

MI 52-109

Compliance with MI 52-109 for Mid Market Companies

What is MI 52-109?

Taking their cue from the Sarbanes-Oxley Act of 2002 (SOX), the Canadian Securities Administrators (CSA) introduced new legislation for corporate governance referred to as Multilateral Instrument 52-109 (MI 52-109). This instrument, applicable in all provinces except British Columbia, requires the Chief Executive Officers (CEOs) and Chief Financial Officers (CFOs) of all reporting issuers to personally certify that their issuer has established appropriate disclosure controls and procedures over annual and interim filings.

Transitional Provisions for Certifying Effectiveness

The CSA requires expanded certification from all reporting issuers on the TSX and TSX Venture exchanges, regardless of whether their securities are listed or quoted.

For financial years ending on or after June 30, 2006, the issuers must certify that they have designed internal controls over financial reporting (ICOFR). They must then certify that they have evaluated the effectiveness of ICOFR by financial years ending on or after December 31, 2007.

Recent Changes on March 10, 2006

The CSA made the following announcements:

- Deadlines for design effectiveness certifications remain unchanged and remain scheduled for fiscal years ending on or after June 30, 2006.
- Management certification over operational effectiveness, required for fiscal years ending on or after December 31, 2007 for all public companies, regardless of market capitalization. This has shortened the timelines for certification, by as much as 2 years for some issuers.
- Audit certifications are not required over effectiveness.

A Mid-Market Perspective

Mid-market companies typically lack the large budget necessary to effectively manage a compliance process in addition to day-to-day operational controls. Even large organizations, with significant resources at their disposal found the pains of compliance to be daunting.

Management must understand the complexity of the regulations and clearly prioritize their tasks in order to achieve compliance. It is imperative that the work done is accurate, and the controls designed are effective and practical. Over-compensating by doing “too much” can be a costly proposition, while underperforming puts the enterprise in jeopardy of violating compliance requirements.

Past experience has shown that remediation of major deficiencies can take over twelve months, and with the deadlines fast approaching, mid-market companies will likely be competing for scarce and increasingly costly resources.

Compliance with MI 52-109 can be particularly costly for unprepared mid-market companies, and with the deadlines fast approaching resources are becoming scarce and costly. What your business needs is a partner that brings the expertise and accountability of larger firms, while maintaining effective price point and flexibility. Inforica is that partner.

Top 3 Compliance Challenges for Mid-Market Companies

Budget and resource constraints are among the biggest challenges for mid-market companies. Without a formal internal audit function and with the control culture imposed by new compliance rules (including MI 52-109), management has a dilemma on how to balance control requirements against limited resources.

Uncertain of what needs to be done to comply?

How should the project be scoped? Should all systems be reviewed or only specific ones? Which processes should be looked at? To what extent must the processes be documented? Exactly which controls are pertinent? How can we leverage the controls already built into the computer systems? These are all important questions that require a good understanding of controls, processes, systems and experience to ensure compliance.

Many businesses and professional firms had miscalculated the scope of work, resource requirements, and several other factors resulting in first year SOX compliance costs that were significantly higher than forecasted. Industry analysts' report the actual costs were 60% higher than initial projections.

Compliance efforts can be formidable.

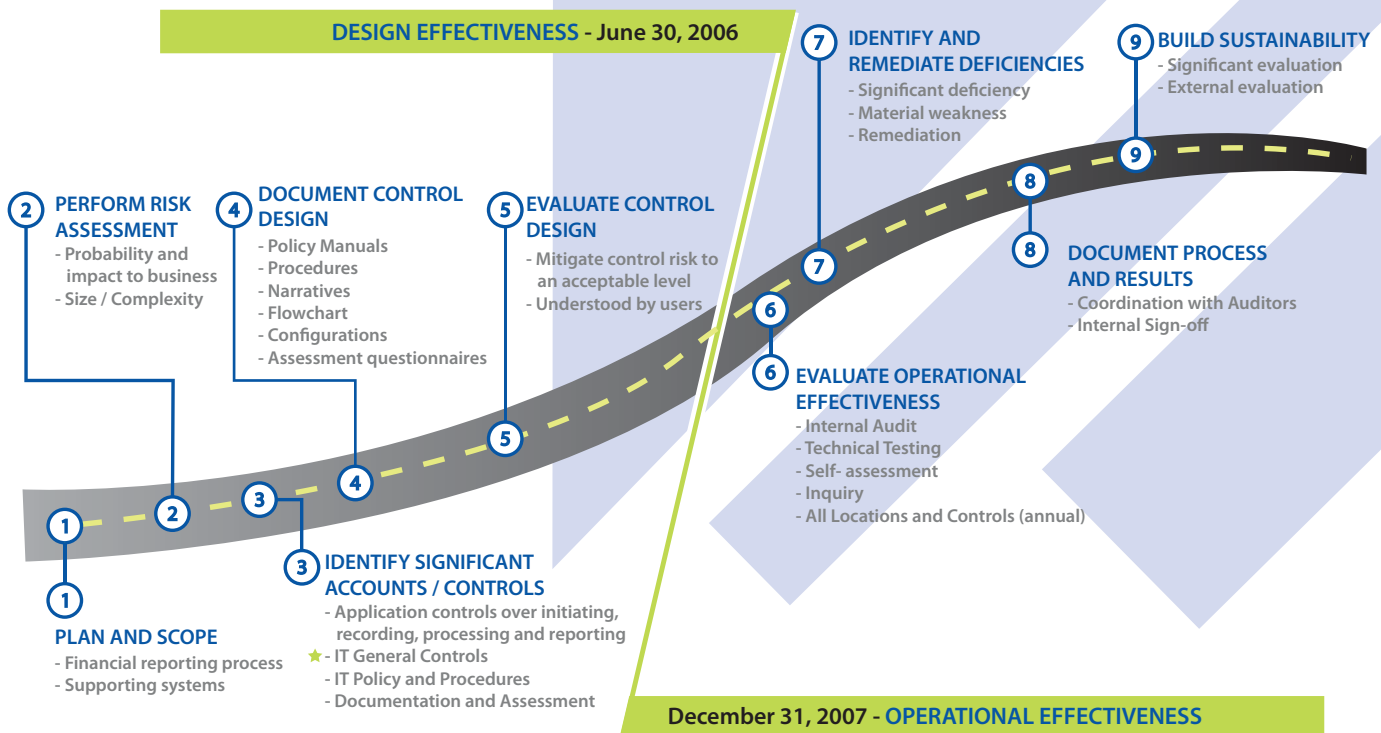
You must clearly define the extent of the work, (which systems, processes, locations, etc.) and the format of the documentation. Using a risk-based, top down approach can ensure the benefit of imposing a control does not outweigh the risk. With deft planning and a methodical approach you can have effective controls that are well designed and practical. An alternative is to view compliance as an initiative that improves management efficiency and enhances process quality, while lowering operational costs.

IT Challenges

IT has become so intertwined with business processes that no compliance project is complete without an in-depth assessment of a company's IT infrastructure. Compliance has become more than just process review and documentation of financial controls. Unfortunately, the requirements of MI 52-109 do not get adjusted based on size or revenue of company. That poses unique budgetary challenges for IT departments to support compliance initiatives.

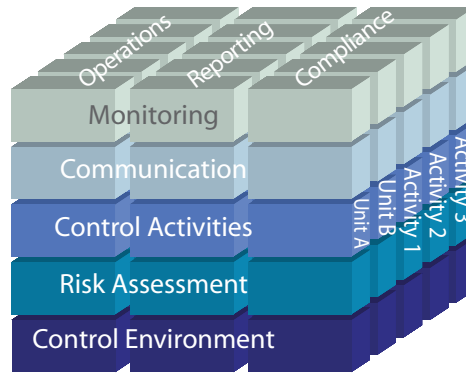
The Compliance Roadmap

This roadmap diagram represents the key milestones and activities required for MI 52-109 compliance. It is divided into two major segments: Design Effectiveness; and Operational Effectiveness reflecting the individual deadlines set for compliance.



Inforica's Approach

Inforica's approach is based on the industry recognized COSO framework, which is tailored to meet the specific needs of mid-market companies. By applying our proven compliance methodologies, extensive risk profiles and detailed deliverables, you will be assured to move along the **Compliance Roadmap** with confidence. A comprehensive strategy with precisely defined parameters and frequent interaction with external auditors can ensure you operate within budgetary constraints and keep your project on track.



Inforica's Quality Deliverables

Inforica's thorough and in-depth deliverables ensure that your processes, controls, and all key documentation are of the highest quality. The output you get is a reflection of the structure and rigor in our compliance methodology. Inforica's goal is to make the deliverables active, living documents that sustain the required testing of your operational effectiveness.

Fixed Price Offering Mid-Market Companies

Our fixed price offering takes the guess work out of your compliance effort, we help you complete the design effectiveness review as part of this offering.

Our first step is an effective scoping of the effort required based on key metrics and drivers such as:

- Complexity of business and processes
- Number of locations and business units
- Your control systems and organization structure
- Existing capabilities
- Level of documented policies and procedures
- Past audit reports

Upon the completion of the initial assessment we will provide you with a high level plan at a fixed price. Our deliverables from this exercise include:

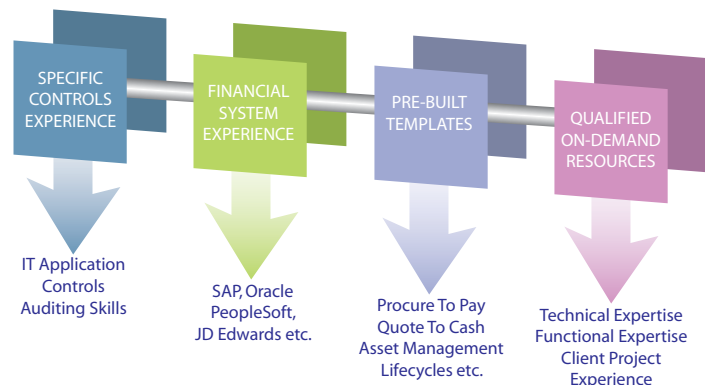
STEP	DELIVERABLE
Scoping and Planning	Scoping Template
	Planning Template
Identify Risks Pertaining to Business Processes	Business Process Framework
	Business Process Flow Chart
	Risk Profile
Document Control / Risk Management Strategy	Risk Profile
	Risk Portfolio
Evaluate Control Design / RMS Effectiveness	Risk Profile
	Risk Portfolio
	Control Evaluation Report
Performing Rating of Risks / Residual Risks	Risk Charts
Consolidate Final Report of Design Gaps	Remediation Report

Processes Covered When Analyzing Design Gaps:

- Procure to Pay
- Quote to Cash
- Financial Close
- Investment & Treasury
- Fixed Asset Management
- Order to cash
- Human Resource
- Manufacturing Etc.

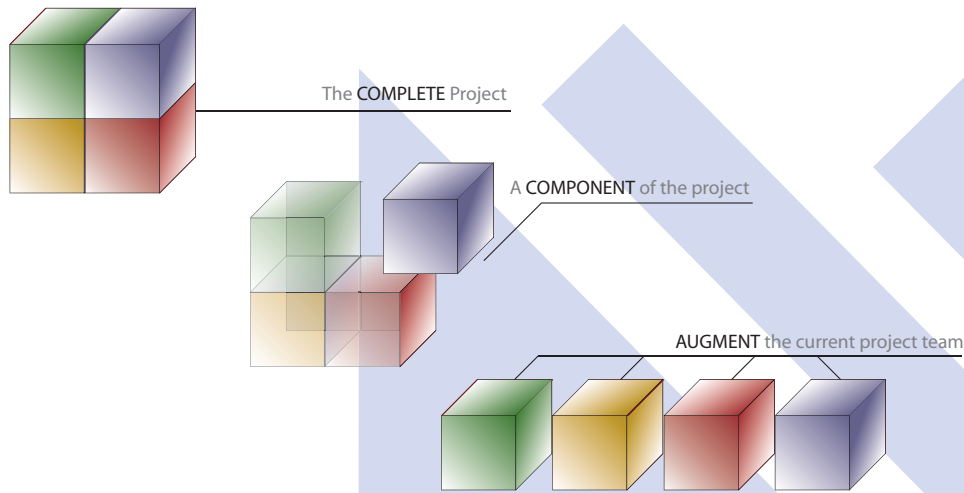
Compliance Sustainability

Compliance must be rigorously maintained from now into the foreseeable future. But the effort and resources that were dedicated to achieving first-year compliance need not be as intensive or all-consuming moving into year two and beyond. We are cognizant of the issues around building sustainability, and in designing our compliance framework; we bring significant expertise to mitigate the risks and administrative overheads on an ongoing basis. In particular, our methodology encompasses key strategies to leverage the IT infrastructure and software applications to reduce recurring compliance costs for the long term.



Inforica's Flexible Engagement Model

Our trained experts can guide you through the complete compliance process, a portion of the workload, or assist your current audit/compliance team.



The Inforica Commitment

Our goal is to establish a long-term relationship, as a trusted partner for companies that are ready to realize the potential for savings with our compliance offering. Our quality, traceable deliverables, get you to the compliance finish line faster and can be sustained through each and every quarterly report.

For more information on our compliance methodology, deliverables and success stories, we invite you to visit our website at www.inforica.com or contact us at compliance@inforica.com.

About Inforica

Operating since 2000, Inforica is one of the leading consulting firms in Canada serving Fortune 500 clients across diverse industries. With a dynamic team of highly experienced professionals, we combine the capabilities of a large firm with the entrepreneurial zeal of a start up. Our value proposition is simple – we offer deep capability with a track record of 100% project success at highly competitive prices.

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