those challenges, a PAF may ask a component auditor to perform work that forms part of the audit evidence supporting the PAF's auditor's report. A component auditor could be a member of the PAF's international network, or an unrelated foreign or domestic audit firm.

If a PAF decides to use the work of a component auditor, the PAF must comply with Canadian Auditing Standard 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* (**CAS 600**), which specifies that the PAF is responsible for the direction, supervision and performance of the overall audit. Although CAS 600 requires the PAF to document the type of work performed by a component auditor and the PAF's review of such work, there is no requirement for the PAF to retain in its files a copy of the work performed by the component auditor.

In order to assess whether sufficient audit evidence has been obtained to support the PAF's audit opinion, CPAB has determined that it needs access to a substantial portion of the audit work performed. However, CPAB has encountered some instances where a substantial portion of the audit work has been performed by a component auditor in a foreign jurisdiction, and CPAB was not allowed access to such audit work.

Summary of the Revisions

The Revisions:

- introduce the definition of a significant component auditor, namely a component auditor that
 - performs audit work involving financial information related to a component, whose activities the reporting issuer has the power to direct on its own or jointly with another person or company, and
 - meets one of the quantitative metrics relating to hours of work, fees paid, or relative size of the component's assets or revenue;
- require a reporting issuer to give notice in writing to a significant component auditor that the reporting issuer permits the significant component auditor to provide CPAB with access to records relating to the component auditor's audit work performed for a reporting issuer audit;
- require a reporting issuer to give notice in writing to a significant component auditor involved in the audit of its financial statements that the reporting issuer permits the significant component auditor to enter into a CPAB access agreement if the reporting issuer receives a copy of a notice from its PAF stating that a significant component auditor has failed to provide CPAB access to the significant component auditor's records related to audit work performed. A CPAB access agreement is a written agreement between CPAB and a significant component auditor governing access by CPAB to the significant component auditor's records related to audit work it has performed in relation to a component of a reporting issuer. The terms and conditions set out in a CPAB access agreement, including the manner and conditions for when access is to be provided, must be agreed to by CPAB and the significant component auditor;
- require a PAF to no longer use a public accounting firm as a significant component auditor after a prescribed period of time, if the PAF receives notice that the public accounting firm has failed to enter into a CPAB access agreement after being requested to do so. A PAF may use another significant component auditor that undertakes in writing to provide CPAB access to its audit work or has entered into a CPAB Access Agreement in respect of the reporting issuer.

Summary of changes compared to the original proposals

The Revisions are substantially similar to the original proposals, except for the following:

- The quantitative metrics for the significant component auditor definition have been revised. The numerator in some calculations now refers to the total audit hours or fees pertaining to the audit of the financial statements instead of the total audit hours or fees pertaining to the PAF.
- The Amendments require a reporting issuer to permit the significant component auditor to provide CPAB access to their work, and if requested by CPAB, to enter into a CPAB access agreement. These changes are intended to prevent the reporting issuer from delaying or impeding CPAB's access to the audit work, and replace the previously

proposed requirement for the reporting issuer to take reasonable steps to direct the significant component auditor to provide access or enter into a CPAB access agreement.

Questions

Please refer your questions to any of the following:

British Columbia Securities Commission

Carla-Marie Hait, Chief Accountant and CFO, British Columbia Securities Commission
604-899-6726 | chait@bcsc.bc.ca

Anita Cyr, Associate Chief Accountant, British Columbia Securities Commission
604-899-6579 | acyr@bcsc.bc.ca

Alberta Securities Commission

Cheryl McGillivray, Chief Accountant and CFO, Alberta Securities Commission
403-297-3307 | cheryl.mcgillivray@asc.ca

Anne Marie Landry, Associate Chief Accountant, Alberta Securities Commission
403-297-7907 | annemarie.landry@asc.ca

Ontario Securities Commission

Cameron McInnis, Chief Accountant, Ontario Securities Commission
416-593-3675 | cmcinnis@osc.gov.on.ca

Mark Pinch, Associate Chief Accountant, Ontario Securities Commission
416-593-8057 | mpinch@osc.gov.on.ca

Adrian Roomes, Senior Legal Counsel, Ontario Securities Commission
647-291-1579 | aroomes@osc.gov.on.ca

Autorité des marchés financiers

Suzanne Poulin, Chief Accountant and Director, Direction de l'information financière
Autorité des marchés financiers
514-395-0337 Ext: 4411 | suzanne.poulin@lautorite.qc.ca

Geneviève Laporte, Senior Analyst, Direction de l'information financière, Autorité des marchés financiers
514 395-0337, ext. 4294 | genevieve.laporte@lautorite.qc.ca