

## STATEMENT OF PROTOCOL

Both the Canadian Public Accountability Board (“CPAB”) and the Australian Securities and Investments Commission (“ASIC”) seek to improve the accuracy and reliability of financial reporting and audit reports so as to protect investors and help promote public trust in the audit process and investor confidence in their respective capital markets. Given the global nature of capital markets, the CPAB and the ASIC recognize the need for mutual cooperation in matters related to the oversight of the auditors of multinational companies whose securities trade in public markets. The CPAB and the ASIC envision that this Statement of Protocol (“Protocol”) will facilitate such mutual cooperation.

### **Article I. Purpose of Protocol**

- A. The purpose of this Protocol is to set forth the intent of the CPAB and the ASIC regarding the procedures for cooperating in the oversight of auditors subject to the regulatory jurisdiction of both the CPAB and the ASIC through the conduct of joint inspections, the exchange of audit workpapers, the exchange of inspection reports and other forms of cooperation as required. The CPAB’s jurisdiction covers participating audit firms that audit reporting issuers as defined under the relevant securities legislation in a Province or Territory of Canada (audit firms that participate in the CPAB’s audit oversight program); while the ASIC’s jurisdiction focuses on the individual persons who audit public companies.
- B. This Protocol does not create any binding legal obligations, and does not give rise to a right on the part of the CPAB, the ASIC, any other governmental or non-governmental entity or any private person to challenge, directly or indirectly, the degree or manner of mutual cooperation by either the CPAB or the ASIC.
- C. This Protocol does not prohibit either the CPAB or the ASIC from taking measures with regard to the oversight of auditors that are different from or in addition to the measures set forth in this Protocol.

### **Article II. Definitions**

- A. “disciplinary action” means a requirement, restriction or sanction under the CPAB’s rules; while “disciplinary action” means a sanction under the ASIC’s laws, regulations or standards.
- B. “firm” means either a participating audit firm under the CPAB’s jurisdiction or an audit firm, audit company or individual auditor under the ASIC’s jurisdiction.
- C. “regulated auditor” means a partner of an audit firm, a director of an audit company or an individual auditor under ASIC’s jurisdiction. (Individuals in Canadian participating audit firms fall within the jurisdiction of the provincial institutes/Ordre rather than the CPAB. Any reference to regulated auditor in the Protocol does not, therefore, apply to the CPAB as it is *ultra vires* its jurisdiction.)
- D. “Party” means either the CPAB or the ASIC. “Parties” mean both the CPAB and the ASIC.
- E. “staff” means members, employees, and delegates of ASIC and, for the CPAB, employees and consultants.
- F. “violation” means a violation event as defined in the CPAB’s rules or an infringement of Australia’s laws, regulations, rules and/or standards.

### **Article III. Mutual Cooperation**

The CPAB and the ASIC believe that it is in their common interest to rely on the other Party's audit oversight program, as appropriate, in the inspections of firms or regulated auditors that fall within the regulatory jurisdiction of both Parties to the extent such reliance is compatible with their respective laws and/or regulations, their important interests and their reasonably available resources.

The Parties recognise that notwithstanding it is in their interest to rely on the Other Party's audit oversight program; there may be circumstances where they may need to seek access to the audit workpapers in the other Party's jurisdiction. Workpapers in this context includes both workpapers of the group auditor or the component auditor in the other Party's jurisdiction.

#### **A. Scope of Cooperation**

Mutual cooperation by the Parties on each other's audit oversight programs may include:

1. Relying on the inspections of firms or regulated auditors conducted by the other Party under its audit oversight program, after having evaluated its competencies and experience to the Party's satisfaction, such that the inspection results may be relied upon without the need for the Party itself to inspect the firm or regulated auditors.

#### **B. Relationship of Parties**

The Parties agree and acknowledge that they are each independent entities and nothing in this Protocol, including the provision for mutual reliance by the Parties on each others' audit oversight programs, shall be construed so as to create a dependent or agency relationship between them.

#### **C. Sharing of Information and Inspection Results**

Subject to Article IX of this Protocol, mutual cooperation also includes the Party that is being relied upon providing to the other Party its inspection work programs, inspection working papers, audit working papers and/or inspection reports (issued to a firm subject to audit oversight by the other Party or regulated auditors) upon written request by the Party. The Party being relied upon shall provide such information and/or reports within a reasonable period of time.

### **Article IV. Joint Inspections and/or the exchange of audit working papers**

Where a Party does not rely on the other Party's audit oversight program in respect of the inspection of firms or regulated auditors, the CPAB and the ASIC believe that it is in their common interest to cooperate in the joint inspections of firms or regulated auditors that fall within the regulatory jurisdiction of both Parties to the extent such cooperation is compatible with their respective laws and/or regulations, their important interests and their reasonably available resources.

Where a Party does not intend to undertake joint inspections and whether or not there is otherwise mutual reliance, the Parties also believe that it is in their common interest to cooperate in the exchange of audit working papers of component auditors where such an exchange would assist the other Party to ascertain whether group auditors are complying with relevant laws and professional standards.

A. Scope of Cooperation

1. Cooperation both in the context of a joint inspection and more broadly may include assisting the other Party, subject to Article IX of this Protocol, by reviewing audit work papers and other documents; exchanging audit work papers and other documents; interviewing firm personnel; reviewing a firm's quality control system; evaluating compliance with relevant laws and regulations and applicable accounting, auditing and other professional standards; and/or performing other testing of the audit, supervisory and quality control procedures of a firm. Cooperation in the context of an inspection does not cover a request for assistance or information to the extent that it involves a Party obtaining on behalf of the other Party information or documents which the other Party could not obtain from a firm or regulated auditors under its own authority, and also does not include assisting with any efforts one Party may make to obtain information or documents that are covered by solicitor/attorney-client privilege or legal professional privilege (as relevant) under the law of that Party's country.
2. Cooperation in the context of an inspection also may include exchange of each Party's respective inspection methodology and inspection guides, subject to Article IX of this Protocol.

B. Request for Assistance

A Party seeking assistance with respect to the joint inspection of a firm or regulated auditors, including obtaining access to audit work papers or making any other request for cooperation, shall submit a written request identifying the firm (and where relevant, the regulated auditor (s)) to the other Party. Such request shall be provided within a reasonable time prior to the scheduled inspection of the firm or regulated auditors.

C. Joint Inspection Work Programs

1. Before a joint inspection carried out pursuant to this Protocol begins, the Parties shall endeavour to reach a consensus on a joint inspection work program for the firm or regulated auditors.
2. In general, the joint inspection work program shall include the steps and procedures to be performed during the inspection, including the audit engagements to be reviewed, and the allocation of work between the staff of the CPAB and the staff of the ASIC.
3. To the maximum extent permitted by its respective laws, regulations and rules, each Party shall maintain the confidentiality of inspection work programs as provided in Article IX of this Protocol.

D. Inspection Results

1. Subject to Article IX of this Protocol, within a reasonable period of time after the completion of the inspection work program, or earlier if so requested, the Party assisting or participating in the joint inspection shall make its inspection work papers available for review, or provide a copy of such papers if so requested, to the other Party. The inspection work papers shall document the evidence supporting the conclusions reached, including the nature, timing and extent of the work performed during the inspection and the professional judgments made by the Party assisting in the inspection.
2. Subject to Article IX of this Protocol, if requested, the Party assisting or participating in the joint inspection also shall provide a written report to the other Party detailing its findings

during the inspection, including its findings on the quality of the audit engagements selected for review and the firm's quality control procedures. This includes any written inspection reports issued to the firm or regulated auditors.

#### **Article V. Non-Joint Inspections**

Each Party may seek to inspect auditors in the Other Party's jurisdiction even where the Other Party decides it does not want to carry out a joint inspection.

#### **Article VI. Investigations**

- A. CPAB and ASIC intend to mutually cooperate in the investigations of firms or regulated auditors that are subject to the regulatory jurisdiction of both Parties to the extent consistent with their respective laws and/or regulations, their important interests and their reasonably available resources. Mutual cooperation in the context of an investigation may include providing an update on investigation activities and findings, obtaining documents, including audit workpapers or other evidence related to the investigation and/or interviewing relevant persons. Both Parties recognize that the provision of assistance in the context of an investigation may depend on the voluntary cooperation of the persons or entities in possession of the documents or information sought to be obtained.
- B. A Party seeking assistance with respect to the investigation of a firm or one or regulated auditors shall submit a written request to the other Party describing (a) the matter that underlies the request, (b) the documents or information sought, (c) the purpose for which the documents or information is sought and (d) the legal provisions pertaining to the matter which underlies the request.

#### **Article VII. Unsolicited Assistance**

To the extent consistent with its respective laws, regulations, rules and its important interests, including, without limitation, any requirement of either Party to obtain a person's consent before disclosing personal information about that person, each Party shall use reasonable efforts to provide the other Party with any information it discovers which the Party believes gives rise to a suspicion of an infringement or an anticipated infringement of the laws, regulations, rules or standards of the other Party.

#### **Article VIII. Disciplinary Actions**

- A. In considering the appropriate disciplinary action, if any, for a firm or regulated auditors that fall within the regulatory jurisdiction of both Parties, each Party shall endeavour to consider any disciplinary action(s) imposed on such firm or regulated auditors under the laws, regulations, rules and/or standards of the other Party for a violation(s) based upon the same or related conduct or facts.
- B. Each Party shall notify the other Party of any disciplinary action imposed under the laws, regulations, rules and/or standards of the Party on a firm or one or more of its regulated auditors where the firm or one or more of its regulated auditors fall within the regulatory jurisdiction of both Parties.

#### **Article IX. Confidentiality**

- A. Each Party shall hold confidential all documents and information received or created in the course of relying on the other Party, cooperating by way of assistance or participation on joint

inspections, conducting non-joint inspections or conducting investigations, including all requests for assistance or any other form of cooperation, to the extent consistent with its laws and/or regulations, and not disclose such documents or information other than as contemplated by laws applicable to each Party.

- B. All provisions of this Protocol pertaining to the sharing of information between the Parties are subject to all applicable laws concerning the collection, retention, storage, use and disclosure of information by either Party, including, without limitation, any requirement for either Party to obtain an individual's consent before disclosing personal information about them. In particular, a Party shall ensure that any personal information which the other Party discloses to it or provides access to shall only be retained, stored, used or disclosed in a manner that is consistent with this Protocol or required by law.
- C. This Protocol does not constitute consent on behalf of any individual to the disclosure by a Party to the other Party, or to any third party, of any 'personal information' within the meaning of the *Personal Information Protection and Electronic Documents Act* as it applies in Canada, any applicable Canadian provincial privacy or related legislation, nor any 'personal information' within the meaning of the *Privacy Act 1988* as it applies in Australia.
- D. Each Party shall ensure that information provided by the other Party is protected at least to the same extent and with the same care as it would protect its own information of a similar nature and that it is retained and destroyed in accordance with appropriate retention policies.
- E. Each Party shall notify the other Party of its intent to publicly disclose any audit working papers or other documents obtained from a firm, including in the event a Party proposes to use such documents in any court or other regulatory action.
- F. Except for documents to which E applies, each Party shall not publicly disclose any documents or information received or created in the course of relying on the other Party, cooperating on joint inspections, conducting non – joint inspections or conducting investigations in advance of such disclosure, except to the extent required by law and/or regulations. In that case, the Party shall endeavour to notify the other Party before disclosure is made to enable the other Party to fully and effectively exercise any and all rights it may have over such information. It is understood that specific reports prepared by each Party concerning firms subject to that Party's oversight, and which are intended to be private between the Party and the firm shall not, except as required by law be publicly disclosed by the other Party.
- G. The provision of information by a Party pursuant to this Protocol does not negate or waive any confidentiality or privilege that might otherwise attach to such information.

#### **Article X. Consultations**

The CPAB and the ASIC shall periodically consult on issues related to the matters covered by this Protocol and to otherwise exchange views and share experiences and knowledge gained in the discharge of their respective duties to the extent consistent with their respective laws and regulations. In addition, the Parties expect that informal contacts between the staff of the Parties will continue, including holding meetings where useful.

**Article XI. Denial of Assistance or Information**

A request for mutual reliance, cooperation, assistance or information under this Protocol may be denied by either Party on the basis of its laws, regulations, rules, its important interests or its available resources.

**Article XII. Effective Date of Protocol**

The provisions of this Protocol take effect as soon as both of the Parties execute the Protocol and shall continue indefinitely unless withdrawn earlier in accordance with Article XIII.

**Article XIII. Withdrawal of Protocol**

This Protocol may be withdrawn without cause by either Party upon written notice of at least 30 business days to the other Party.


**Article XIV. Amendment of Protocol**

This Protocol may be amended only by a written agreement signed by each of the Parties.

**Executed for the Canadian Public Accountability Board**

this 5<sup>th</sup> day of December, 2011.

By:



**Brian A. Hunt**

**Chief Executive Officer**

**Canadian Public Accountability Board**

**Executed with the consent of the Minister, by the Australian Securities and Investments Commission**

this 24<sup>th</sup> day of November 2011.

By:



**Greg Medcraft**

**Chairman**

**Australian Securities and Investments Commission**