

**A.S.C. NOTICE 28****ACCEPTABLE AUDITORS FOR AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION FILED UNDER THE SECURITIES ACT AND THE FRANCHISES ACT**

This Notice provides guidelines intended to clarify the position of the Alberta Securities Commission (the "Commission") respecting acceptability of auditor's reports which accompany audited financial statements and other financial information filed with the Commission.

The Securities Act, S.A. 1981, c. S-6.1 (the "Act") and Securities Regulation, Alta. Reg. 46/87 (the "Regulation") impose certain requirements for the purposes of filing financial information disclosure. Sections 50 and 121(3) of the Act in conjunction with section 144 of the Regulation require that financial statements filed under the Act or Regulation include an auditor's report signed by an auditor acceptable to the Chief of Securities Administration (the "Chief"). Subsection 96(2)(1) of the Act permits the Chief to refuse to issue a receipt for a prospectus where the auditor providing the audit report for an issuer's financial statements is not considered acceptable. Section 10(6) of the Franchises Act, R.S.A. 1980, c. F17 provides similar discretion for the Chief in refusing to issue a receipt for a franchise prospectus or a statement of material facts.

This Notice has been drafted following a public review by the Board and consultation with the three professional accounting associations in Alberta (the "Professional Accounting Associations").

**Auditors From Alberta**

The Commission recognizes that the majority of professional accountants are members of one of the Professional Accounting Associations, which are self regulating organizations that set the standards for, and regulate entry into the profession. These Professional Accounting Associations establish minimum educational and practical experience requirements which must be attained before the accountant is recognized as a full member of that Professional Accounting Association. The Professional Accounting Associations subject their members to requirements relating to liability insurance, professional development and practice review and are responsible for the discipline of their members.

The Commission will require that a person submitting an auditor's report for filing with financial statements and other financial information under , the Act, the Regulation, the Franchises Act and Regulation made thereunder:

1. be a member in good standing with one of the Professional Accounting Associations in Alberta, namely, The Institute of Chartered Accountants of Alberta, the Certified General Accountants of Alberta and the Society of Management Accountants of Alberta;
2. be registered as an exclusive accounting practitioner; and

3. satisfy any additional requirements prescribed and administered by their respective Professional Accounting Association for audits of public companies.

The Commission recognizes the importance of consistency both in the quality of, and in the method of, preparation of financial statements that are filed with the Commission and relied on by the public. The Board is of the view that the public interest demands the highest standards of auditing for public companies. The Commission strongly encourages the adoption by the Professional Accounting Associations of additional joint standards to be met by those members undertaking audits of public companies.

### **Auditors From Other Jurisdictions**

The Commission requires that an auditor carrying on the practice of public accounting in another jurisdiction must be:

1. a member, or a partnership whose partners are members, in good standing of, and is authorized to act as an auditor by the appropriate authority in that jurisdiction; and
2. acceptable as an auditor for the purposes of filing audited financial statements with the securities commission or other securities regulatory authority located in that jurisdiction;

in order to provide a report to accompany audited financial statements and other financial information filed by an issuer with the Commission.

### **Financial Statement Review**

In carrying out its regulatory mandate, the Commission conducts detailed reviews of financial statements of selected issuers. Issuers and their auditors will be asked to address any questions arising out of this financial statement review program. Where the questions raised involve significant and material accounting matters, the Commission may inquire into the manner in which the auditor has carried out his duties. The auditor will be required to cooperate fully with the Commission in resolving the concerns raised.

In those cases where the Commission is not satisfied that the responses from the auditor satisfactorily resolve the concerns raised, the Commission may refer the matter to the appropriate Professional Accounting Association for review. In addition to any actions taken by the Professional Accounting Association, the Commission may find that the auditor is not acceptable for purposes of financial statement filings with the Commission.

### **Responsibility of Issuers**

It is the responsibility of each issuer to ensure that it has selected an auditor who satisfies the guidelines outlined in this Notice.

Where an issuer files financial statements that have been reported on by an auditor, who either, does not

satisfy the requirements under this Notice or, has been found not acceptable, the financial statements will not be accepted for filing by the Chief. The issuer will be treated as delinquent in its continuous disclosure filings under the Act or a receipt will not be issued for the offering document.

Should an issuer and its prospective auditor have any questions concerning the Notice, they are encouraged to contact the Office of the Chief Accountant.

DATED at Edmonton, Alberta, this 18th day of October, 1993.