

## **REGULATION TO AMEND REGULATION 52-108 RESPECTING AUDITOR OVERSIGHT**

Securities Act

(chapter V-1.1, s. 331.1, par. (1), (3), (9), (19), (19.1) and (34))

1. Regulation 52-108 respecting Auditor Oversight (chapter V-1.1, r. 26.1) is amended by inserting, after part 3, the following:

### **“PART 3.1 SIGNIFICANT COMPONENT AUDITOR’S WORKING PAPERS**

#### **Definitions**

7.1. In this Part,

“component” has the same meaning as “component” in Canadian GAAS;

“component auditor” has the same meaning as “component auditor” in Canadian GAAS;

“CPAB access agreement” means a written agreement between CPAB and a significant component auditor governing access by CPAB in order to inspect the significant component auditor’s records related to audit work it has performed in relation to a component of a reporting issuer;

“CPAB access-limitation notice” means a written notice issued by CPAB that a significant component auditor has failed to provide CPAB with access in order to inspect the significant component auditor’s records related to audit work it has performed for a financial period;

“CPAB no-access notice” means a written notice issued by CPAB that a significant component auditor has failed to enter into a CPAB access agreement after being requested to do so by a reporting issuer;

“significant component auditor” means, with respect to a reporting issuer and its financial statements for a financial period, a component auditor that performs audit work involving financial information related to a component that the reporting issuer has the power to direct on its own or jointly with another person, if any of the following apply:

(a) the number of hours spent by the component auditor to perform the audit work in respect of the financial period is 20% or more of the total hours spent on the audit of those financial statements by the reporting issuer’s auditor;

(b) the amount of fees paid to the component auditor for the audit work in respect of the financial period is 20% or more of the total fees paid to the reporting issuer’s auditor for the audit of those financial statements;

(c) both of the following apply:

(i) the assets or revenues of the component are 20% or more of the reporting issuer’s consolidated assets at the end of the financial period or consolidated revenues for that period;

(ii) the number of hours spent by the component auditor to perform the audit work in respect of the financial period exceeds 50% of the total hours spent on audit work relating to the component in connection with the audit of those financial statements.

#### **Reporting Issuer to Direct Provision of Access**

7.2. (1) If an audit of a reporting issuer’s financial statements for a financial period involves audit work performed by a significant component auditor for the financial period, the reporting issuer must take all reasonable steps to direct the significant component auditor to

provide CPAB with access in order to inspect the significant component auditor's records relating to that audit work.

(2) The direction referred to in subsection (1) must be made on or before the date of the auditor's report on the reporting issuer's financial statements referred to in subsection (1).

### **Failure to Voluntarily Provide Access to Inspect a Significant Component Auditor's Records**

**7.3.** (1) If a participating audit firm receives a CPAB access-limitation notice, the participating audit firm must, not more than 5 business days following receipt of the notice, deliver a copy of the notice to

- (a) the reporting issuer identified in the notice;
- (b) the audit committee of that reporting issuer; and
- (c) the regulator, except in Québec, or the securities regulatory authority for that reporting issuer.

(2) If a reporting issuer receives a copy of a CPAB access-limitation notice in respect of a significant component auditor, the reporting issuer must, not more than 5 business days following the receipt of the copy of the notice, take all reasonable steps to direct the significant component auditor to enter into a CPAB access agreement.

### **Failure of a Significant Component Auditor to Enter into a CPAB Access Agreement if Requested To Do So**

**7.4.** (1) If a participating audit firm receives a CPAB no-access notice, the participating audit firm must, not more than 15 business days following receipt of the notice, deliver a copy of the notice to

- (a) any reporting issuer audited by the participating audit firm where the public accounting firm identified in the notice was a significant component auditor for the reporting issuer's most recently completed financial period for which an auditor's report has been issued;
- (b) the audit committee of each reporting issuer referred to in paragraph (a); and
- (c) the regulator, except in Québec, or the securities regulatory authority for each reporting issuer referred to in paragraph (a).

(2) If a participating audit firm receives a CPAB no-access notice, the participating audit firm must not,

(a) subject to subsection (3), use the public accounting firm referred to in the notice as a significant component auditor in respect of an audit of any reporting issuer's financial statements for a financial period ending more than 180 days after the date of the notice, or

(b) in respect of an audit of a reporting issuer's financial statements for a period ending more than 180 days after the date of the notice, use any other public accounting firm as a significant component auditor in respect of a component of the reporting issuer, where audit work in the current or preceding year was done by the public accounting firm referred to in the notice, unless the other public accounting firm satisfies one or both of the following conditions and delivers a notice to that effect to the participating audit firm and CPAB at least 90 days before the issuance of an auditor's report in respect of that audit:

(i) the other public accounting firm gives an undertaking to CPAB in writing to provide CPAB with prompt access in order to inspect the other public accounting firm's records relating to audit work performed on financial information related to the component of the reporting issuer referred to in the definition of "significant component auditor" in section 7.1;

(ii) the other public accounting firm has entered into a CPAB access agreement in respect of the reporting issuer.

(3) Paragraph (2)(a) does not apply in respect of a financial period of a reporting issuer ending at any time if

(a) CPAB has notified the participating audit firm that the significant component auditor has entered into a CPAB access agreement in respect of the reporting issuer before that time; and

(b) CPAB has not, before that time, notified the participating audit firm that it has withdrawn from that CPAB access agreement.”.

**2.** Section 8 of the Regulation is amended by inserting, in paragraph (3) and after the word “Except”, the words “in Alberta and”.

**3.** This Regulation comes into force on *(indicate here the date of coming into force of this Regulation)*.