

June 16, 2008

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Nova Scotia Securities Commission  
New Brunswick Securities Commission  
Office of the Attorney General, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
Registrar of Securities, Government of Yukon  
Registrar of Securities, Department of Justice, Government of the Northwest Territories  
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

C/O John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario M5H 3S8  
Fax: (416) 593-8145  
E.-mail: [jstevenson@osc.gov.on.ca](mailto:jstevenson@osc.gov.on.ca)

C/O M<sup>e</sup> Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, Square Victoria, 22<sup>e</sup> étage  
C.P. 246, tour de la Bourse  
Montreal (Quebec) H4Z 1G3  
Fax: (514) 864-6381  
E.-mail: [consultation-En-cours@lautorite.qc.ca](mailto:consultation-En-cours@lautorite.qc.ca)

Dear Sir/Madame:

**Subject: Request for comment: Proposed Repeal and Replacement of Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings**

In response to the Request for comment issued April 18, 2008, I enclose the following comments:

1. In Section 5.2 of the proposed Companion policy, there is the following statement «In addition, Control Objectives for Information and Related Technology Framework (COBIT) published by the IT Governance Institute might provide useful guidance for the design and evaluation of information technology controls that form part of an issuer's ICFR». It is surprising that only ITGI is mentioned and that no mention is made of principle 14 and the tools found in COSO's document entitled Guidance for smaller public companies. The IT General controls questionnaire found in volume 3 of COSO's guidance is an excellent highly-focused tool that provides a very cost efficient approach to evaluating the IT controls in the context of financial reporting. Most importantly, it includes a first step where the size and complexity of the IT installation is assessed, allowing the assessment questionnaire to be adapted to smaller less complex situations. Further, in accordance with guidelines issued by the SEC and the PCAOB, it focuses only on those controls that are important for financial reporting and it avoids assessing risks that are related to operations or continuity or other matters. Even further, it uses a risk-based approach whereby each risk listed on the questionnaire is assessed first before identifying and documenting a mitigating control. Finally, a company that uses the COSO questionnaire is being consistent in that they are actually using the control framework mentioned in their management report. By only mentioning ITGI with respect to IT General controls, the current formulation of paragraph 5.2 ignores a very important source of guidance for IT general controls and it gives the impression that ITGI and not COSO is the de facto standard.
2. According to Section 9.1., the instrument comes into force on December 15, 2008 rather than for years commencing on or after December 15th, 2008. This approach to dates gives some of Canada's biggest filers almost 10 additional months to complete their certification, whereas the majority of filers, including most of the smaller public companies will need to implement by December 31st, 2008. For them, there is a high risk that the procedures that they undertake will be modified or changed prior to the finalization of the National Instrument. This is bound to result in some gaps in the procedures or some additional costs.
3. According to Section 5.5 an issuer is only allowed to file an interim certification in Form 52-109F2 - IPO/RTO for the first interim period that ends after the issuer becomes a non-venture issuer if the first financial period that ends after the issuer becomes a non-venture issuer if the first financial period. The fact that this permission is only given for the first interim period does not seem to take into account the tremendous level of effort that may be required to complete an initial public offering or to otherwise prepare to become a non-venture filer. There may be some merit to given a longer delay or aligning the delays with those provided to US filers.
4. In Section 6.15 of the Companion policy - subsection 4 (Documentation for design of ICFR) - the items listed do not seem to focus on the risks of misstatement. Rather they seem to focus on the process or the flow, which are less important than the risks. One would not naturally prepare a risk and control matrix based on this list of items, whereas the risk and control matrix is the most common, important and effective form of documentation. Finally on this point, there is no mention of adapting the extent of documentation to the situation - i.e. less documentation when risk is lower. Without some adjustments, this section is likely to drive up the costs of compliance.

5. Regarding Section 7.8 addressing walkthroughs, it should be noted that a walkthrough is a tool that must be used by the external auditor but is not necessarily required of management, who should be very familiar with the processes because they work with them every day. From a practical point of view, there is very little added value for management to perform a walkthrough - it would be far more efficient to proceed directly with a real test that will address both the design effectiveness and the operating effectiveness. Although this section only describes a walkthrough and states that it «can assist», its inclusion in the Companion policy will make it appear as a requirement and drive up the cost of compliance
6. Regarding Section 8.1 – Use of a service organization, the word payroll should be dropped in favour of a more significant service organisation such as securities safekeeping. The risks in the portion of the payroll process that occurs at the outside service organization are typically very low and it is unlikely that they will give rise to an undetected material misstatement in the consolidated financial statements. Further, companies typically have review and budgeting-type key controls over the outputs from this process that will detect a material problem. Using payroll as the first example listed is inconsistent with the risk-based approach and will cause people to continue to focus on low risk areas.

For your consideration



John S. Cochrane, CA, Adm.A., CMC  
146 chemin des Vingt  
St-Basile-Le-Grand, Québec J3N 1M2  
Telephone: 514 390-4139  
Fax: 514 878-2127  
E-mail: cochrane.john@rcgt.com