
CSA Staff Notice 52-304 and 81-309**Application of National Policy Statement 31 *Change of Auditor of a Reporting Issuer* and National Instrument 81-102 *Mutual Funds* when a reporting issuer appoints a new auditor as a result of Arthur Andersen LLP – Canada ceasing to practise public accounting**

Purpose

This Notice sets out staff's views on the application of National Policy Statement 31 *Change of Auditor of a Reporting Issuer* (NP 31) and National Instrument 81-102 *Mutual Funds* (NI 81-102) when a reporting issuer changes its auditor as a result of Arthur Andersen LLP – Canada (Andersen Canada) ceasing to practice public accounting.

Background

On June 3, 2002, Andersen Canada ceased practising public accounting and, with the exception of the Andersen Canada assurance practice in Manitoba, substantially all of the partners and staff of Andersen Canada joined the public accounting practice of Deloitte & Touche LLP. The partners and staff of the Andersen Canada assurance practice in Manitoba joined the public accounting practice of Ernst & Young LLP (Ernst & Young). The cessation of Andersen Canada's public accounting practice created a need for numerous reporting issuers to appoint a new auditor.

NP 31 requires certain reporting when a reporting issuer changes its auditor. Part 4 of NP 31 states that a reporting issuer must prepare a notice of a change in auditor when the reporting issuer's auditor resigns or is terminated.

NI 81-102 requires securityholder approval before a mutual fund changes its auditor.

CSA Staff's Views

When a reporting issuer appoints a new auditor as a result of Andersen Canada ceasing to practice public accounting, CSA staff will not expect compliance with NP 31 when there is in substance a continuation of the same auditor. CSA staff are of the view that this is the case when a reporting issuer appoints as its successor auditor the public accounting firm that has assumed the Andersen Canada partners and staff previously responsible for the audit.

Similarly, when a reporting issuer that is a mutual fund appoints a new auditor as a result of Andersen Canada ceasing to practice public accounting, CSA staff would not consider this to be a change in auditor as contemplated by NI 81-102 when there is in substance a continuation of the same auditor, and therefore would not require securityholder approval to be obtained.

Where a reporting issuer initiated the replacement of Andersen Canada prior to June 3, 2002, staff will expect filings to be made in accordance with NP 31 regardless of the identity of the successor auditor. Similarly, where the reporting issuer is a mutual fund, compliance with the relevant provisions of NI

81-102 will be required. For example, if the reporting issuer's proxy circular had already been sent and filed naming Deloitte & Touche or Ernst & Young as a proposed replacement auditor, or if the audit committee or board of the reporting issuer had already resolved to recommend the appointment of another auditor, independent of the announced transactions between Andersen Canada and Deloitte & Touche or Andersen Canada and Ernst & Young, CSA staff consider that there has been a change of auditor.

CVMQ Ruling

Reporting issuers in **Quebec** should also refer to Commission des valeurs mobilières du Québec ruling #2002-C-0191.

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