IFRS ADVISORY SERVICES

IFRS Conversion: Implications for CEO and CFO Certifications

KPMG LLP

April 2009

Most companies confirm that managing their conversion to IFRS is a significant challenge. Contributing to the complexity, CEOs and CFOs must continue to provide their control certifications throughout this period. How will your company maintain effective control throughout its IFRS conversion and beyond?

Most companies have begun working on their changeover to International Financial Reporting Standards (IFRS), because IFRS will replace Canadian generally accepted accounting principles (GAAP) for fiscal years beginning on or after January 1, 2011.

Certain Canadian-listed domestic issuers will be required to report their first set of IFRS financial statements in the first quarter of 2011. At the same time, certifying officers of non-venture issuers will also need to certify[1] on the design and implementation of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR).

The challenge: Linking two complex processes

Successfully managing the transition to IFRS, while maintaining effective DC&P and ICFR, will be a challenge. Making this major adjustment in your company's financial reporting framework may cause significant changes in underlying processes and controls. In turn, these changes may also increase the risk of error or fraud.

Certifying officers will now need to consider whether adequate controls are in place to address IFRS conversion challenges. They may also need to modify their prior testing strategy to reflect changed risk assessments.

What issues affecting DC&P and ICFR should certifying officers of non-venture issuers be considering? How might these issues change through the various phases of their company's changeover to IFRS? This publication reviews these issues from three perspectives:

- regulatory considerations regarding the company's changeover to IFRS
- activities to support initial reporting under IFRS
- implications for ongoing certifications.

[1] National Instrument 52-109, *Certification in Issuer's Interim and Annual Filings* (NI 52-109)

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Regulatory considerations before changeover

CSA staff[2] have outlined the disclosures expected in the three years preceding an issuer's IFRS changeover date. Unless early adopting IFRS, the changeover date is the first fiscal day of the issuer's fiscal year beginning on or after January 1, 2011. The expected MD&A disclosures are summarized in the accompanying table.

CSA staff suggest that the key elements of a changeover plan would include addressing the impact of IFRS on

- accounting policies, including choices among policies permitted under IFRS, and implementation decisions such as whether certain changes will be applied on a retrospective or a prospective basis
- information technology and data systems
- ICFR
- DC&P, including investor relations and external communication plans
- sufficiency of financial reporting expertise, including training requirements
- business activities, such as foreign currency and hedging activities, as well as matters that may be influenced by GAAP measures, such as debt covenants, capital requirements and compensation arrangements.

Timeline (assuming a calendar year end)	**Expected Disclosure**
2008 Annual MD&A	Discuss the status of key elements and timing of changeover plan.
2009 Interim MD&A	Provide update of progress and any changes in plan.
2009 Annual MD&A	Discuss preparations for IFRS changeover, building on aspects discussed in prior MD&A. Provide a narrative description of the major identified differences between the entity's current accounting policies and those it is required or expects to apply in preparing IFRS financial statements, including any assumptions about future changes to IFRS.
2010 Interim and Annual MD&A	Update on preparations for IFRS changeover, building on aspects discussed in prior MD&A. Discuss in more detail the key decisions and changes made, or to be made, relating to the changeover to IFRS, including decisions about accounting policy choices under IFRS 1, *First Time Adoption of IFRS* and other IFRS. Include quantified information, if available*, on the impact of IFRS on the key line items in the entity's financial statements for the interim and annual periods for the year before changeover. (*Such information is likely to be available because of the reconciliation requirements for the first IFRS 2011 interim financial statements.)

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[2] Staff notice 52-320, *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to IFRS*

Potential complexities arising from the IFRS changeover

When making their MD&A disclosures regarding DC&P, certifying officers of non-venture issuers need to consider whether they have appropriately designed and implemented controls to give them reasonable assurance that appropriate information has been gathered and reported in their MD&A filing.

Prepare for the implications the IFRS changeover will have for many disclosures and their controls.

The transition to IFRS adds another dimension to these certifications — certifying officers will have to consider whether their DC&P have been appropriately amended to capture the additional MD&A disclosures expected for the IFRS changeover.

Forward looking financial information for 2011

MD&A may also include forward looking financial information, such as revenue or earnings per share (EPS) guidance. Both Canadian and US regulators require any forward looking statements to be based on the future expected accounting policies that the issuer will have in place. Thus, for a calendar-year-end issuer that provides EPS guidance in 2010 for its 2011 fiscal year, any EPS guidance must be in accordance with the anticipated IFRS framework.

Management should therefore consider whether appropriate controls are in place so that forecasted figures reflect the appropriate IFRS accounting policies. Alternatively, issuers may choose to report meaningful non-financial measures, such as operating statistics.

Disclosing changes in ICFR

Changes made for IFRS transition may represent ICFR changes that require disclosure.

Each quarter, a non-venture issuer's MD&A must also disclose any changes in ICFR that are reasonably likely to have a material effect on its ICFR. During the IFRS transition, depending on the size and complexity of the issuer, many factors can trigger changes in ICFR. Such changes can be far-reaching, such as introducing a new ERP system, or narrower in focus, such as a new process for capturing specific new disclosure information.

Management should consider whether the company has a robust process in place throughout the organization to capture any changes in ICFR. Such a process can aid management in evaluating changes and assessing the need to disclose material ICFR changes in MD&A. In our opinion, many companies will likely need to make material change disclosures as a result of their IFRS conversion.

Activities to support initial reporting under IFRS

For calendar-year-end issuers, the first reporting period under IFRS will be March 31, 2011. Several significant activities are required in 2011, including:

- preparing interim and annual IFRS financial statements
- certifying design of DC&P and ICFR on an interim basis
- certifying operating effectiveness of DC&P and ICFR on an annual basis.

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Exhibit 1
Potential Impact of IFRS on Internal Control over Financial Reporting

Management will be required to make significant choices in the selection of accounting policies and elective exemptions as part of the company's transition to IFRS. This exhibit highlights ICFR considerations regarding the design of controls for certain IFRS accounting policy choices and elective exemptions available on transition to IFRS. The exhibit includes only a sample of ICFR considerations and does not represent a complete list. In addition, these considerations are directional in nature only, as specific control impacts will depend on the facts and circumstances of each issuer.

Type of change	IFRS accounting treatment	Impact on ICFR
Financial statement presentation	IFRS requires, as an accounting policy choice, expenses to be presented either by nature or by function on the face of the statement of operations. This requirement as well as other aspects of IFRS can result in significant changes to captions in the statement of operations.	Controls over the creation of general ledger accounts and mapping of general ledger accounts to the financial statements may need to be put in place. Also need to consider any program change controls that may be required for consolidation software and the related IT application controls.
Consolidation	IFRS requires the use of consistent accounting policies across subsidiaries, equity-method accounted investees, and joint ventures.	Controls are required to: • ensure the accounting policies of parent are appropriately communicated • identify accounting policy differences, if any, and adjust for such differences (e.g., controls to approve adjusting journal entries)
	IFRS requires subsidiary's, equity-method investee's and/or joint venture's year end to be within three months of the parent's and adjustments must be made for the effects of significant transactions and events between the two dates.	Controls are required to identify significant transactions within subsidiaries, equity-method investees and/or joint ventures, and to adjust for such transactions.
	IFRS has a different definition of control that may change which entities are consolidated.	Controls needed to monitor all investments to determine if control exists. Changes in entities consolidated may have a significant impact on scoping decisions related to the evaluation of ICFR.
	IFRS 1 If a subsidiary has adopted IFRS in advance of the parent company, then the parent company will need to consider the impact on their IFRS transition adjustments. For example, if under IFRS the subsidiary previously elected to use the fair value of an asset as deemed cost when it transitioned to IFRS, this election could not be applied again to this asset when the parent company is applying IFRS for the first time.	Sufficient monitoring controls may be required to ensure that the corporate office is aware of which subsidiaries have already transitioned to IFRS. In addition, given the complexity of IFRS 1 and the mandatory nature of its requirements when a subsidiary has previously reported in IFRS, individuals with sufficient technical expertise should be overseeing any adjustments in respect of such subsidiaries.

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Preparing IFRS financial statements

In the first interim reporting period, the condensed[3] set of interim financial statements for the first reporting period must not only meet the requirements of IAS 34 *Interim Financial Statements*, but also contain:

- *a complete set of significant accounting policies*, including the selection of various ongoing IFRS accounting policy options and the elective exemptions at the transition date made under IFRS 1 *First-Time Adoption of IFRS* (IFRS 1)
- *a reconciliation of equity from Canadian GAAP to IFRS* at the date of transition (January 1, 2010), the end of the comparative annual period (December 31, 2010), and the end of the comparative interim period (March 31, 2010)
- *a reconciliation of comprehensive income from Canadian GAAP to IFRS* for the annual period ended December 31, 2010, and the three-month period ended March 31, 2010
- *additional financial statement disclosures*.

Annual financial statements require further financial statement disclosures.

Accounting policy selections

The conversion to IFRS requires numerous accounting policy selections. Some choices are required in applying IFRS for the first time through IFRS 1, while others relate to on-going accounting policies.

Your accounting policy choices can significantly affect the design of controls.

In many areas, a company's choices can have significant and wide-ranging implications for the design of its controls. To illustrate, we highlight a choice that will affect all companies — the IFRS requirement for financial statement presentation:

> *IFRS accounting treatment*: IFRS requires, as an accounting policy choice, that expenses be presented either by nature or by function on the face of the statement of operations. This requirement as well as other aspects of IFRS can result in significant changes to captions in the statement of operations.
>
> *Implications for controls*: Having made its choice, a company may need to put in place controls over the creation of general ledger accounts and the mapping of these accounts to the financial statements. In addition, the company may need to consider any program change controls required for consolidation software and the related IT application controls.

Many IFRS accounting standards may affect a company's controls. **Exhibit 1** includes other examples of IFRS accounting policy choices and the resulting ICFR considerations regarding the design of controls.

[3] Under IAS 34, *Interim Financial Statements*, an entity has a choice to present either condensed or complete interim financial statements. We expect that, consistent with international experience, most entities will choose to present condensed interim financial statements.

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Exhibit 1 (continued)

Type of change	IFRS accounting treatment	Impact on ICFR
PP&E and investment property	Subsequent to initial recognition, IFRS permits companies to revalue property, plant and equipment (PP&E) and investment property to fair value if fair value can be measured reliably.	If choosing the revaluation/fair value method as an accounting policy, consider the valuation model used each period to arrive at the fair value and the controls over the inputs and calculations in this model. Where appraisals will be conducted, controls need to ensure that an appropriately qualified individual conducts any appraisal. Controls are also needed over the inputs and outputs provided to the appraiser and the review of the work, including assumptions, of the appraiser.
	Separate accounting for components of PP&E is more rigorously applied and more broadly applied under IFRS.	Controls over the componentization of assets may be required. Controls with respect to reviewing judgments over both the identification of significant components and the assignment of costs to components, including borrowing costs, will be required. (See the separate section on borrowing costs.) Additional amortization categories may affect configuration of the fixed asset sub-ledger. Controls over system changes may need to be considered prior to any significant changes.
	IFRS 1 IFRS 1 allows companies to elect to measure individual items of property, plant and equipment, including leased assets under a finance lease, at fair value at the date of transition to IFRS. The fair value becomes the deemed cost at that date, with the corresponding adjustment being booked to retained earnings in the opening IFRS balance sheet.	Where appraisals will be conducted, controls need to ensure that an appropriately qualified individual conducts any appraisal. Controls are also needed over the inputs and outputs provided to the appraiser and the review of the work, including assumptions, of the appraiser.
Lease accounting	IFRS gives primary indicators for which the presence of any one indicator would point to classification as a capital (finance) lease. These primary indicators are not necessarily interpreted as "bright line" rules, but rather as guidelines. IFRS also provides additional secondary indicators that may lead to the conclusion that the lease is a finance lease.	Individuals assessing the lease arrangements and reviewing these assessments require sufficient technical expertise to apply appropriate professional judgment on a consistent basis, as determinations are less rule-driven and more judgmental.

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Implement controls to manage the actual process of selecting IFRS accounting policies.

Companies will also need to have controls in place to facilitate their making appropriate policy selections. Such controls should address:

- training
- use of third parties
- review and approval process
- communication of IFRS accounting policies and first-time adoption elective exemptions.

Training

Accounting personnel need training to be appropriately knowledgeable in IFRS. They must be able to not only analyze the impact of various IFRS accounting policy choices, but also apply IFRS on a day-to-day basis going forward. Generally, training will be required throughout the organization and should not be limited to senior finance personnel. Sources of training may include external courses, in-house training sessions provided by the entity's auditors or advisers, or possibly existing internal company resources from foreign jurisdictions that have already adopted IFRS.

Use of third parties

Some companies have engaged their auditors or other external advisers to assist management with the adoption of IFRS. If consultation with auditors or external advisers is being used to enhance internal IFRS knowledge, controls should be implemented over the proper exchange of information with the third party. Management will also need to appropriately review the assumptions and recommendations of a third party.

Ultimately, certifying officers will have to certify on the fair presentation of the IFRS financial statements. Appropriate senior members of management must therefore oversee the consultation process and conduct a judicious review of the final recommendations before making the final accounting policy decisions for the company.

Approval process

Accounting policy and elective exemption decisions should be approved by management on a timely basis. The company's audit committee should be involved in the process well ahead of the transition date and before the company begins to apply the new policies. Some audit committees have also asked management to prepare a mock-up of the IFRS financial statements for their review.

The audit committee needs to be an effective part of the accounting policy and elective exemption review process. The audit committee and management should therefore be discussing audit committee members' plans as well as their progress in obtaining appropriate IFRS knowledge.

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Exhibit 1 (continued)

Type of change	IFRS accounting treatment	Impact on ICFR
Borrowing costs	IFRS requires the capitalization of borrowing costs directly attributable to an acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for use or sale.	Controls are required to: • capture relevant borrowing costs for capitalization • determine what is a qualifying asset • determine when capitalization of borrowing costs in respect of a qualifying asset should commence, be suspended, and cease.
	IFRS 1 IFRS 1 permits an entity to prospectively adopt the IFRS standard (IAS 23) and to capitalize borrowing costs only for those qualifying assets for which construction or acquisition commences after its IFRS transition date, and thereby avoiding the retroactive application of IAS 23 and the reconstruction of the borrowing costs for historical periods. However, we believe any interest previously capitalized under Canadian GAAP is not grandfathered on adoption of IFRS, and that such an amount will need to be written off as an adjustment to opening retained earnings.	Controls are required to capture all interest costs for capitalization and to ensure borrowing costs are not capitalized for projects under construction at the transition date. The individuals assessing the IFRS accounting treatment should have sufficient technical expertise.
Impairment of non-financial assets	Under IFRS, reversal of impairment charges, (other than for goodwill) is required if the circumstances or estimates leading to the impairment charge have changed.	Controls are required to identify circumstances when the reversal of an impairment may be required. Controls over tracking impairments of specific assets are important in the event of a reversal of an impairment charge, as there are limits on the amount of the reversal, and it must be applied to the correct asset in order to properly state depreciation charges in the future.
Provisions (including environmental provisions and decommissioning liabilities, e.g., asset retirement obligations)	IFRS measures asset retirement obligations differently and requires that all provisions be discounted where the effect is material and, accordingly, the re-measurement of provisions each reporting period for changes in the discount rate.	Appropriate change management controls are required over any changes to assumptions and estimates for the measurement of asset retirement obligations, as well as over the revaluation of the obligation each period. Controls are also required for the appropriate selection of a discount rate each period.

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Communication of accounting policies

The company will need to communicate new accounting policy selections to all affected parties throughout the organization. To the extent that written policy documents exist, they will require updating and distribution on a timely basis. The form of communication should be tailored, depending on the complexity of the changes being communicated. For example, simple changes may be handled via e-mail communication, while complicated changes should be communicated via in-person training sessions to facilitate knowledge sharing.

Reconciliations to previously reported Canadian GAAP

The first interim financial statements must include comparative figures restated to IFRS, and reconciliations between IFRS and Canadian GAAP. Controls should be in place over both the creation of the opening balance sheet and the reconciliation process. The reconciliation process will need to be repeated for each quarter and for the annual financial statements. We believe that the reconciliations are most transparent and informative when done on a line-by-line basis.

Be sure to have effective controls over the reconciliation process. Controls may be complex, depending on your information systems.

The nature of the controls over the reconciliation process will depend on the number of reconciling adjustments expected and how your company chooses to track its accounting records concurrently under IFRS and Canadian GAAP. Your company's current information systems will largely determine the available options. Our publication, *The Effects of IFRS on Information Systems* (www.kpmg.ca/ifrs/tools_effects_ifrs.html), provides more information.

Adjustments will be required to convert from Canadian GAAP to IFRS. We believe it is crucial that

- the accounting personnel responsible for approving the IFRS adjustments are appropriately knowledgeable of IFRS
- only appropriate personnel have the authority to approve the adjustments.

If spreadsheets are used to track the adjustments for the reconciliation, then detailed review over entries may be necessary, and end-user controls such as locking formulas and password protecting contents should be considered for implementation.

Additional financial statement disclosures

IFRS has significant additional disclosure requirements compared to Canadian GAAP. For example, additional disclosure is required when impairment losses are recognized or reversed at the date of transition, or material adjustments are made to the statement of cash flows. Possible additional disclosures may also be required around significant judgments made in applying IFRS accounting policies and new key sources of measurement uncertainty.

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Exhibit 1 (continued)

Type of change	IFRS accounting treatment	Impact on ICFR
Classification of debt	Under IFRS, classification of liabilities as current or non-current is based on events and circumstances at the reporting date. If a long term debt was in default at period end, which caused the debt to be repayable on demand, even if a waiver or refinancing occurs subsequent to period end but before the issuance of the financial statements, the debt would be classified as a current liability.	Development of monitoring controls to review debt covenants for compliance in advance of period end may be required. This information can facilitate any waiver or refinancing discussions with the creditor in advance of period end. A review of forecast models may be helpful, as it will be important for projections to be accurate.
Share-based payments	The computation of the fair value of a grant and the recognition of stock compensation expense under IFRS may differ from that under Canadian GAAP due to a number of differences, such as accounting for any graded vesting options.	Stock compensation valuation and accounting models will need to be amended to reflect the requirements of IFRS. Change management controls over the model are required, in addition to considering whether those who are reviewing the new model have sufficient expertise in IFRS to perform an effective review.
Financial instruments and hedging	While the IFRS standards are broadly similar to Canadian GAAP, there are several differences in the details of the standards for financial instruments and hedging. These differences are often complex and need to be evaluated based on the individual facts and circumstances. As an example, unlike Canadian GAAP, under IFRS the shortcut method for assessing hedge effectiveness is not permitted to assess and measure the ineffectiveness of hedging relationships involving interest rate swaps.	Given the complexity of this area, consider whether the individuals evaluating financial instruments and hedging have appropriate technical expertise.
	IFRS 1 An elective exemption allows the (re)designation of previously recognized financial assets to fair value through the income statement, available for sale or held to maturity at the transition date.	Assess controls over re-designation documentation, including considering whether such documentation is prepared on or before the transition date in order to qualify for the re-designation.

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Be prepared -- IFRS requires significantly more disclosures than Canadian GAAP.

Companies will need to establish a process to

- identify the required quarterly and annual disclosures
- ensure the information is appropriately gathered
- consider whether the required disclosures are fairly presented.

To illustrate, controls over such a process might include the following elements:

> A responsible person obtains, from the company's auditor, a disclosure checklist to identify required disclosures. The person then amends any reporting package templates so that the required information is obtained from operating locations upstream for external reporting. Relevant controls could also be added at these locations to review the information provided for completeness and accuracy. At the time of external reporting, the disclosure checklist would be completed and approved as part of the financial statement review process.

Certifying design

For financial statements produced in compliance with IFRS, the CEO and CFO of a non-venture issuer will be required to certify *for the first quarter of 2011* on the design of their DC&P and ICFR. "Design" refers to both developing and implementing the controls, policies and procedures that comprise DC&P and ICFR, and encompasses the documentation of these controls. As noted earlier, Exhibit 1 illustrates some accounting areas in which we anticipate the conversion to IFRS may necessitate changes in the design of ICFR.

For the first quarter of 2011, focus on controls introduced or redesigned for IFRS.

Companies should put in place plans that will allow certifying officers to assess whether newly designed controls have been implemented. An assessment may be accomplished, for example, by completing a walkthrough. Plans should also consider how the documentation required to support the certification of design will be updated.

Certifying operating effectiveness

For financial statements produced in compliance with IFRS, certification of the operating effectiveness of DC&P and ICFR will be required *for the first annual period* ending after January 1, 2011. However, in both 2010 and 2011, companies will need to address the impact of the IFRS conversion on the nature, extent and timing of testing required.

Testing considerations in 2010

In making risk assessments in 2010, certifying officers should consider whether the risk of error or fraud has increased due to resource constraints, system conversion projects or other ongoing change management issues arising out of the IFRS conversion project. Changes to the assessed risk of fraud or error may, in turn, require testing plans to be amended.

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Conduct control testing early, if you can.

If controls that affect the 2011 financial reporting year have already operated in 2010, companies may be well advised to complete the testing of these controls in 2010. For example, if new IFRS accounting policy selections were approved in 2010, the approval of these policies could be tested as part of the 2010 test plan. Similarly, controls over IFRS systems development projects that were completed in 2010 could be tested as completed. This approach may contribute to both efficiency and effectiveness by reducing resource constraints in the year of transition, allowing for early detection and remediation of any DC&P or ICFR issues, and facilitating interviews of individuals involved in the conversion process while the details are still fresh.

Testing considerations in 2011

In 2011, a company should reconsider its previous risk assessments, particularly in areas that have undergone a significant change in accounting policy or a retroactive restatement when IFRS was adopted. Management should consider whether the prior testing approach needs to be modified because employees' level of knowledge of IFRS will not immediately approach their previous familiarity with Canadian GAAP. This knowledge difference may have particular impact when a company previously relied heavily on monitoring controls to reduce the extent of detailed process-level testing. In general, IFRS is less predictive than Canadian GAAP because IFRS uses more fair value measures, thus creating more earnings volatility, particularly in areas such as provisions and stock-based compensation. These factors may reduce the effectiveness of monitoring controls.

Recognize the IFRS learning curve for your employees and its potential impact on control testing.

> For example, as part of the certification process, management may have relied on centralized monitoring of the operating performance of subsidiary results in order to reduce or eliminate the need to test process level controls at certain locations. As results will be reported under a new framework, management should consider whether the amounts are sufficiently predictable, and whether they have sufficient technical expertise in IFRS to perform an effective review at a level that would detect a material error. Until management becomes well versed in IFRS, and expectations and trends are predictable, management may choose to lower the threshold for amounts requiring investigation, so that more matters are investigated. Alternatively, management could reduce the extent of reliance on monitoring controls and introduce some testing of process level controls.

In 2011, the monitoring of actual results versus budget will be effective only to the extent that relevant budgeting was also completed under IFRS. Management will need to put in place a process to ensure that employees developing budgets in 2010 are appropriately trained in IFRS and also

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receive appropriate communications regarding final approved accounting policy selections. Management must proactively make the appropriate changes to the company's budgeting process. A flawed process may lead to significant budget to actual variances and make the monitoring of such variances a much less effective control.

Reconsider your testing strategies to address areas where the IFRS changeover changes youir risk.

In developing test plans, companies may, to be prudent, adjust their test plans in areas where more significant changes in processes have occurred or where new knowledge of IFRS is required because of increased risk. Adjustments could include:

- *Testing earlier*. This approach will allow for remediation efforts if required, such as additional training, or the identification and testing of additional controls. In particular, areas with new controls or significant accounting policy choices should be targeted for early testing.
- *Testing more*. The extent of testing should reflect risk assessments. The extent of testing can be adjusted by either testing more of a particular control or by testing more than one control related to an assertion. For example, testing both a preventative control and a monitoring control.
- *Changing the nature of a test*. More persuasive evidence should be gathered as the degree of risk increases. For example, reperformance of revaluation adjustments is more persuasive than inquiry and inspection directed to such judgments.

Implications for ongoing certifications

Overall, IFRS is less rules-based than Canadian GAAP, and requires the application of more judgment. To ensure consistency of application of principles, larger organizations should consider promoting a culture that encourages active discussion of significant judgments. This dialogue may be accomplished via monthly calls involving controllers in different divisions that address technical accounting matters. More summarized discussion should also occur at the disclosure committee (or equivalent) level.

Management can also use the period after adoption to assess whether the effectiveness of their monitoring controls is once again sufficient to eliminate supplementary 2011 process level testing.

Continue to focus on IFRS-related controls well beyond the 2011 changeover.

Some issuers may continue to enhance their financial reporting systems, processes and controls after the year of adoption. For example, an issuer may be able to integrate into IT systems certain processes that had been performed through excel spreadsheets. If issuers plan on further enhancing their IFRS reporting processes, they need to consider whether such enhancements represent a material change requiring disclosure in MD&A. They also need to consider the impact of these further changes on their risk assessments in the year of enhancement.

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In the first few years after adoption, several new or revised IFRS standards are expected based on current active projects that the International Accounting Standards Board has underway. Management will need to continue to monitor changes in IFRS and to consider the implications for ICFR of any changes to their accounting policies.

After the early years of adoption, and as more stable processes are put in place, management should reconsider its risk assessments. Moreover, as IFRS becomes "business as usual," and all individuals throughout the organization become well versed in IFRS, financial reporting risks should decrease.

Summary

The conversion to IFRS is a significant undertaking. Plan early and integrate control considerations within the IFRS conversion project plan. By taking these steps, certifying officers can significantly increase the likelihood of achieving their goal — to establish and maintain effective DC&P and ICFR under IFRS.

Please contact your KPMG adviser to discuss any of these matters.

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Contacts us

If you have questions or issues you would like to discuss, please get in touch with a member of your KPMG engagement team or one of our IFRS professionals, some of whom are listed below.

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