

December 29/04

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Re: CFO/CEO Certification Discussion Brief - Request for Comment

The Issues and Policy Advisory Committee (“IPAC”) of Financial Executives International (Canada) (“FEI Canada”) is pleased to have the opportunity to provide comments to the CICA on the Discussion Brief “CEO/CFO Certification”. The following remarks are made on behalf of the Committee and do not necessarily represent the views of FEI Canada or its members.

The CICA should be commended for providing a comprehensive overview of the obligations of companies to report transparently and a roadmap of the process to achieve CEO and CFO certification of financial information.

- Once securities regulators establish the final rules regarding the content of certifications, this document should be updated to reflect the final legislation.
- Whether auditors are required to review and report upon management’s assessment of internal control will influence whether issuers can concentrate on the substance of transparency and accountability or whether they will become absorbed with ensuring that auditor concerns and their interpretations of the auditing rules have been met. This is a key challenge as the US experience has demonstrated. Once Audit firms began deciphering the rules established by PCAOB, issuers found that the bar had been raised and areas such as IT controls took on a greater significance than had been originally thought. Will this lead to greater transparency, or is it satisfying the risk adverse nature of Auditors?
- Recent proposed changes to Bill 198 that would allow third parties to initiate lawsuits against a company for misrepresentation or lack of timely disclosure may also impact the design and assessment of internal controls over financial information and the disclosure controls of listed companies and may result in companies adopting more rigorous procedures earlier than later to protect themselves against such actions. This may have the unintended consequence of leading to less disclosure due to fear of potential lawsuits.

Paulette Kennedy,  
Chair, Internal Control Task Force  
Issues and Policy Advisory Committee,  
Financial Executives International Canada