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June 30, 2005

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

Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22e étage
Montréal, Québec, H4Z 1G3
Attention: Anne-Marie Beaudoin, Directrice du secrétariat

RE: Proposed Multilateral Instrument 52-111 and Companion Policy 52-111CP *Reporting on Internal Control over Financial Reporting* (the "Proposed Internal Control Materials") and Proposed Repeal and Replacement of Multilateral Instrument 52-109 and Companion Policy 52-109CP *Certification of Disclosure in Issuers' Annual and Interim Filings* (the "Revised Certification Materials") (CSA Notice and Request for Comments, February 4, 2005)(the "Proposals".)

Ladies and Gentlemen

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the Proposals, issued by the Members of the Canadian Securities Administrators, other than British Columbia (the "CSA").

We believe that the Proposals are fundamentally sound and that significant changes are not required. Accordingly, this submission outlines the reasons for our support of the Proposals as well as certain recommendations for application and implementation guidance.

We believe that the implementation of the Proposals will focus all constituents associated with financial reporting on the need to maintain a strong control environment, a cornerstone of a robust system of internal control over financial reporting. Strong internal control over financial reporting is fundamental to reliable financial and other continuous disclosure reporting and having executive, business unit, operating management and external auditors focused on these controls will prove invaluable in restoring the investing public's confidence in the reliability of the financial statements they receive.

We support the proposed requirement that every reporting issuer subject to the requirement of the Proposed Internal Control Instrument file an annual report in which the issuer's auditor expresses an opinion concerning management's assessment of the effectiveness of the issuer's internal control over financial reporting. An audit of internal control over financial reporting and management's assessment of the effectiveness thereof will help ensure objectivity and consistency of management's assessment process.

In addition, the Proposed Internal Control Instrument operationalizes the concept of one combined audit process, meeting two distinct objectives and resulting in two opinions - one on internal control over financial reporting and one on the financial statements themselves. We believe this integration is key to meeting the public's expectations.

We believe the heightened focus on the production of reliable financial reporting, predicated on effective internal control over financial reporting, is very positive. We expect the major impact of the implementation of the Proposals to be:

- Intensified attention by issuers to maintaining effective systems of internal control over financial reporting and identifying and remediating internal control deficiencies before material misstatements occur. We expect this attention will improve the reliability of financial reporting on an interim and annual basis. The Proposals provide the catalyst to reduce the backlog of deferred maintenance on existing systems of internal control over financial reporting.

- Audit committees and boards of directors will have a greater awareness of internal control issues and of management's actions to address them. They will be required to become more engaged in overseeing the financial reporting processes and control environments of the companies they represent.

The marketplace continues to debate whether the benefits are worth the costs. In the United States, there has been a backlash after the first year of implementation of similar requirements, Section 404 of the Sarbanes-Oxley Act ("SOX 404"). While SOX 404 generally was endorsed by those involved with the financial reporting process when the requirements first were established, the size of the investment to implement the requirements has led some to question whether the costs of implementation exceed the benefits.

While the learning curve and resource requirements in the initial year of adoption must be dealt with, we believe that the lessons learned from the U.S. experience and the new guidance issued by the SEC and the PCAOB in May 2005 will enable both reporting issuers and auditors to better manage their costs. Given the widespread impact and magnitude of the Proposals, we believe it will take a few years for the capital markets to reap the full benefits. For example, it will take time for reporting issuers to embed the Proposed Internal Control Instrument's processes throughout their organizations and benefit from the related efficiencies. Investors and analysts need time to understand and incorporate the new reporting model into their decision-making frameworks.

We have the following observations and suggestions with respect to the Proposed Internal Control Instrument:

Scope of Application

We support the exemption for smaller entities. We believe that the exemption in the Proposed Internal Control Instrument currently available to investment funds and venture issuers should be extended to include non-venture issuers with market capitalization less than $75,000,000.

The rationale supporting an exemption for small public companies is that the cost benefit equation is much harder to demonstrate in their case. The relative costs are high and the benefits are not as evident because of the less formal internal control structure within smaller companies.

Suitable Control Framework

The Proposed Internal Control Instrument requires management to use a suitable control framework. The Proposed Companion Policy provides additional guidance on what constitutes a "suitable control framework". In particular, it confirms that CoCo, COSO and the Turnbull Report satisfy this criteria.

We agree that these frameworks present solid foundations and will be appropriate in many circumstances. We expect that most Canadian issuers will use COSO or CoCo, however, both of these frameworks, which were developed in early 1990's, have not been revisited since. The complexity of business and internal controls has evolved over this same time period. We believe a comprehensive review of CoCo and COSO should be considered.

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Implementation Guidance

We believe that more specific definitive implementation and application guidance is required.

The concept behind regulators providing more guidance for issuers would be to focus companies on entity-wide risk using a "top-down", risk-based approach to plan and set priorities for the evaluation exercise. The documentation and testing process then could be conducted in an orderly manner, focusing on high risk activities. Guidance for issuers with respect to best practices in implementing the requirements will create consistency in the approach taken by all companies and reduce uncertainty with respect to understanding the expectations of Canadian regulators. Similarly, the proposed CICA Handbook – Assurance Section, *An Audit of Internal Control over Financial Reporting Performed in Conjunction with an Audit of Financial Statements*, should be written to provide standards and guidance resulting in a cost-effective audit approach.

We believe that because of the close relationship between the Canadian and U.S. capital markets, the ultimate Canadian requirements for evaluating and reporting on internal control over financial reporting should be the same as those under SOX. There should be mechanisms to establish an ongoing process in Canada to provide interpretations and further pronouncements that would apply to each of the reporting issuer and auditor communities.

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In conclusion, we believe that the Proposed Internal Control Instrument is fundamentally sound and will enhance the reliability of financial reporting to investors.

We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions that the staff may have. Please do not hesitate to contact Robert J. Muter at 416-941-8243 regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP