

Corporate Securities

NOVEMBER 25, 2003

AUDITOR ASSOCIATION WITH DOCUMENTS CONTAINING FINANCIAL STATEMENTS

Recent changes announced by the Auditing and Assurance Standards Board ("AASB") of the Canadian Institute of Chartered Accountants ("CICA") will have an impact on reporting issuers, particularly when it comes to the condensed time frame of a public offering.

The AASB has enhanced the traditional auditor duties with respect to their involvement with prospectuses and other offering documents and annual reports. There has also been a significant change to the procedures an auditor is required to perform in carrying out their auditing duties. For example, new Section 7110 of the CICA Handbook (the "Handbook") requires auditor review of any unaudited financial statements included in any type of securities offering document. At the same time, revised Section 7500 of the Handbook requires auditors to perform procedures on a broader range of public documents that contain financial statements and with which the auditor is associated.

The Recommendations in the new and revised Handbook became effective for all auditor consents in documents issued on or after November 1, 2003.

Handbook Section 7500, Auditor Association with Annual Reports, Interim Reports and Other Public Documents

The Recommendations in this revised Section no longer apply only to annual reports. The revisions now extend to any public document with which the auditor is associated, namely, any public documents that contain financial statements that an auditor has audited or reviewed. Examples of such public documents include: interim reports; all forms of securities offering documents (prospectuses and other securities offering circulars); share exchange takeover circulars, issuer bid circulars and certain management information circulars; material change reports, business acquisition reports; press releases; AIFs; and MD&A.

The revised Section 7500 continues to require that auditors be satisfied that the financial statements and report, if any, are accurately reproduced in any such documents and to read and consider all of the other information contained in the document.

Handbook Section 7110, The Auditor's Involvement with Offering Documents of Public and Private Entities and Handbook Section 7115, Auditor Involvement with Offering Documents of Public and Private Entities - Current Legislative and Regulatory Requirements

New Section 7110 contains significant changes to the auditor's professional responsibilities when he or she consents to the use or incorporation of his or her audit report in the prospectus or other securities offering document of any entity, including public and private businesses, non-profit organizations and government entities. The auditor's consent must now be reproduced in the offering document. This differs

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from the traditional practice of only reproducing the consent letter to the securities regulatory authorities in the offering document. Another major change instituted by Section 7110 is that once consent is given, the auditor is required to review all of the unaudited financial statements included in the offering document (whether or not required by securities legislation). Section 7110 also expands the auditor's subsequent event review procedures to include performance of all the work normally performed in a financial statement audit.

Section 7115 deals specifically with the various communications required to be issued by the auditor to the securities regulatory authorities. The auditor is required to complete all of the requirements of Section 7110 before issuing a consent letter to securities regulatory authorities.

The Fallout

Don't let the enhanced auditor's standards catch you off guard. The auditor's professional responsibilities have been significantly enhanced such that auditors will require more time to complete their work in connection with publicly filed documents. Specifically, the Handbook requirements have been restructured so that they now apply to both periodic reporting and offering documents. For issuers contemplating an offering, it is important to consider involving the auditors as early as possible to avoid any delays in the process.

Please contact any member of the Goodmans corporate securities team to discuss any questions you may have.

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