

Certification of Internal Control: Final Certification Rules

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The CSA's final rule for CEO and CFO certification replaces and expands upon the current requirements. Non-venture issuers must now certify on the effectiveness of internal control over financial reporting. Will your company meet its deadline?

In August 2008, the Canadian Securities Administrators (CSA) issued National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. This rule replaces and, through guidance in the companion Policy, significantly expands upon the current requirements for CEO and CFO certification.¹ The rule is effective for periods ending after December 15, 2008. Certain reporting issuers that were exempt from the previous requirements, because they complied with the *Sarbanes-Oxley Act* (SOX), continue to be exempt under the final rule.

The final rule was not significantly modified from the April 2008 proposal. We highlight below the more significant changes incorporated in the final rule.

What are the differences?

The final rule includes key changes from the previous rule that was established in 2004 and clarified through subsequent CSA staff notices:

- For venture issuers:
 - Venture issuers continue to be exempt from the requirement to certify on the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR). The CSA communicated this decision² in November 2007, making its decision effective for periods ending on or after December 31, 2007.

In this issue

What are the differences?	1
Take action now	2
Design of controls	3
Evaluating effectiveness of DC&P and ICFR	9
Material weakness	11
Limitations on scope	12
Role of board of directors and audit committee	13
Summary	13
Appendix	
Form 52-109F1	14

¹ Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*.

² CSA Notice 52-319 allowed venture issuers to file a new form of certificate for years ending on or after December 31, 2007. The "venture issuer basic certificate" excludes representations related to DC&P and ICFR and includes a "Notice to Reader" explaining how it differs from the full certificate filed by non-venture issuers. The certificate is essentially the same as the one previously announced, except the references to the previous rule are replaced with references to the new rule. If the "venture issuer basic certificate" is used, management is not required to discuss in its annual or interim MD&A the design or operating effectiveness of DC&P and ICFR.

Look to the companion policy for more guidance on the evidence required to support the certification.

- For non-venture issuers:
 - The CEO and CFO must certify that they have evaluated the effectiveness of the issuer's ICFR and disclosed in the annual MD&A their conclusions about the effectiveness of ICFR at the financial year-end. Under the final rule, the evaluation must be completed using a control framework.
 - MD&A disclosure is required for each material weakness related to ICFR. Issuers are not required to remediate a material weakness; however, they must disclose any plans or actions already taken to do so.
 - Detailed guidance outlines what should be considered when assessing the design and evaluating the effectiveness of DC&P and ICFR, including the extent of documentation to support the evaluation.
 - Joint ventures, variable interest entities (VIEs), and business acquisitions that meet certain conditions may be excluded from requirements relating to the design of DC&P and ICFR, subject to certain conditions. Disclosure is required in these instances, as described in more detail later in this publication.
 - For initial public offerings, an issuer may omit certifications around DC&P and ICFR for one quarter. If an initial public offering is completed in other than the fourth quarter, the certifying officers will be required to certify on the operating effectiveness of ICFR and should plan accordingly. This requirement is a significant departure from the SOX rules in the US that provide for a one-year deferral of Section 404.

The existing rule requires the CEO and CFO to certify each quarter, among other things, that they have designed DC&P and ICFR and disclosed changes in ICFR that have materially affected or are reasonably likely to materially affect the issuer's ICFR. In addition, the annual certificate requires the certifying officers to evaluate the effectiveness of DC&P and disclose their conclusions in MD&A. A staff notice³ required certifying officers to disclose any ICFR design weaknesses in MD&A. The final rule has not changed these original requirements.

Management should be taking action now to prepare for its certifications.

Take action now

Certifying officers of non-venture issuers need to examine the final rule and disclosure requirements, and carefully assess the company's planned processes for certification in terms of these new requirements, by asking such questions as

- Has the company's ICFR work to date met the documentation requirements relating to the design and effectiveness of DC&P and ICFR?
- Is the company's evaluation strategy consistent with CSA guidance?

³ CSA Staff Notice 52-316, *Certification of Design of Internal Control Over Financial Reporting*.

The CSA continuous disclosure review program is focusing on issuers' internal control filing disclosures.

- How will the disclosure requirements affect the company?
- What form of certificate will it use? (see the Appendix for the standard full certificate for non-venture issuers)

The audit committee and/or board of directors should also act now. Well before they are asked to approve the disclosures in the MD&A, they need to understand the basis upon which the certifying officers intend to make their conclusions.

Do not take the disclosure requirements lightly. The CSA recently summarized⁴ the results of recent disclosure reviews and commented on issuers' internal control filings, including

- failing to file certificates in accordance with Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*
- filing improper certificates
- including insufficient discussion regarding DC&P in the MD&A.

We expect that the disclosures under NI 52-109, including those relating to the effectiveness of ICFR, are probable focus areas for future disclosure reviews.

Design of controls

The rule requires the certifying officers to design or supervise the design of DC&P and ICFR. The companion policy indicates that employees under the supervision of the certifying officers should individually and collectively have the necessary knowledge, skills, information, and authority to design the DC&P and ICFR for which they have been assigned responsibilities. Nevertheless, certifying officers retain overall responsibility for the design and resulting MD&A disclosure concerning DC&P and ICFR.

Design refers to both developing and implementing the controls, policies, and procedures (the "components") that relate to DC&P and ICFR. A design deficiency exists when controls do not provide reasonable assurance of addressing the relevant risks or if the components have not been implemented.

If a deficiency in the design of ICFR controls exists as at the period-end date, the certificate would be prepared using prescribed language (see 5.2 in the Appendix). MD&A for the period must also disclose

- a description of the material weakness
- the impact of the material weakness on the issuer's financial reporting and its ICFR
- the current plans, if any, or any actions already undertaken to remediate the material weakness.

⁴ CSA Staff Notice 51-326, *Continuous Disclosure Review Program Activities for Fiscal 2008*.

Consider the guidance provided before determining which components of DC&P and ICFR to evaluate and how much documentation is required.

Expect a top-down risk-based approach to contribute to overall efficiency and cost-effectiveness.

Management has flexibility when determining the appropriate components of DC&P and ICFR to be evaluated and the extent of documentation required to support the design assessment. The companion policy contains useful guidance in the areas of

- applying a top-down risk-based approach
- identifying significant accounts and disclosures
- designing and documenting the control environment
- designing and documenting DC&P
- designing and documenting ICFR
- identifying material changes in ICFR.

These areas are discussed in more detail below. Certifying officers should consider comparing their current design certification processes and documentation against those recommended in the companion policy.

Applying a top-down risk-based approach

No approach to assessing the design of DC&P and ICFR is prescribed. However, using a top-down risk-based approach is recommended as being efficient and cost-effective. Under this type of approach, certifying officers are able to consider the risks that could, individually or in combination with others, reasonably result in a material misstatement due to error, fraud, or omission in disclosure.

A top-down risk-based approach helps certifying officers to focus their resources on the areas of greatest risk and avoid expending unnecessary resources on areas with little or no risk. If a risk is adequately addressed by controls that operate centrally, then certifying officers do not need to focus their resources at a location or business unit to address the risk. Alternatively, if a control addresses more than one relevant assertion, then certifying officers could choose it rather than a control that addresses only one relevant assertion.

Entity-level monitoring controls often have such attributes. For example, if an analysis is done at an appropriate level of depth and precision, a centralized review of operating results may allow management to reduce or eliminate further testing of other controls over certain accounts. Similarly, if more than one potential control addresses a relevant assertion, certifying officers could select the control that is easiest to evaluate (e.g., automated control versus manual control), thereby increasing the efficiency of the evaluation process.

Identifying significant accounts and disclosures

The process begins by identifying significant accounts and disclosures at the consolidated level that could reasonably result in a material misstatement to the financial statements. Typically, line item captions in the financial statements are analyzed and disaggregated to a level that could reasonably

Thoughtfully apply judgment in identifying significant accounts and disclosures.

result in a material misstatement to the financial statements. For example, inventory may be composed of finished goods, work in progress, raw materials, and an obsolescence reserve. If the work in progress balance is considered insignificant, it may not be subjected to further analysis.

Identifying significant accounts and disclosures requires the use of judgment, particularly to evaluate qualitative factors. A minimum threshold expressed as a percentage or a dollar amount, such as a quantification of materiality, could provide a reasonable starting point for evaluating the significance of an account or disclosure. However, certifying officers should use their judgment and consider qualitative factors when assessing accounts or disclosures for significance above or below that threshold.

The CSA identifies the following factors to consider in determining whether an account is significant:

- size, nature, and composition of the account or disclosure
- risk of overstatement or understatement of the account or disclosure
- susceptibility to misstatement due to errors or fraud
- volume of activity, complexity, and homogeneity of the individual transactions processes through the account or reflected in the disclosure
- accounting and reporting complexities associated with the account or disclosure
- likelihood (or possibility) of significant contingent liabilities in the account or disclosure
- existence of related party transactions
- impact of the account on existing debt covenants.

Once significant accounts and disclosures are determined, the relevant assertions for each are identified. If an assertion does not present a risk that could reasonably result in a material misstatement in a significant account, it is likely not a relevant assertion. Controls need to be considered only if they address relevant assertions related to significant accounts and disclosure. In the previous inventory example, the relevant assertions might include the existence and accuracy of finished goods and raw materials inventory, and the valuation of the obsolescence reserve.

Designing and documenting the control environment

Generally, certifying officers should document the key elements of an issuer's control environment, including, but not limited to

- "tone at the top" demonstrated by the board of directors, audit committee, and senior management. Certifying officers should consider whether the audit committee has established procedures for dealing with complaints and concerns about accounting or auditing matters (i.e., a whistle-blowing policy).

Documenting your control environment reflects many dimensions.

- the organizational structure in relation to the size of the issuer (e.g., a smaller organization may not require as much formality)
- management's philosophy and operating style
- the integrity, ethics, and competence of personnel
- external influences that affect the issuer's operations and risk management practices
- human resource policies and procedures.

The following types of documentation are noted as being useful for the purpose of assessing the control environment:

- written codes of conduct
- procedures manuals, operating instructions, job descriptions, and training materials
- evidence that employees have confirmed their knowledge and understanding of the two items above
- organization charts that identify approval structures and the flow of information
- written correspondence provided by an issuer's external auditor regarding the issuer's control environment.

The companion policy emphasizes the importance of a strong control environment to help ensure there is an appropriate flow of information to promote compliance with DC&P policies. A strong control environment can also contribute to the reliability of other controls. The rule is clear, however, that the existence of an effective control environment will not on its own provide reasonable assurance for DC&P and ICFR.

Designing and documenting DC&P

DC&P design provides reasonable, not absolute, assurance that information required to be disclosed is recorded, processed, summarized, and reported on a timely basis. To provide reasonable support for the design certification of DC&P, certifying officers should generally consider and document

- the processes and procedures that provide reasonable assurance that information is brought in a timely manner to the attention of management, including the certifying officers, to enable them to determine if disclosure is required
- any written communication to employees and directors of the issuer's disclosure obligations, including the purpose of disclosure and DC&P, as well as deadlines for specific filings and other disclosures
- the assignment of roles, responsibilities, and authorizations relating to disclosure matters
- guidance on how authorized individuals should assess and document the materiality of information or events for disclosure purposes

Watch for overlap between DC&P and ICFR.

- the policy on how the issuer will receive, document, evaluate, and respond to complaints or concerns received from internal or external sources regarding financial reporting or other disclosures issues.

The CSA has modified its guidance to reinforce the overlap of DC&P and ICFR. The CSA now states that "... DC&P *should* include those elements of ICFR that provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with the issuer's GAAP" (emphasis added). In contrast, its previous guidance indicated that "DC&P *may* include those components of ICFR ..." (emphasis added). Further, additional guidance in the final companion policy states that an ICFR material weakness will *almost always* represent a weakness that is significant to DC&P. When DC&P has a significant weakness, it is ineffective. While this approach represents a change in view for some Canadian issuers, it is consistent with practice observed in the US.

Certifying officers should consider additional guidance on the disclosure of DC&P weakness.

The certificates cannot be modified to indicate the existence of a significant weakness in DC&P, similar to ICFR (see 5.2 in the Appendix). As a result, the companion policy recommends that MD&A should include disclosure of the identified weakness and other information necessary to provide an accurate and complete picture of the design of DC&P.

This additional guidance means that certifying officers who previously disclosed material weaknesses in ICFR may wish to reconsider their conclusions for DC&P.

Designing and documenting ICFR

To design their ICFR, certifying officers are required to use a control framework, such as the *Internal Control—Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This requirement represents a change from the previous rule. The framework chosen is disclosed in the certificate (see 5.1 in the Appendix).

ICFR should be designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The CSA indicates that ICFR design should generally include documentation of

- the issuer's ongoing risk assessment process and those risks that need to be addressed in order to conclude that the certifying officers have designed ICFR
- how significant transactions and significant classes of transactions are initiated, authorized, recorded, and processed (including non-routine transactions, journal entries, and those transactions requiring judgments and estimates)

ICFR documentation should include the flow of transactions.

- the flow of transactions to identify when and how material misstatements or omissions could occur due to error or fraud
- a description of the controls over relevant assertions related to all significant accounts and disclosures in the financial statements
- a description of the controls designed to prevent or detect fraud, including who performs the controls and, if applicable, how duties are segregated
- a description of the controls over period-end financial reporting processes, including controls over entering transaction totals in the general ledger; controls over initiating, authorizing, recording, and processing journal entries in the general ledger; and controls over recording recurring and non-recurring adjustments to the financial statements (e.g., consolidating adjustments and reclassifications)
- a description of the controls over safeguarding of assets
- the certifying officers' conclusions on whether a material weakness relating to design of ICFR exists at the end of the period.

In considering the design of ICFR, certifying officers should also consider the issuer's procedures for selecting and applying appropriate GAAP and any controls on which other controls depend, such as information technology general controls.

Identifying material changes in ICFR

Any change in ICFR that has materially affected or is reasonably likely to materially affect the issuer's ICFR should be disclosed in MD&A. A change in ICFR that is made to remediate a material weakness would generally be considered a material change in ICFR; a material change may, however, occur for other reasons. Virtually no guidance exists in Canada or the US for determining what is a material change, and certifying officers are encouraged to consult with legal counsel when making this judgment.

At a minimum, management should have a process in place to identify changes in ICFR that can be evaluated by the certifying officers and other members of management against materiality. Considerations could include

- What changes are pervasive and cover multiple accounts? (for example, a major conversion involving an enterprise-wide system)
- What changes have been made that might affect a material risk to the reporting process? (for example, anti-fraud controls put in place to enhance the control environment, such as the introduction of code of conduct annual sign-offs)
- How extensive are the changes relative to material accounts or risks? Is the change a complete overhaul that includes both information technology changes and process flow, or are the changes more selective "tweaking"?

Any material change in ICFR should be disclosed in MD&A.

- What changes have been made to the more important key controls, particularly those involving significant judgments? (for example, new or changed personnel who were necessary to handle complex accounting areas such as financial instruments, revenue recognition, or accounting for income tax)
- Where are there relatively minor changes that may, in the aggregate, be considered material?

Generally, we believe that disclosure of changes in ICFR would be prudent if a responsible person would determine that the change could affect the reasonable assurance given on the reliability of financial reporting or the preparation of financial statements.

Evaluating effectiveness of DC&P and ICFR

The CSA has retained the requirement that certifying officers evaluate the effectiveness of DC&P annually and disclose their conclusions about the effectiveness of DC&P in the annual MD&A. However, the companion policy clarifies that the effectiveness of DC&P should be assessed at the financial year-end, even though the certificate is dated the same date it is filed.

The final rule has added a requirement for an annual evaluation of the effectiveness of the issuer's ICFR at the financial year-end and disclosure in the annual MD&A of

- the certifying officers' conclusions, based on that evaluation, about the effectiveness of ICFR at the financial year-end
- a description of each material weakness existing at the financial year-end, relating to the effectiveness of ICFR
- the impact of each material weakness on financial reporting and ICFR
- the issuer's current plans, if any, or any actions already undertaken for remediating each material weakness.

A deficiency relating to the operation of ICFR exists when a properly designed component of ICFR does not operate as intended. The CSA states that, if a material weakness exists related to design or effectiveness of ICFR at the period-end date, the certifying officers must conclude that the issuer's ICFR is ineffective. Certifying officers are required to report each material weakness. They cannot stop completing the evaluation if they conclude, after detecting only one material weakness, that ICFR is ineffective.

The CSA does not prescribe how the certifying officers should conduct their effectiveness evaluations of DC&P and ICFR. However, the companion policy does contain significant guidance for certifying officers on how to conduct the evaluations and provides guidance for situations where specialists or service organizations are engaged.

A significant weakness in DC&P will mean that DC&P is ineffective.

Consider the guidance on how to conduct the operating effectiveness evaluations of DC&P and ICFR.

If the certifying officers choose to engage their external auditor to assist in the evaluations of DC&P and ICFR, the certifying officers should determine the procedures to be performed, the findings to be communicated, and the manner of communication. If the external auditor reports the engagement findings as a separate ICFR-related report, the certifying officers can use the results in their evaluation, and the auditor can also use those results as part of the financial statement audit. This approach may provide a cost-effective way to obtain evidence, particularly in areas where, historically, the auditor has tested controls. The CSA indicates, however, that certifying officers cannot rely on ICFR-related procedures completed by the external auditor solely as part of the annual financial statement audit.

Nature, extent, and timing of testing

The companion policy discusses a variety of tools to carry out DC&P and ICFR evaluations of effectiveness, including

- certifying officers' daily interaction with the control systems
- walkthroughs
- interviews of individuals who are involved with the relevant controls
- observation of procedures and processes, including adherence to corporate policies
- reperformance
- review of documentation that provides evidence that controls, policies, or procedures have been performed.

The nature, extent, and timing of testing can vary based on the assessed degree of risk. Controls that address a significant risk typically require stronger testing techniques, such as reperformance, or a combination of techniques, such as combining inquiry with reviews of documentation.

The companion policy indicates that the extent of testing is a matter of judgment, but, typically, for controls that operate more frequently, more items are tested (i.e., a control that operates daily is tested more frequently than one that operates quarterly). The extent of testing may be changed from year to year; however, the certifying officers cannot decide, simply because of prior-year evaluation results, to exclude from the scope of their evaluation components of ICFR for a particular process.

Management's daily interaction with controls may provide an adequate basis for evaluating certain controls, particularly when the operation of controls is centralized, and the number of personnel involved in their operation is limited. The rule allows for self-assessments in testing the effectiveness of ICFR in those limited circumstances in which one certifying officer signs as both the CEO and CFO. In other situations, it is expected that self-assessment would normally be supplemented with direct testing by individuals who are independent from the operation of the control and have an equal or higher level of authority.

The extent of testing is a matter of judgment, but many factors affect this decision.

Remember that the certification is as at the financial year end.

The certification is “as at” the financial year-end. Procedures will therefore need to be performed to evaluate the operation of controls at year-end, particularly controls addressing significant risks. Those issuers that have a robust process to monitor changes in internal control will have a greater ability to move their procedures away from the year-end. In all cases, some controls will need to be tested at year-end, because certain controls may operate only annually, particularly in the year-end financial reporting process.

Documenting the evaluation

The extent of documentation is a matter of judgment, but it should be sufficient to provide reasonable support for the certification of effectiveness. The companion policy indicates that certifying officers should generally document

- a description of the process used to evaluate DC&P and ICFR
- how the extent of testing was determined
- a description of and results from applying the evaluation tools
- the certifying officers’ conclusion on
 - the operating effectiveness of DC&P and ICFR, as applicable
 - whether a material weakness relating to the operation of ICFR existed as at the end of the period.

Material weakness

The rule requires the disclosure of any material weakness related to design or operation of ICFR.

A material weakness means a deficiency, or combination of deficiencies, in ICFR such that there is a reasonable possibility that a material misstatement of the reporting issuer’s annual or interim financial statements will not be prevented or detected on a timely basis.

This definition is consistent with SEC requirements.

If the certifying officers identify a control that does not operate as intended, they may consider whether a compensating control addresses the financial reporting risks that the deficient control failed to address. In such cases, disclosure of a material weakness may not be required. If an issuer is unable or chooses not to remediate a material weakness, but identifies mitigating procedures that reduce the impact of the material weakness on the issuer’s ICFR, then disclosure can be made about these mitigating procedures. The CSA clarified in the final companion policy, however, that mitigating procedures do not negate the need to disclose a material weakness, and, if these mitigating procedures are disclosed, the issuer should not imply that the procedures have eliminated the existence of the material weakness.

Disclose each material weakness in the design or operating effectiveness of ICFR.

The following conditions are listed as indicators of a material weakness:

- identification of fraud, whether or not material, on the part of the certifying officers or other senior management who play a significant role in the issuer's financial reporting process
- restatement of previously issued financial statements to reflect the correction of a material misstatement
- identification of a material misstatement in the financial statements in the current period in circumstances in which the misstatement would not have been detected by the issuer's ICFR
- ineffective oversight of the issuer's external financial reporting and ICFR by the issuer's audit committee.

It is a matter for the certifying officers' judgment whether these situations indicate that a deficiency in ICFR exists and, if so, whether it represents a material weakness.

Limitations on scope

Under certain conditions, certifying officers may limit the scope of their design of DC&P and ICFR to exclude controls, policies, and procedures operating within a proportionately consolidated entity (e.g., a joint venture), a variable interest entity (VIE), or an acquired business. The scope exemption is not necessary if the joint venture, VIE, or business acquisition, individually or in combination, could not have reasonably resulted in a material misstatement of the annual or interim filings.

Carefully consider whether to apply any scope limitations.

The only condition for applying the scope exemption for business acquisitions is that the business acquisitions must not be more than 365 days before the end of the financial period to which the certificate relates.

For VIEs and joint ventures, determining if the scope exemption can be used is based on a question of fact—whether an issuer has sufficient access in order to design and evaluate DC&P and ICFR. The companion policy sets out considerations for making this assessment, such as the ownership interest in the underlying entity. Certifying officers should take all reasonable steps to design and evaluate the effectiveness of controls at VIEs or joint ventures.

The certificate must indicate when the scope exemption is used (see 5.3 in the Appendix). The MD&A should disclose the scope limitation and provide summary financial information for the entity scoped out. Summary information may be disclosed in aggregate or individually for VIEs, joint ventures, and related business acquisitions.⁵ The information would typically include sales or revenues, income or loss before discontinued operations and extraordinary items, net income or loss for the period, current and non-current assets, and current and non-current liabilities. Disclosure about the issuer's share of any contingencies and commitments is also meaningful.

⁵ As the term "related businesses" is used in NI 52-102, *Continuous Disclosure Obligations*.

MD&A disclosure should sharpen the focus of the board of directors as well as the audit committee.

Consider whether your current processes are compatible with the final rule, and use the guidance to keep moving forward on your certification of effectiveness of internal control.

Role of board of directors and audit committee

The companion policy discusses the role of the board of directors and the audit committee in the certification process. Before the MD&A is filed, the board of directors must approve the issuer's annual MD&A, including the disclosures related to DC&P and ICFR. To provide reasonable support for the board's approval of the issuer's MD&A disclosure concerning ICFR, including any material weaknesses, the board should understand the basis upon which the certifying officers made their conclusion. Certifying officers should therefore consider discussing with the board or audit committee the process they took to evaluate DC&P and ICFR, and whether the documentation prepared addresses the areas outlined in the CSA guidance.

The rule also requires the certifying officers to inform the issuer's auditor and board of directors or audit committee of any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

The guidance also sets out certain "design challenges" in which additional involvement by the issuer's audit committee or board of directors could be a suitable compensating control or, alternatively, could mitigate risks that exist as a result of being unable to remediate a material weakness relating to the design challenge. These design challenges include segregation of duties, controls over management override, and the lack of sufficient, qualified accounting personnel.

Summary

The CSA has provided extensive guidance to management regarding its expectations for the evaluation of design and effectiveness of DC&P and ICFR. Although there have been several delays in finalizing NI 52-109, the final rule has now arrived, and the time for issuers to certify the effectiveness of their DC&P and ICFR is rapidly approaching.

As a result, certifying officers should assess whether your company's current processes are compatible with the final rule, before pressing on in your efforts to meet the requirements of the rules in a timely and cost-effective manner.

In addition, audit committees and/or boards of directors should consider how comfortable they are with management's readiness.

Please do not hesitate to contact KPMG to discuss any of these matters.

Appendix

Form 52-109F1 – Certification of Annual Filings Full Certificate

I, <identify (i) the certifying officer, (ii) his or her position at the issuer, (iii) the name of the issuer and (iv) if the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate>, certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of <identify issuer> ("the issuer") for the financial year ended <state the relevant date>.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.
4. **Responsibility:** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.
- 5.1 **Control framework:** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is <insert the name of the control framework used>.

<insert paragraph 5.2 or 5.3 if applicable. If paragraph 5.2 or 5.3 is not applicable, insert "5.2 N/A" or "5.3 N/A" as applicable. For paragraph 5.3, include (a)(i), (a)(ii) or (a)(iii) as applicable, and subparagraph (b).>

- 5.2 **ICFR – material weakness relating to design:** The issuer has disclosed in its annual MD&A for each material weakness relating to design existing at the financial year end
 - (a) a description of the material weakness;
 - (b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and
 - (c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

5.3 **Limitation on scope of design:** The issuer has disclosed in its annual MD&A

- (a) the fact that the issuer's other certifying officer(s) and I have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of
 - (i) a proportionately consolidated entity in which the issuer has an interest;
 - (ii) a variable interest entity in which the issuer has an interest; or
 - (iii) a business that the issuer acquired not more than 365 days before the issuer's financial year end; and
- (b) summary financial information about the proportionately consolidated entity, variable interest entity or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.

<insert subparagraph 6(b)(ii) if applicable. If subparagraph 6(b)(ii) is not applicable, insert "(ii) N/A">

6. **Evaluation:** The issuer's other certifying officer(s) and I have

- (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
- (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A
 - (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
 - (ii) for each material weakness relating to operation existing at the financial year end
 - (A) a description of the material weakness;
 - (B) the impact of the material weakness on the issuer's financial reporting and its ICFR; and
 - (C) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on **<insert the date immediately following the end of the period in respect of which the issuer made its most recent interim or annual filing, as applicable>** and ended on **<insert the last day of the financial year>** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: **<insert date of filing>**

[Signature]

[Title]

<If the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate.>

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