September 24, 2003

Ontario Securities Commission
Commission des valeurs mobilières du Québec
Alberta Securities Commission
The Manitoba Securities Commission
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Securities Commission of Newfoundland and Labrador
Nova Scotia Securities Commission
Saskatchewan Financial Services Commission
Office of the Attorney General, Prince Edward Island
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut
Department of Justice, Securities Administration Branch, New Brunswick

C/o Mr John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
TORONTO, ON M5H 3S8

Mme Denise Brosseau, Secretary
Commission des valeurs mobilières du Québec
Stock Exchange Tower
800 Victory Square
PO Box 246, 22nd Floor
MONTRÉAL, PQ H4Z 1G3

Dear Sirs and Mesdames:

Re: Proposed Multilateral Instruments 52-108, *Auditor Oversight*
52-109, *Certification of Disclosure in Companies' Annual and Interim Filings*
52-110, *Audit Committees*

Thank you for the opportunity to submit our comments on the Proposed Instruments.

We fully support these initiatives to help restore investor confidence in our capital markets. In our view, the proposed rules are robust and address issues faced by smaller issuers, closely-held companies, and issuers listed on an American exchange.

Our comments, including responses to the questions posed, are set out on the following pages.

Auditor Oversight

Part 2

Do you agree that public accounting firms in foreign jurisdictions should be required to participate in the CPAB Oversight Program? If not, what other alternatives should be considered? For example, should a public accounting firm based outside Canada that is subject to oversight by a comparable body in a foreign jurisdiction, such as the PCAOB, be treated differently?

It is our view that any public accounting firm that chooses to audit financial statements of a reporting issuer should be required to participate in the CPAB Oversight Program. We agree with your decision to maintain flexibility on how that oversight is exercised, including your plan to consider arrangements with independent oversight bodies in the home jurisdiction.

Part 3

Do you think that five business days is an appropriate length of time for a public accounting firm to provide notice to its audit clients? Do you agree that an audit firm should only be required to provide notice to its clients when it fails to address defects within the time period specified by the CPAB? Are there other more effective means of having information about sanctions or restrictions communicated? For example, should the CPAB disclose to the public on a timely basis any sanctions or restrictions it imposes on a public accounting firm?

We are committed to high standards of quality control, and recognize that the CPAB may help participating audit firms strengthen their controls, particularly as new risks are identified and quality control benchmarks change. If sanctions are imposed on a firm by the CPAB, we believe it is reasonable to require that public accounting firm to provide notice to its audit clients within five business days. We agree that, where a defect is identified and a sanction is not warranted, it is reasonable not to require that firm to provide notice to its clients. Overall, we concur with the proposals.

Certification of Disclosure in Companies' Annual and Interim Filings

Part 1

Do you agree that the proposed one-year transition period is appropriate?

We agree that it is appropriate to provide a transition period during which issuers may exclude paragraphs 4, 5 and 6 from any certification. We expect that many companies will find it challenging, and some will have difficulty, documenting and completing a thorough analysis of the effectiveness of their internal controls within one year – an extension of the transition period to June 30, 2005 would be more manageable.

As currently proposed, paragraph 6, disclosure of significant changes, is to be included in the initial certifications following the transition period. This differs from the SEC rules related to Section 404, which defer evaluation of any material change until the first periodic report after the first annual report that includes a management report on internal control. We ask that you consider delaying inclusion of paragraph 6 until the certification following the first annual certification that includes paragraph 4's evaluation of the effectiveness of internal controls. The work referred to in paragraph 4 provides the basis for identification of significant changes.

Also, since certification of the evaluation of effectiveness is provided annually, we suggest that the initial inclusion of paragraphs 4 and 5 be in the first annual report for the year-end following the effective date. This would be consistent with the SEC rules related to Section 404.

Do you believe it is appropriate to include representations 4 through 6? Do you think there is reason to differentiate between smaller and larger issuers? For example, is there any reason to exclude representations 4 through 6 with regard to smaller issuers?

We believe it is appropriate to include representations 4 through 6, and do not see a reason to differentiate between smaller and larger issuers.

Parts 2 and 3

If the AIF and annual financial statements and MD&A are not filed at the same time, there will be a gap between the time that the earliest of these documents is filed and the time the annual certificate is filed. Is the timing gap problematic?

We do not believe that the timing gap will be problematic.

Should the annual certificate in the Proposed Instrument cover certification of Form 40 executive compensation disclosure? If yes, how should this be done? For example, should the annual certificate cover subsequently filed material in the Form 40 as and when that information is filed?

We agree with your decision not to cover certification of Form 40 executive compensation disclosure.

Do you agree with this approach [not requiring a formal interim evaluation of the effectiveness of internal controls and disclosure controls and procedures]?

We agree with your decision not to require a formal interim evaluation of the effectiveness of internal controls and disclosure controls and procedures.

Part 4

Do you think that the exemption in section 4.1, as currently drafted, will have the effect of discouraging issuers that prepare their financial statements in accordance with US GAAP from preparing and filing Canadian GAAP financial statements?

No comment.

Part 5

The proposed certifications refer to fair presentation without the qualifier "in accordance with generally accepted accounting principles." We understand that this approach is consistent with that taken by the US, and recognize that you can communicate the intended interpretation of fair presentation to those who will be certifying. However, we note that Canadian generally accepted accounting principles (GAAP), as set out in Section 1400 of the *CICA Handbook*, do require the presentation that you seek:

> *"Financial statements should present fairly in accordance with Canadian generally accepted accounting principles the financial position, results of operations and cash flows of an entity (that is, represent faithfully the substance of transactions and other events in accordance with the elements of financial statements, and the recognition and measurement criteria set out in FINANCIAL STATEMENT CONCEPTS, Section 1000).*
>
> "A fair presentation in accordance with generally accepted accounting principles is achieved by:
> (a) applying GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section 1100;
> (b) providing sufficient information about transactions or events having an effect on the entity's financial position, results of operations and cash flows for the periods presented that are of such size, nature and incidence that their disclosure is necessary to understand that effect; and
> (c) providing information in a manner that is clear and understandable."

The Kripps case referred to in the companion policy pre-dated Section 1400.

In our view, use of the qualifier, "in accordance with generally accepted accounting principles," would add clarity and strengthen certifications, and we recommend its inclusion.

Should an issuer that is structured such that all or a majority of its business is operated through a subsidiary or another issuer of which it materially affects control or direction such as an income trust, be subject to the same certification filing requirements as issuers that offer securities directly to the public?

The controls encompassed by the certification are described in terms of outcomes. We expect that this is sufficient for a consolidated entity, without requiring certification by officers of components of a consolidated entity.

Should we formally define: (i) internal controls and (ii) disclosure controls and procedures? If so, what should the appropriate definitions be?

We agree with the approach taken, framing the definitions in terms of outcomes.

Audit Committees

We concur with the proposals and are not proposing any changes.

We agree with the practical consideration that it may be difficult or impossible for many small issuers to comply with the independence and financial literacy requirements, and believe that the approach taken is a practical one. However, given the importance of independence and financial literacy, we encourage regulators to support initiatives to increase the capable, financially literate and independent directors available to small issuers.

If you have any questions or comments on this submission, please contact the undersigned.

Yours very truly,

Chartered Accountants

M Donald Thomson, CA

Partner and National Director of Professional Standards