

## 6.1.2 Multilateral Instrument 52-108 Auditor Oversight

### MULTILATERAL INSTRUMENT 52-108 AUDITOR OVERSIGHT

#### PART 1 DEFINITIONS AND APPLICATION

##### 1.1 Definitions - In this Instrument

“CPAB” means the Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes, incorporated as a corporation without share capital under the *Canada Corporations Act* by Letters Patent dated April 15, 2003, and any of its successors;

“participant in good standing” means a participating audit firm that meets the following conditions: (a) its participation agreement is not suspended or terminated by the CPAB, and (b) it has complied with, and, if applicable, continues to comply with, any sanctions or restrictions imposed by the board of directors of the CPAB;

“participation agreement” means an agreement between the CPAB and a public accounting firm in connection with an oversight program of public accounting firms established by the CPAB;

“participating audit firm” means a public accounting firm that has entered into a participation agreement; and

“public accounting firm” means a partnership of individuals engaged in the business of providing services as public accountants and includes, where the context permits, an individual carrying on business as a sole proprietor and any professional corporation through which either a partner or a sole proprietor carries on its business;

##### 1.2 Application - Sections 2.1, 2.2 and Part 3 do not apply in Alberta or Manitoba.

#### PART 2 AUDITOR OVERSIGHT

**2.1 Participation Agreement with the CPAB** - A public accounting firm that issues an auditor’s report with respect to the financial statements of a reporting issuer must enter into a participation agreement within the time period prescribed by the CPAB.

**2.2 Participant in Good Standing** - A participating audit firm must be a participant in good standing when it issues an auditor’s report with respect to the financial statements of a reporting issuer.

##### 2.3 Auditor’s report filed with Financial Statements -

(1) A reporting issuer that files an auditor’s report with financial statements may only file an auditor’s report issued by a participating audit firm that is a participant in good standing at the time the auditor’s report is issued.

(2) A reporting issuer is exempt from the requirement in subsection (1) if, at the date on which an auditor’s report is issued with respect to the issuer’s financial statements by a public accounting firm, the time period prescribed by the CPAB within which that public accounting firm must enter into a participation agreement has not expired.

#### PART 3 NOTICE

##### 3.1 Notice of Sanctions -

(1) A participating audit firm must, if the board of directors of the CPAB imposes sanctions on it, notify (a) the audit committee of a reporting issuer for which it has been engaged to issue an auditor’s report and (b) the regulator if the issuer is a reporting issuer in the local jurisdiction.

(2) The notice required under subsection (1) must be in writing and include a complete description of the sanctions imposed by the board of directors of the CPAB, including the date the sanctions were imposed.

(3) The notice required under subsection (1) must be delivered within 5 business days of the sanctions being imposed.

**3.2 Idem** - A participating audit firm must, if it is making a proposal to undertake an audit of a reporting issuer, advise the reporting issuer's audit committee of any sanctions that have been imposed by the board of directors of the CPAB within the preceding 12 months.

**3.3 Notice of Restrictions -**

- (1) A participating audit firm must, if the board of directors of the CPAB imposes restrictions on it in order to address defects in the participating audit firm's quality control systems, notify the regulator if it has been engaged to issue an auditor's report with respect to the financial statements of a reporting issuer in the local jurisdiction.
- (2) The notice required under subsection (1) must be in writing and include a complete description of (a) the defects in the quality control systems identified by the CPAB and (b) the restrictions imposed by the board of directors of the CPAB, including the date the restrictions were imposed and the time period within which the participating audit firm agreed to address the defects.
- (3) The notice required under subsection (1) must be delivered within 2 business days of the restrictions being imposed.

**3.4 Idem -**

- (1) If a participating audit firm is informed by the CPAB that it failed to address, to the satisfaction of the CPAB, the defects in its quality control systems within the time period agreed to between the participating audit firm and the CPAB, it must notify (a) the audit committee of a reporting issuer for which it has been engaged to issue an auditor's report with respect to the issuer's financial statements, and (b) the regulator if it has been engaged to issue an auditor's report with respect to the financial statements of a reporting issuer in the local jurisdiction.
- (2) The notice required under subsection (1) must be in writing and include a complete description of (a) the defects in the quality control systems identified by the CPAB, (b) the restrictions imposed by the board of directors of the CPAB, including the date the restrictions were imposed and the time period within which the participating audit firm agreed to address the defects, and (c) the reasons it was unable to address the defects to the satisfaction of the CPAB.
- (3) The notice required under subsection (1) must be delivered within 5 business days of the public accounting firm being informed by the CPAB that it has failed to address the defects in its quality control systems.

**PART 4 EXEMPTION**

**4.1 Exemption -**

- (1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

**PART 5 EFFECTIVE DATE**

**5.1 Effective Date of Instrument** - This Instrument comes into force on **[January 1, 2004]**.