

WALTER MAUGHAN  
PO Box 48868 – 595 Burrard St.  
Vancouver BC  
V7X 1A8  
Canada  
Tel: (604) 261-1100  
Fax: (604) 264-9983  
waltermaughan@telus.net

John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario M5H 3S8

and

May 31, 2005

Anne-Marie Beaudoin, Directrice du secretariat  
Autorite des marches financiers  
Tour de la Bourse  
800, square Victoria  
C.P. 246, 22e etage  
Montreal, Quebec, H4Z 1G3

Dear Sirs and Mesdames:

I do serve and have served as Audit Committee Chair for a variety of, usually small, public companies over many years. I have frequently garnered kudos for the effectiveness of these Committees and have striven to have each and every one of them, and the companies they serve, behave to the highest standard. Where they have not, I have resigned.

I have grave concerns on the effect the New/Updated Instrument on Internal Controls over Financial Reporting will have on the Canadian business community. I have expected that the CEO of a marketing company would come from a marketing discipline; of an engineering company from an engineering discipline etc etc. Just as I would not expect my CA auditor to certify that a bridge will not collapse, and be financially responsible if it did; I do not believe that it can be expected that an engineer can certify that internal financial controls are in place and are sufficient and be financially and criminally responsible for something so beyond his/her professional training.

Because it was most likely that the Finance Department set up Internal Controls in the first instance, requiring a marketing or engineering executive to certify them creates the need in that executive to be suspicious of his/her own finance department. To overcome this suspicion you are implicitly requiring that every public company have an internal audit function reporting to the CEO's office. This is expensive for many in Canada and of questionable effectiveness in every instance.

Further, I suspect that the Administrators of Securities Commissions and other control institutions are simply setting up an entire class of business persons as being notionally responsible simply because they can – they are the ones writing the rules. Security Administrators did the very same

thing to the auditing profession but auditors were able to pass along the liability to business via the Engagement Letter and other auditor risk mitigation measures. The businesses now bearing the burden have no one to pass along to. Arguably Security Administrators may be blamed for problems, malfeasances or frauds which may arise but should they simply pass rules to protect themselves and expose an entire class of the business community – again, just because they are able so to do?

Further again, there are not now nor will there be in the medium term future sufficient CA's, CGA's, CMA's etc to staff the CEO, CFO and Internal Audit functions of all the public companies in Canada even if that were desirable. These professions are suffering a decline of incoming students and there is a cycle of much greater than five years for new entrants to be sufficiently seasoned to act in these senior roles. Besides, do you or anyone else really want an economy run by financial people exclusively? Basic supply and demand is also making these professionals very expensive to business.

Many small public companies cannot afford the internal audit function; nor should they. Larger companies have proven that the internal audit function is no protection against fraud or collusive malfeasance. People who want to get around rules will. You need to find positive reinforcement mechanisms rather than punitive and massively expensive ones.

Is not one of Canada's weaknesses that we do not have enough people in the greater variety of professions and disciplines? Our economy is insufficiently "deep" or "varied" as it is and your proposals are contrary to the greater "good". We do not need more accountants counting profits – we need more business people out there creating them.

I request that you withdraw the proposed changes in their entirety and rethink what is moral and ethical towards the thousands and thousands of business people – the immense variety of types of business people - you are going to affect.

Thank you for considering this submission.

Sincerely

Walter Maughan