

Staff Accounting Communiqué 52-706
No Requirement to Provide Management Report under CICA

There has been some confusion about whether management reports, a common reporting practice for a number of reporting issuers and the subject of an August 1992 CICA Accounting Guideline, are required to be filed with the Ontario Securities Commission. In the opening paragraph of Staff Accounting Communiqué No. 1 ("SAC No. 1") [52-702], which deals with the Securities Act requirements for financial statements to comply with generally accepted accounting principles ("GAAP"), there is a reference to staff's expectation that reporting issuers comply with CICA Accounting Guidelines because they represent the considered views of informed accountants on areas where there are no specific standards. The reference to CICA Accounting Guidelines in SAC No. 1 [52-702] is confined to material relating to guidance on GAAP as opposed to a broader scope of application. As a result, compliance with SAC No. 1 [52-702] does not require reporting issuers to provide a management report.

Although there is no requirement for reporting issuers to prepare and file a management report, staff encourages management reporting because it assists in clarifying the roles and responsibilities of the various parties involved in the financial reporting process.

In addition, although the CICA Accounting Guideline does not address management reporting on the effectiveness of internal controls, this is required disclosure for many reporting issuers that file financial statements with U.S. securities regulatory authorities. In staff's view, reporting on the effectiveness of internal controls adds to the substance and usefulness of management reports and is encouraged. Reporting issuers already complying with the U.S. form of management report can provide this report for purposes of filing with the OSC. No reconciliation between Canadian and United States reporting practice in this area is considered necessary.