



Receiver General Manual

## Chapter 16

### **Instructions to Departments for the Letter of Representation to the Auditor General of Canada and the Deputy Receiver General for Canada for 2004-2005**

**Last Update: 2005-04-22**

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**Receiver General Manual (RGM) - Chapter 16  
Version Tracking Summary Table**

**Please note:** Each time a chapter is revised and reissued, a revision number is assigned and included in the table below. As a result, the previous version is canceled and replaced by the latest revision. Also presented in the table is a summary of the significant changes that relate to each revision. Vertical barring in the left-hand margin is used to identify changes in the latest version of a chapter only.

<b>Chapter Version</b>	<b>Version Date</b>	<b>Summary of Significant Chapter Changes</b>
Revision No. 1	2005-04-22	Chapter 16 must be read in conjunction with Chapter 15, "Public Accounts Instructions 2004-2005" of this manual. The Letter of Representation must be dated <b>June 30, 2005</b> , and is due on or before <b>July 8, 2005</b> .
Chapter 16 (initial)	2004-05-04	Initial version that replaces Receiver General Directive 2003-3. Must be read in conjunction with Chapter 15, "Public Accounts Instructions 2003-2004" of this manual. The date of the representations is <b>July 2, 2004</b> ; therefore, the Letters of Representation must be dated <b>July 2, 2004</b> .

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**TABLE OF CONTENTS**

<u>TITLE</u>	<u>PAGE</u>
16.1 Introduction	4
16.1.1 Purpose and Scope	5
16.1.2 Authority	5
16.1.3 Application	6
16.1.4 Instruction	6
16.2 Responsibilities	7
16.2.1 Individual submission	7
16.2.2 Consolidated submission	7
16.3 Definitions	8
16.4 Procedures	10
16.4.1 Reporting criteria	10
16.4.2 Disclosure of exceptions	11
16.4.3 Manuscript preparation	11
16.4.4 Reporting requirements	12
16.4.5 Certification	29
16.4.6 Effective date	29
16.4.7 Submission of Letter of Representation	30
16.5 Inquiries	31
<b><u>Appendices</u></b>	
Appendix A – Excerpts of Sections 33 and 34 from the FAA	32
Appendix B – Predrafted Letter of Representation	34
Appendix C – List of Departments and Agencies that are expected to provide a Letter of Representation to the Auditor General and to the Deputy Receiver General	43
Appendix D – Hyperlinks to documents referenced in this Chapter	52

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## 16.1 INTRODUCTION

Subsection 64(1) of the FAA states: “A report, called the Public Accounts, shall be prepared by the Receiver General for each fiscal year...”.

The financial statements of the Government of Canada with supporting notes and schedules, after audit by the Auditor General, are included in the *Public Accounts of Canada* which are presented to Parliament and subsequently released to the general public. As part of the audit process, the Auditor General obtains representations from management of reporting organizations which have provided financial and other information to the Receiver General for publication in the *Public Accounts of Canada*. The representations confirm management’s responsibilities with respect to proper recording of financial transactions in the accounts of Canada and where applicable, in the accounts of the reporting entity. Other representations cover the proper reporting of information to be included in the *Public Accounts of Canada*.

In addition to obtaining representations from reporting organizations, the Auditor General also obtains representations relative to the *Public Accounts of Canada* from the Deputy Receiver General, the Secretary of the Treasury Board and the Deputy Minister of Finance. In order for these individuals to make such representations to the Auditor General, it is necessary for the Deputy Receiver General to also obtain representations from reporting organizations. All reporting organizations as outlined in subsection 16.1.3 must make certain representations to the Auditor General and the Deputy Receiver General. These representations may be provided through individual or consolidated submissions. The form of submission will be determined in accordance with criteria established in subsection 16.4.1. As indicated in subsection 16.1.3, all government bodies listed in Schedules I and II of the FAA must make complete representations since all their financial transactions are recorded in the accounts of Canada.

The steps necessary to establish departmental routines and internal controls needed to comply with the requirements of the FAA and the *Auditor General Act* have not been included in this chapter, since such factors are not considered to be within the mandate of the Auditor General nor the Deputy Receiver General. Broad guidelines covering most financial transactions are contained in Treasury Board policies and Treasury Board Secretariat publications and/or other directives, all of which are available on request from the Treasury Board Secretariat (TBS) or can be accessed from its web site. (Appendix D lists hyperlinks for documents referred to in this chapter.)

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### 16.1.1 Purpose and Scope

The purpose of this chapter is to advise reporting organizations of the requirements for the Letter of Representation, which must be provided to the Auditor General of Canada and to the Deputy Receiver General for Canada, in connection with the recording of financial transactions in the accounts of Canada, and the reporting of financial information to be included in the *Public Accounts of Canada* as well as other financial information which may or may not be included in the *Public Accounts of Canada*. The Letter of Representation serves as a written confirmation by management to the Auditor General that management is responsible for the financial information to be included in the audited financial statements of the Government of Canada contained in the *Public Accounts of Canada*. It also reminds management to consider whether all important relevant information has been brought to the attention of the auditor. The representations presented here reflect the current status of the Government audit environment.

Minor wording changes may be required to make a representation applicable to a particular reporting organization. Any change to the wording proposed by a reporting organization should be discussed with the contacts within Public Works and Government Services Canada (PWGSC) (for the Office of the Deputy Receiver General) and the Office of the Auditor General (OAG) described in section 16.5 prior to their inclusion. The Auditor General reserves the right to require amended wording, new inclusions or additional representations.

Letters of Representation are not published in the *Public Accounts of Canada*, but the Deputy Receiver General requires a **signed duplicate** of the representations made by departments to the Auditor General to support similar representations made to the Auditor General by the Deputy Receiver General, the Secretary of the Treasury Board and the Deputy Minister of Finance, pertaining to the reporting of financial information to be included in the audited financial statements of the Government of Canada contained in the *Public Accounts of Canada*.

### 16.1.2 Authority

The authorities for this chapter are Sections 63 and 64 of the *Financial Administration Act* (FAA) which require the Receiver General to maintain the accounts of Canada and to prepare the *Public Accounts of Canada*, and Section 6 of the *Auditor General Act* which requires the Auditor General to examine and report on the audited financial statements of the Government of Canada contained in the *Public Accounts of Canada*.

In order to fulfill this responsibility, and in accordance with Section 65 of the FAA which allows the Receiver General to request information, and Section 13 of the *Auditor General Act*, which entitles the Auditor General to require and receive information, the Receiver General and the Auditor General require Letters of Representation from all reporting departmental entities on an annual basis.

Failure or refusal to comply with this chapter therefore constitutes non-compliance with Sections 63 and 64 of the FAA.

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### 16.1.3 Application

This chapter applies to:

- organizations that are required to use the Consolidated Revenue Fund and will include all entities listed in Schedules I and II of the FAA, i.e., that are part of the Government of Canada accounting entity;
- other entities with authority restricted to Section 34 of the FAA, will submit a Letter of Representation to their parent entity who will prepare a consolidated submission in accordance with subsection 16.2.2.

Crown corporations with authority under Sections 33 and 34 of the FAA should refer to Chapter 17, “Instructions to Crown corporations and other Government Business Enterprises for the Letter of Representation to the Auditor General of Canada and the Deputy Receiver General for Canada” of this manual, for information on how to discharge their reporting responsibilities for the Letter of Representation with respect to the Crown corporation.

For the year ended March 31, 2005, representations must be made by government reporting organizations based on the government structure shown in subsection 15.2.4 of Chapter 15, “Public Accounts Instructions 2004-2005” of this manual. This structure has been prepared using the 2004-2005 Main Estimates. If there are any changes to the ministry structure or nomenclature between the issue date of this chapter and the effective date of the Letter of Representation, such changes must be taken into account. Since the Letter of Representation will be dated June 30, 2005, reference must be made to the nomenclature in force as at that date.

A list of organizations from which a Letter of Representation is expected, based on the nomenclature in force as of March 31, 2005, can be found in the first column of Appendix C. Officials signing Letter of Representation must ensure that all organizations listed in the second column of Appendix C are included in the opening paragraph of the predrafted Letter of Representation. They may want to obtain supporting documentation or declarations from former officials or entities to support their own representations which **must cover the entire fiscal year plus the subsequent event period.**

### 16.1.4 Instruction

For the fiscal year 2004-2005, each reporting organization which meets the criteria described in subsections 16.1.3 and 16.4.1 is required to submit a Letter of Representation, in accordance with the procedures contained in subsections 16.4.2 and 16.4.3.

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## 16.2 RESPONSIBILITIES

When either an individual or a consolidated Letter of Representation is required, the responsibilities are as follows:

### 16.2.1 Individual submission

- (a) The Deputy Head of a department or the head (Chairperson or President) of an agency or other organization must:
  - ensure that management’s responsibility for the proper recording of financial transactions in the accounts of Canada, and for the financial information to be included in the *Public Accounts of Canada*, is fully disclosed in the letter of representation.
- (b) The Senior Financial Officer of a department or the Senior Financial Officer of an agency or other organization, with the advice and assistance of the Senior Full-time Financial Officer, must:
  - report all information required to the Deputy Receiver General;
  - disclose information pertaining to non-compliance with any representation described in subsection 16.4.4;
  - inform and obtain approval of any proposed wording changes to the predrafted Letter of Representation with the contacts within PWGSC (for the Office of the Deputy Receiver General) and the Office of the Auditor General described in section 16.5; and,
  - prepare the Letter of Representation and ensure that it is dispatched to the Auditor General with **a signed duplicate** to the Deputy Receiver General by courier in a timely manner. Original signatures are required by both the Auditor General and the Deputy Receiver General; photocopies will not be accepted.

### 16.2.2 Consolidated submission

- (a) the Deputy Head of a department must:
  - ensure that all reporting organizations which qualify for a consolidated submission as defined in section 16.3 are included in a consolidated Letter of Representation; and,
  - ensure that management’s responsibility for the proper recording of financial transactions in the accounts of Canada, and for the financial information to be included in the *Public Accounts of Canada*, is fully disclosed in the consolidated Letter of Representation for the department and all applicable reporting organizations.

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- (b) The Senior Financial Officer of a department with the advice and assistance of the Senior Full-time Financial Officer, must:
- identify reporting organizations to be included in a consolidated submission; coordinate and collect individual representations;
  - prepare the consolidated Letter of Representation, subject to the same responsibilities listed in subsection 16.2.1(b) for the department and applicable reporting organizations;
  - ensure that all reporting organizations are named, where appropriate, in the first paragraph of the consolidated Letter of Representation; and,
  - submit the consolidated Letter of Representation to the Auditor General with a signed duplicate to the Deputy Receiver General by courier in a timely manner; photocopies will not be accepted.

### 16.3 DEFINITIONS

The following terms are defined for the purposes of this chapter, as follows:

Consolidated submission or consolidated Letter of Representation – a Letter of Representation which includes representations of a department, and of each reporting organization having authority under Section 34, but not under Section 33 of the FAA.

Deputy Head of a department or the Head of an agency or other organization – the senior executive officer responsible for the management of a department, agency or other organization, reporting directly to a Minister.

External auditor – the Auditor General of Canada and any other independent professional accountant from outside the Government engaged by the Government to examine and report on financial data, records, accounts, systems or statements.

Financial statements — for the purposes of this chapter, the financial statements of the Government of Canada consist of a Preface, a Statement of Responsibility, a Statement of Operations and Accumulated Deficit, a Statement of Financial Position, a Statement of Change in Net Debt, a Statement of Cash Flow, Notes to the Financial Statements of the Government of Canada, the Report of the Auditor General on the foregoing statements and other supplementary statements and supplementary information that from time to time are considered necessary for full disclosure of the financial operations of the government.

Government body – an organization which is part of the Government of Canada as an accounting entity, including a department, an agency and any other organization.



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Government of Canada (Government) – as an accounting entity and for purposes of maintaining the accounts of Canada, the Government of Canada is defined as all the departments named in Schedule I of the FAA; any division or branch of the Public Service, as set out in column I of Schedule I.1 of the FAA, any commission appointed under the *Inquiries Act*, designated by the Governor in Council as a department for purposes of the FAA; the staffs of the Senate, the House of Commons, and the Library of Parliament; and any corporation named in Schedule II of the FAA.

– as a reporting entity, the Government of Canada comprises all organizations which are owned or controlled by the Government and which are accountable to Parliament.

Individual submission or individual Letter of Representation – a Letter of Representation submitted by a reporting organization which has authority under Sections 33 and 34 of the FAA.

Letter of Representation – a certificate which contains representations made by the head of a reporting organization to the Auditor General and the Deputy Receiver General, confirming management's responsibility for the proper recording of financial transactions in the accounts of Canada, and for the financial information to be included in the *Public Accounts of Canada* (see Appendix B - Predrafted Letter of Representation).

Reporting organization – all the departments, agencies or other organizations (including Crown corporations) which are a government body and that are required to use the Consolidated Revenue Fund (CRF) or are delegated authority to use the CRF under Section 33 of the FAA.

Senior Financial Officer of a department or Senior Financial Officer of an agency or other organization – the senior officer responsible for the financial affairs of a department, agency or unclassified organization.

Senior Full-time Financial Officer – Deputy Heads are required to designate a member of the departmental executive as the senior officer responsible for satisfying departmental systems of financial administration and for providing advice directly to them on all financial matters. Because there must be a limit on the officers reporting directly to the Deputy Head, the Senior Financial Officer may, for example, be an Assistant Deputy Minister, Finance and Administration, who in turn is advised by a Senior Full-time Financial Officer such as a Director of financial services, a departmental comptroller, or some similarly designated individual.

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## 16.4 PROCEDURES

Each reporting organization must make written representations to the Auditor General and the Deputy Receiver General, either in an individual or a consolidated submission format and submit the predrafted Letter of Representation on its own letterhead. The name of the reporting organization and, where applicable, the names of the organizations included in the consolidated submission must be listed. The predrafted Letter of Representation presented in Appendix B reflects the current status of the Government's audit environment. Minor wording changes may be required to make a representation applicable to a particular reporting organization. Any change to the wording proposed by a reporting organization must be discussed with and approved by the contacts within the Offices of the Auditor General and the Deputy Receiver General described in section 16.5 prior to their inclusion. The Auditor General reserves the right to require amended wording, new inclusions or additional representations. Disclosure of exceptions to the circumstances set forth in the predrafted letter is required. The details to be disclosed in the case of exceptions are described in subsection 16.4.2.

The following criteria are established to determine a reporting organization's form of submission of the Letter of Representation to the Auditor General and to the Deputy Receiver General.

### 16.4.1 Reporting criteria

(a) Individual or consolidated submission

Each reporting organization which has authority under Sections 33 and/or 34 of the FAA, except Crown corporations who should refer to Chapter 17 of this manual, must base its Letter of Representation on the predrafted Letter of Representation in Appendix B and submit an individual or consolidated letter of representation to the Auditor General and to the Deputy Receiver General.

(b) Consolidated Letter of Representation – Organizations which must submit through appropriate department

Reporting organizations that have authority under Section 34 but do not exercise authority under Section 33 of the FAA, must make representations to their appropriate department and use the predrafted Letter of Representation in Appendix B. The reporting department will then make a consolidated submission using the same format as the predrafted Letter of Representation in Appendix B to the Auditor General and to the Deputy Receiver General.

Note

See excerpts of Sections 33 and 34 from the FAA in Appendix A.

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### 16.4.2 Disclosure of exceptions

Where applicable, for those items which are exceptions to the standard representations contained in the predrafted Letter of Representation, the following details must be disclosed in the appropriate representation:

- (i) identification of the account, program and vote affected;
- (ii) authorities not adhered to (legislation, directives, circulars, regulations, etc.);
- (iii) impact of the exceptions on the financial statements and supplementary reports required for the *Public Accounts of Canada* of the current fiscal year. The disclosure of particulars, including dollar amounts where appropriate, applies to each exception. It is not appropriate to net items; and,
- (iv) any additional information to further explain the exception.

For exceptions pertaining to contingent liabilities, the required information is described in Chapter 15 (subsection 15.3.5) of this manual.

### 16.4.3 Manuscript preparation

Departmental Letters of Representation are not published, nor are they part of any published report. They are used to support representations made to the Auditor General of Canada from the reporting organizations and to the Deputy Receiver General, the Secretary of the Treasury Board and the Deputy Minister of Finance, that there has been proper recording and reporting of financial transactions and information in the *Public Accounts of Canada*.

**The first page of the Letter of Representation must be completed on the reporting organization's letterhead.**

The Letter of Representation must be jointly addressed to the Auditor General and the Deputy Receiver General with the original sent by courier to the Auditor General and a **signed duplicate** (not a photocopy) sent by courier to the Deputy Receiver General. For information regarding addresses, please see subsection 16.4.7.

All amounts are to be rounded to the nearest dollar.

**Note carefully.** A Letter of Representation or a similar document issued to an external auditor in support of the auditor's separate opinion on the entity's financial statements **will not** be accepted as a substitute unless it is in the prescribed format (see Appendix B), and covers the Government's fiscal year — April 1, 2004 to March 31, 2005. In addition, it must cover the period of time following the year end designated as a subsequent event period.

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All representations must agree with the plates and manuscripts containing financial information to be included in the *Public Accounts of Canada*, submitted to the Receiver General for Canada. If corrections are necessary to plates or manuscripts previously submitted which affect portions of the Letter of Representation, submit revised applicable pages of the Letter of Representation, clearly marked as such and dated to the Auditor General and Deputy Receiver General together with a brief letter of explanation.

It is possible that audit staff of the Auditor General may not visit or request financial records from a particular department or agency during a fiscal year for the purpose of the *Public Accounts of Canada*. Consequently, some representations may not be entirely appropriate. In such situations, indicate this occurrence in an appropriate manner. Nonetheless, a Letter of Representation is required of all departments and agencies whether or not they have been visited by the audit staff of the Auditor General.

All representations that apply to a reporting organization are mandatory, even though there may have been no activity in a particular account during the year. The same stipulation applies to accounts where the closing balance is “zero”. Do not reply to such representations with the words “Not Applicable” or “N/A”. Please use “nil” in such circumstances. Only in situations where a reporting entity does not have authority to use a particular account should the wording “Not Applicable” or “N/A” be used.

The following representations specified in the predrafted Letter of Representation in Appendix B apply to all reporting organizations and, therefore, must not be answered “Not Applicable” or “N/A”:

Representation numbers 1, 2, 3, 4, 5, 8, 9, 10, 12, 13, 14, 15, 16, 17, 18, 19 and 20.

Additional representations are to be completed by the Canada Customs and Revenue Agency and the Canada Border Services Agency only.

If any of the remaining representations do not apply, do not renumber any of them. Simply enter “Not Applicable” or “N/A” at the end of the text of the relative representation. Note that “Not Applicable” or “N/A” cannot be used to indicate a nil balance.

#### **16.4.4 Reporting requirements**

Each representation must be considered by each reporting organization, and all exceptions must be reported, as required in subsection 16.4.2. An example of exceptions for most representations is provided in this section. Note that the examples provided in this subsection do not form a set of examples based on rational circumstances of a particular entity, but are intended as “stand alone” illustrations of exceptions reported in respect of individual representations.

The reporting organization(s) required to make representations to the Auditor General and the Deputy Receiver General must be identified in the introduction (page one) of the letter of representation (see Predrafted Letter of Representation - Appendix B).

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Reporting organizations must make representations for the Government's fiscal year ended March 31.

The representations cover the following subjects:

Representation Number 1 (Reported Transactions)

- All financial transactions of the reporting organization must have been accurately recorded in the accounts of Canada.

As stated in the Treasury Board Secretariat publication on "Financial Systems and Controls", departmental financial systems "shall be designed, maintained, and operated so as to provide to Public Works and Government Services on a timely and accurate basis, the information required for the discharge of its Receiver General responsibilities relating to the Consolidated Revenue Fund and the accounts of Canada". In addition, departments "shall establish and maintain adequate controls within their systems to ensure the completeness, accuracy and authority of all financial information and of all other information that forms the basis for calculation of financial information...".

Therefore, it is the responsibility of reporting organizations to report every transaction on a timely and accurate basis for recording in the accounts of Canada. Other organizations such as revolving funds, may be requested to make representations by and to their parent organizations for the financial transactions which have required the use of the Consolidated Revenue Fund under authority delegated by Section 33 of the FAA as well as other mandatory representations. Exceptions must be disclosed and detailed in this paragraph.

*Ex. All financial transactions of the reporting organization have been accurately recorded in the accounts of Canada, except as follows:*

*Moneys disbursed during the year for a major capital project (acquisition of land, building and equipment) in Ziba, which has been financed through Vote 5, payments for professional services, under the Canadian Program and represents Ziba 48,200,622 (\$500,000,000 Cdn), should have been financed through Vote 7, acquisition of capital assets.*

Representation Number 2 (Books of Accounts and Records)

- Reporting organizations must have maintained complete, proper, and accurate books of accounts and records, from which complete and accurate final trial balance and supplementary reports, required for the *Public Accounts of Canada*, have been prepared. There are no material transactions during the year that have not been properly reflected in the accounts.

In addition, the reporting organization has reconciled net results per the departmental statement of operations to the use of appropriations.

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For reporting organizations, the final trial balance submitted to the Receiver General must be prepared in accordance with Chapter 14 of this manual entitled, “Year End Timetable and Procedures”.

*Ex. The reporting organization has maintained complete, proper, and accurate books of accounts and records, from which complete and accurate final trial balance and supplementary reports, required for the Public Accounts of Canada, have been prepared. There are no material transactions during the year that have not been properly reflected in the accounts. In addition, net results per the departmental statement of operations to the use of appropriations have also been reconciled.*

### Representation Number 3 (Recording and Reporting of Financial Information)

- Reporting organizations must have complied with all relevant Receiver General and Treasury Board requirements, the FAA, all legislation regarding the recording and reporting of financial information to be included in the accounts of Canada and reflected in the *Public Accounts of Canada*. There have been neither advances made to nor advances received from other government bodies, including cost sharing agreements and joint projects, with respect to goods or services that will not be supplied or used prior to the year end.

Government bodies must comply with all legislation, policies and directives that pertain to recording and reporting of financial information. Other organizations using the CRF must comply with the requirements of the Receiver General, the Treasury Board and all legislation, regarding the recording and reporting of their financial transactions.

More specifically, reporting organizations must not in any manner, attempt to shelter, divert or carry forward lapsing funds or unused budget allotments into subsequent fiscal years. No accrued payables can be set up for goods or services which have not been received or utilized by March 31.

Government bodies providing services must not carry any outstanding advances or deposits received from other departments or agencies with respect to goods or services that will not be provided until subsequent fiscal years. This stipulation also applies to joint projects, and cost sharing agreements. Departments and agencies are also not permitted under the FAA to make advances to other government bodies with respect to goods and/or services to be provided in subsequent fiscal years including advances to joint projects and cost sharing agreements. Exceptions must be disclosed and detailed in this paragraph.

- Reporting organizations must have complied with all relevant accounting policies of the Government of Canada including those pertaining to non-monetary transactions.

Accounting policies are detailed in the Treasury Board policies, Treasury Board Accounting Standards, and Treasury Board Secretariat publications. The significant accounting policies of the Government of Canada can be found at the URL addresses in Appendix D (Hyperlinks number 7 and 8). Government bodies must comply with all the aforementioned accounting policies. Other organizations must comply with the accounting policies related to the financial transactions recorded in the accounts of Canada and the financial information reported to the Deputy Receiver General. Exceptions must be disclosed and detailed in this paragraph. Examples of such exceptions might be: unrecorded payables at year end, recording of contingent liabilities as payables, foreign currency transactions recorded at the time of payment in foreign currency and translated only at year end.

Non-monetary transactions must be recorded in the accounts of Canada in accordance with the Treasury Board policy on “Accounting for Non-Monetary Transactions” and Receiver General Directive 1994-3, “Recording of Non-Monetary Transactions in the Accounts of Canada”.

*Ex. In the recording and reporting of financial information to be included in the accounts of Canada, the Public Accounts of Canada and other monthly and quarterly financial statements, the reporting organization has complied with:*

- (a) *all relevant Receiver General and Treasury Board requirements (i.e. Directives, Treasury Board Accounting Standards, circulars and regulations);*
- (b) *the Financial Administration Act;*
- (c) *all other legislation affecting the reporting organization; and,*
- (d) *all relevant accounting policies of the Government of Canada including those relating to year-end fiscal transactions with other government departments or reporting agencies.*

*except as follows:*

*The Department did not fully comply with the requirements of Subsection 37.1(1) of the FAA, with those of Appendix 1 (Old Year DFMS Accrual Entries, Adjusting Entries and Closing of Old Year Accounts) of Chapter 14 of this manual entitled, “Year End Timetable and Procedures”, nor with those of the “Treasury Board policy on Payables at Year-End (PAYE)”. Consequently, our accounts payable and expenditures as reported to you, are understated by the following amounts: Vote 1 \$1,000,000, Vote 2 \$500,000.*

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Representation Number 4 (Appropriation Acts and Other Governing Statutes)

- All financial transactions must be in accordance with legislative requirements, including those pertaining to accounts payable at year end, and must have been recorded in accordance with, and within the authorized limits of, Appropriation Acts and other governing statutes.

Reporting organizations must comply with the FAA, the *Interpretation Act* and the Criminal Code. They must also comply with Treasury Board policies and Treasury Board Secretariat publications, as well as Receiver General directives. Reporting organizations must also comply with Chapter 15 (subsection 15.4.2) of this manual, whichever is applicable, in order to disclose over expended amounts in the manuscript “Summary of Source and Disposition of Authorities”. Over expended balances as at fiscal year end, relating to budgetary and non-budgetary appropriations, must be disclosed and detailed in this paragraph, by all reporting organizations.

*Ex. The reporting organization has adhered to all legislative requirements respecting the entering into of financial transactions, including those pertaining to accounts payable at year end, and all such transactions have been accurately recorded in accordance with, and within the authorized limits of, Appropriation Acts and other governing statutes, except as follows:*

*As reported in the 2004-2005 statement “Summary of Source and Disposition of Budgetary Authorities”, there has been an over-use of Vote 10, under the Administration Program of the Department, amounting to \$5,182,000.*

Representation Number 5 (Accounts Receivable)

- (a) - Accounts receivable represent valid claims against debtors for transactions arising on or before March 31, 2005.

Government bodies must comply with the requirements of Chapter 15 (subsection 15.3.7) of this manual. Exceptions must be disclosed and detailed in this paragraph.

- (b) - Departments have recorded an appropriate allowance to reflect amounts where collection is in doubt.

As per the 2001-2002 Accrual Accounting Transition Protocol issued by the Treasury Board Secretariat, departments are responsible for recording accounts receivable and the allowance for doubtful accounts.



- (c) - Deletions of accounts receivable have been properly authorized.

Departments are to comply with the “Treasury Board Debt Write-Off Regulations” in writing-off receivables.

*Ex. Accounts receivable represent valid claims against debtors for transactions arising on or before March 31, 2005. An appropriate allowance for doubtful accounts has been recorded and deletions have been properly authorized.*

Representation Number 6 (Loans, Investments and Advances)

- (a) - All loans, investments and advances must have been made under the authority of appropriate legislation.

All applicable reporting organizations must comply with this requirement and must make representations for the loans, investments and advances which are recorded as assets of the Government in the accounts of Canada, and for the related financial information submitted to the Deputy Receiver General. Exceptions must be disclosed and detailed in this paragraph.

- (b) - All loans, investments and advances must represent valid claims against organizations and individuals outside the Government of Canada as an accounting entity.

Government bodies must comply with the above requirement and with the requirements of Chapter 15 (subsection 15.3.3) of this manual. Exceptions must be disclosed and detailed in this paragraph.

- (c) - All loans and advances must have been evaluated as specified in the Treasury Board policy on “Allowances for Valuation of Assets and Liabilities”.

At each fiscal year end, all financial claims which are recorded as assets on the Government’s “Statement of Financial Position” must be assessed and allowances must be established for any amounts which are considered not ultimately collectible or realizable. At each year end, Government bodies are requested by the TBS, through a circular letter, to make an assessment of the collectibility and value of the loans and advances which they administer and to provide the information as directed. Loans and advances not valued as requested must be disclosed as an exception and detailed in this paragraph.

- (d) - All loans, investments and advances are not subject to forgiveness.

Under certain loan authorities, subject to specific conditions, Government bodies may authorize full or partial forgiveness of loans. Loans and portions of loans subject to forgiveness must be disclosed and detailed in this paragraph, as well as in the plates and manuscripts submitted to the Deputy Receiver General.

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- (e) - All loans, investments and advances are not likely to require Parliamentary appropriations for deletion.

Subsection 25(2) of the FAA requires reporting organizations to obtain Parliamentary approval to delete any obligation or debt due to the Government of Canada that is considered uncollectible. Amounts likely to require Parliamentary appropriations for their deletion must be disclosed and detailed in this paragraph.

*Ex. All loans, investments and advances:*

- (a) were made under the authority of appropriate legislation;*
- (b) represent valid claims against organizations and individuals outside the Government of Canada as an accounting entity;*
- (c) are recorded as assets in the accounts of Canada, and loans and advances have been valued as specified in the Treasury Board Policy on "Allowances for Valuation of Assets and Liabilities". Amounts established in accordance with this policy and representing estimated losses on realization of financial claims, have been reported to the Treasury Board;*
- (d) are not subject to forgiveness; and,*
- (e) are not likely to require Parliamentary appropriations for deletion;*

*except as follows:*

*Under the Aid to XXX Program, Vote 15, two loans amounting to \$8,848 and \$30,110, which are deemed to be uncollectible, are awaiting approval for deletion as required by Section 25 of the FAA. As at June 30, 2005, the Department had not received the required approval.*

Representation Number 7 (Specified Purpose Accounts, Superannuation and Pension Accounts, Other Liabilities and Unmatured Debts)

- (a) - All specified purpose accounts, superannuation and pension accounts, other liabilities and unmatured debts must have originated under the authority of appropriate legislation.

All accounting organizations must comply with this requirement. Exceptions must be disclosed and detailed in this paragraph. An example of such an exception would be the reporting as payables, of explicit guarantees which are contingent liabilities.

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- (b) - All specified purpose accounts, superannuation and pension accounts, other liabilities and unmatured debts must represent obligations to organizations and individuals outside the Government of Canada as an accounting entity.

Government bodies must report the relevant financial information for disclosure in the “Statement of Financial Position” according to the above requirement and to the requirements of Chapter 15 (subsection 15.3.3) of this manual. Exceptions must be disclosed and detailed in this paragraph.

- (c) - All specified purpose accounts and superannuation and pension accounts were maintained in accordance with their respective legislation.

All accounting organizations must ensure that all specified purpose accounts and superannuation and pension accounts are maintained in accordance with their respective legislation.

*Ex. All specified purpose accounts, superannuation and pension accounts, other liabilities and unmatured debts:*

- (a) originated under the authority of appropriate legislation;*
- (b) represent obligations to organizations and individuals outside the Government of Canada as an accounting entity; and,*
- (c) all specified purpose accounts and superannuation and pension accounts were maintained in accordance with their respective legislation;*

*except as follows:*

*(List any cases of non-compliance giving a description of the item(s) and the dollar amounts involved where appropriate.)*

#### Representation Number 8 (Accounts Payable)

- All unpaid accounts relating to annual lapsing and non-lapsing budgetary appropriations and annually lapsing non-budgetary appropriations on which Parliament has imposed an annual ceiling, have been reported as payables.

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Government bodies must disclose payables as required by Subsection 37.1(1) of the FAA and the Treasury Board policy on “Payables at Year-End (PAYE)”. They must charge against their appropriations, those liabilities, which meet the criteria established in the policy. They must also comply with the procedures described in Appendix 1, “Old Year DFMS Accrual Entries, Adjusting Entries and Closing of Old Year Accounts” of Chapter 14 of this manual entitled, “Year End Timetable and Procedures”, and the disclosure instructions of Chapter 15 (subsection 15.4.2) of this manual. Exceptions must be disclosed and detailed in this paragraph. Examples of exceptions would be: consultant fees owing but not recorded as accounts payable; amount owing to a Crown corporation pursuant to a contractual agreement not recorded at fiscal year end.

*Ex. All unpaid accounts relating to annual lapsing and non-lapsing budgetary appropriations and annually lapsing non-budgetary appropriations on which Parliament has imposed an annual ceiling, have been recorded as payables, except as follows:*

*An account payable of \$280,000 under the P.O. Program, Vote 18, representing goods received prior to the year-end, has not been recorded as a liability. This does not comply with the requirements of Subsection 37.1(1) of the FAA, with the Treasury Board Policy on “Payables at Year-End (PAYE)”, and with those of Chapter 14 of this manual entitled, “Year End Timetable and Procedures”. Had this amount been included, the accounts payable and the expenditures, acquisition of machinery and equipment, would each have been increased by that amount.*

#### Representation Number 9 (Inventories, Tangible Capital Assets and Prepayments)

- Reporting organizations are required to maintain control of inventories and tangible capital assets recorded in the accounts of Canada. The reporting organizations are required to have title to these assets, maintain essential records and establish rules and procedures to safeguard and control these assets. For inventories, reporting organizations are required to value inventories at cost. If they no longer have service potential, they are valued at the lower of cost or net realizable value. Items for which the costs are not readily available have been valued using management’s best estimate of original cost based on available information.

*Ex. The reporting organization has satisfactory title to all recorded assets, essential records have been maintained and the rules and procedures applied are sufficient to safeguard and control public property. In particular:*

- (a) *inventories are valued at cost. If they no longer have service potential, they are valued at the lower of cost or net realizable value. Items for which the costs are not readily available have been valued using management’s best estimate of original cost based on available information.*

- 
- (b) *records respecting tangible capital assets for which the department is responsible are accurate and complete, and all acquisitions and disposals of tangible capital assets during the year have been properly authorized;*
  - (c) *prepaid expenses represent amounts paid for services to be rendered in future periods; and,*
  - (d) *property, plant and equipment and other assets with a limited life are being amortized or otherwise written off as a charge to expense over our estimation of their useful lives in a systematic and rational manner.*

#### Representation Number 10 (Contingent Liabilities)

- All contingent liabilities must have been reported to the Deputy Receiver General for disclosure in the *Public Accounts of Canada*.

Subsections 63(2) and 64(2)(b) of the FAA require the disclosure of contingent liabilities in the *Public Accounts of Canada*. Government bodies must comply with the requirements of Chapter 15 (subsection 15.3.5) of this manual.

Exceptions must be disclosed and detailed in this paragraph.

*Ex. Particulars of all contingent liabilities have been reported to the Deputy Receiver General for disclosure in the Public Accounts of Canada, except as follows:*

*Under the XX Program, Vote 18, the Department has guaranteed the loans of a private sector corporation totaling \$9,000,000. The Department did not comply with the disclosure requirements contained in Chapter 15 (subsection 15.3.5) of this manual. Had this amount been included, our contingent liabilities would have been increased accordingly.*

#### Representation Number 11 (Determination of Allowance(s) for Expected Losses under Loan Guarantee Programs)

- All accounting organizations must, where applicable, determine and record amounts which reflect departmental management's best estimates of expected losses relative to the loan guarantees administered in accordance with Chapter 15 (subsection 15.3.5) of this manual. Report any instances of non-compliance and indicate, in detail, why the provision could not be determined and recorded.

*Ex. Provisions have been determined and recorded for all loan guarantee programs that were in force at any time during the year or during the period to June 30, 2005. Proper documentation relative to the calculation of these amount(s) is on file for review by the Treasury Board and/or the Office of the Auditor General. These amounts were established in accordance with the criteria outlined in Chapter 15. Particulars have been forwarded to the Deputy Receiver General for disclosure in the Public Accounts of Canada, except as follows:*

*The department has guaranteed loans under the XYZ Program with various financial institutions in the country but due to a misunderstanding, losses under the Program were not reported in time for the department to establish a meaningful provision for the Public Accounts of Canada. This situation is under review and proper procedures will be implemented shortly to obtain this information.*

#### Representation Number 12 (Contaminated Sites)

- All liabilities related to known contaminated sites have been measured and recorded. Information on liabilities and contingent liabilities related to known contaminated sites has been forwarded to the Treasury Board Secretariat in accordance with the instructions in the annual Treasury Board Secretariat circular letter.

The Treasury Board Secretariat circular letter can be found at  
[http://www.tbs-sct.gc.ca/fin/sigs/information\\_bulletins/allowan\\_e.asp](http://www.tbs-sct.gc.ca/fin/sigs/information_bulletins/allowan_e.asp).

*Ex. All liabilities related to known contaminated sites have been measured and recorded. Information on liabilities and contingent liabilities related to known contaminated sites has been forwarded to the Treasury Board Secretariat in accordance with the instructions in the annual Treasury Board Secretariat circular letter; except as follows:*

*Assessments have not been completed for XX properties. The liabilities related to these sites are thought to be (significant) (not significant).*

#### Representation Number 13 (Capital Lease Obligations and Contractual Obligations)

- All capital lease obligations and contractual obligations have been reported to the Deputy Receiver General for disclosure in the *Public Accounts of Canada* in accordance with subsections 15.3.4 and 15.3.6 respectively of Chapter 15 of this manual. In addition, liabilities under capital leases have been appropriately recorded in the reporting organization's books of accounts.

Disclosure of capital lease obligations and contractual obligations is required in the *Public Accounts of Canada*. Government bodies must comply with the requirements of subsections 15.3.4 and 15.3.6 respectively of Chapter 15. Note that particulars of all transfer payment agreements meeting the criteria described in Chapter 15 (subsection 15.3.6) are to be reported as contractual obligations. Cases of non-compliance must be reported and detailed in this paragraph.

*Ex. All capital lease obligations and contractual obligations have been reported to the Deputy Receiver General for disclosure in the Public Accounts of Canada in accordance with subsections 15.3.4 and 15.3.6 respectively of Chapter 15 and, liabilities under capital leases have been appropriately recorded in the organization's books of accounts, except as follows:*

*(List any cases of non-compliance giving a description of the item(s) and of the dollar amounts outstanding.)*

#### Representation Number 14 (Losses of Money or Public Property)

- Every loss of money or public property suffered by Her Majesty by reason of defalcation or other fraudulent acts or omissions, together with a statement of the circumstances, has been reported to the Treasury Board if applicable, and to the Deputy Receiver General for inclusion in the *Public Accounts of Canada* as required by Chapter 15 (subsection 15.5.7) of this manual.

Subsection 15.5.7 of Chapter 15 states:

“Every loss of public money or property, whether through an offence, illegal act or accident, shall be reported in the *Public Accounts of Canada* in the year in which the loss occurred. When a loss is discovered in a year subsequent to that of its occurrence, it must be reported in the year of its discovery. Any loss discovered in a previous year but not reported in the *Public Accounts of Canada* in the year of its discovery, must be reported in the current year's *Public Accounts of Canada* as if it had been discovered in the current year.

Every recovery against a loss of public money or property shall be reported in the *Public Accounts of Canada* in the year in which payment is received.

Losses of public money or property that are recovered in full by the end of the fiscal year in which the loss is discovered and which did not involve negligence, nonfeasance, willful misrepresentation, fraud, defalcation, or any other offence or illegal act, must be excluded”.

*Ex. All losses of money or public property suffered by Her Majesty by reason of defalcation or other fraudulent acts or omissions, together with a statement of the circumstances, have been reported to the Treasury Board (if applicable) and to the Deputy Receiver General for disclosure in the Public Accounts of Canada as required by subsection 15.5.7 of Chapter 15.*

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Representation Number 15 (Financial Records/Minute Books)

- Reporting organizations are required to make all financial records and data and minute books available to the Auditor General and her staff.

The Auditor General follows the normal audit practice of reviewing the formal minutes and informal notes or summaries of the meetings of management level committees.

Subsection 13(1) of the *Auditor General Act* states that “the Auditor General is entitled to free access at all convenient times to information that relates to the fulfilment of her responsibilities”. The requirement to produce minutes of the management-type committee meetings could provide the Auditor General with information that could have an effect on her opinion regarding the financial statements.

*Ex. We have made available to the Auditor General and her staff:*

*All financial records and related data as well as minute books which contain complete and authentic minutes of all meetings of the management committee and internal audit committee throughout the year and during the period to June 30, 2005. The most recent meetings of these two committees were held on June 18, 2005 and June 25, 2005 respectively.*

Should a reporting entity not be visited by Auditor General staff during the year for the purpose of the *Public Accounts of Canada* audit, this representation should be answered:

*“Not applicable. For the purpose of the Public Accounts of Canada, audit staff of the Auditor General did not request financial records and related data this year.”*

Representation Number 16 (Collection and Deposit of Monies)

- Reporting organizations are required to take appropriate action to collect all monies owing to Her Majesty, and all monies collected have to be deposited to the credit of the Receiver General.

As stated in the Treasury Board Policies on “Recording Receipts of Money” and “Receivables Management”, it is the responsibility of a reporting organization to ensure that prompt and vigorous action is taken to collect all monies owing and that all money received as tax revenue, non-tax revenue and all other receipts are safeguarded, accounted for and promptly deposited in the CRF.

*Ex. We have taken appropriate action to collect all monies owing to Her Majesty, and all monies collected have been deposited to the credit of the Receiver General for Canada.*



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Representation Number 17 (Subsequent Events)

- No event has occurred and no new or amended legislation, regulation or directive has come into effect since the fiscal year end other than those described in this representation which should be reflected or disclosed in the audited financial statements of the Government of Canada or supplementary reports of the Government of Canada.

Reporting organizations must disclose events, legislation, regulations or directives, which have come into effect between the fiscal year end and the effective date (June 30) of the representations. Subsequent events are defined as events providing further evidence of financial conditions which existed at March 31 or events which are indicative of conditions which arose subsequent to March 31. Exceptions must be disclosed and detailed in this paragraph. Examples of exceptions might be: royal assent given to legislation since March 31, final payment in respect of breach of contract which was reported as threatened litigation at March 31. Events of substance (\$50 million or more) coming to light after June 30, 2005 which have a bearing on the fiscal year ending March 31, 2005 should be referred to the Treasury Board for guidance on how to process and to the Deputy Receiver General for reporting purposes.

*Ex. Since March 31, 2005, there have been no events, new or amended legislation, regulations or directives which should be reflected or disclosed in the audited financial statements of the Government of Canada or supplementary reports of the Government of Canada, except as follows:*

*On April 6, 2005, the Minister of XXX reintroduced legislation to create a multimodal investigation organization. This bill is currently being reviewed by the House of Commons at the 3rd reading stage.*

Representation Number 18 (Financial Statements of the Government of Canada)

- All known information that could have an effect on the Auditor General's opinion on the financial statements of the Government of Canada must be disclosed in the Letter of Representation.

Any information pertaining to a subject not specifically covered in a paragraph of the Letter of Representation, which could affect the financial statements of the Government of Canada, must be disclosed. Known information that has an effect on the financial information submitted by the reporting organization is considered as having an effect on the financial statements of the Government of Canada.

If there are any exceptions the following details are required:

- (i) clear and concise description of the item; and,
- (ii) particulars, including dollar amounts, which may materially affect the financial statements of the Government of Canada.

*Ex. We are not aware of any information not disclosed to the Auditor General of Canada and the Deputy Receiver General for Canada, which could affect the Auditor General's opinion on the financial statements of the Government of Canada.*

#### Representation Number 19 (Internal Controls)

- The reporting organization acknowledges its responsibility for the implementation and operation of internal controls that are designed to prevent and detect fraud and error. All significant facts relating to any frauds or suspected frauds known to management that may have affected the entity have been disclosed to the auditor.

All significant facts relating to any frauds or suspected frauds must be disclosed to the auditor. Internal controls must be in place and properly followed to prevent and detect any fraud and error.

If there are any exceptions the following details are required:

- (i) clear and concise details of non-compliance of internal controls;
- (ii) clear and concise description of any frauds or suspected frauds; and,
- (iii) particulars, including dollar amounts, which may materially affect the financial statements of the Government of Canada.

*Ex. We understand that the prevention and detection of error and fraud are primarily our responsibility and may not necessarily be detected by you, even if they are material in amount. We acknowledge that it is our responsibility to design, implement and maintain internal controls that are designed to prevent and detect fraud and error. We have disclosed to you all significant facts relating to any frauds or suspected frauds known to us involving management, employees who have significant roles in internal control or others where the fraud could have a significant effect on the financial information of the reporting organization.*

*(List any cases of non-compliance giving a description and the dollar amounts outstanding.)*

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Representation Number 20 (Legality of Transactions)

- The reporting organization must declare that it is aware of any illegal acts, violations to laws of any conflicts of interest involving (name of organizations) or any other actions where it has, directly or indirectly entered into a transaction with a person that has a direct or indirect interest.

*Ex. We are not aware of:*

- (a) *any illegal or possibly illegal acts. (We have disclosed to you all facts related to illegal or possibly illegal acts identified.)*
- (b) *any conflicts of interest involving (name of organization) where it has, directly or indirectly, entered into any purchase, sale or any other transaction with a member of Parliament, a member of the Board, a member of senior management, a manager, or with an organization in which one of these persons had a direct or indirect interest, and/or*
- (c) *any violations or possible violations of laws or regulations the effect of which should be considered for disclosure in the Public Accounts of Canada or as a basis for recording a liability or loss contingency, and/or*
- (d) *actions taken in Canada that are not in accordance with the laws of Canada (federal or provincial) or actions taken outside Canada that violate the laws of the place where the transactions occurred, or that if taken in Canada would be in violation of the Criminal Code of Canada, and/or*
- (e) *there have been no communications from regulatory agencies concerning non-compliance with laws or regulations which could have a material effect on the information for inclusion in the Public Accounts of Canada (state exceptions, if any).*

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**Additional representations (Number 21) – Canada Customs and Revenue Agency and the  
Canada Border Services Agency ONLY**

1. Taxes under objection or appeal

Any tax assessments:

- which are under objection or are being appealed to either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada; and,
- where the amounts (including interest) related to this case can be reasonably estimated and amount to or exceed \$10 million. This also includes a reasonable estimate of the total value of all payments resulting from the outcome of a precedent setting case.

These are to be reviewed each year-end and where management views the outcome as likely to be decided in favour of the taxpayer, a provision is accrued in its financial statement.

*Ex. All objections or appeals in the amount of \$10 million or more have been reviewed to determine their likelihood of loss. A provision has been accrued for those cases where management views the outcome as likely to be decided in favour of the taxpayer. All other cases have been disclosed.*

2. Revenues

*The methodology adopted by the Government of Canada to calculate tax revenues and related receivables and payables on an accrual basis has been properly applied.*

3. Tax Receivable

*Tax Receivables represent valid claims against taxpayers or estimated amounts receivable from taxpayers as determined by application of the tax accrual methodology. An appropriate allowance for doubtful accounts has been recorded. Amounts deemed uncollectible have been removed from receivables, and these deletions have been properly authorized.*

4. Tax Refunds Payable

*Payables represent valid claims by taxpayers or estimated payables as determined by application of the tax accrual methodology.*

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### 16.4.5 Certification

The Letter of Representation must be signed by the three appropriate officials of the reporting organization:

<u>Department</u>	<u>Agency and Other Organizations</u>
Deputy Head (Deputy Minister)	- Head (Chairperson or President)
Senior Financial Officer	- Senior Financial Officer
Senior Full-time Financial Officer	- Senior Full-time Financial Officer

The responsibility for signing the Letter of Representation cannot be delegated for administrative convenience by any of the appropriate officials. If because of illness or some other unavoidable reason, an appropriate officer is unable to certify, the Letter of Representation should be signed by an authorized replacement, who has been formally appointed in an acting capacity for that absent official. Please enter particulars of these situations in the area below the signature panel.

For a consolidated submission, the Deputy Head (Deputy Minister), Senior Financial Officer and Senior Full-time Financial Officer of the department must sign on behalf of the department and of all reporting organizations that are identified in the introduction (page one) of the Letter of Representation. Heads of reporting organizations are responsible for representations made in their Letters of Representation.

### 16.4.6 Effective date

For administrative purposes, the date to be used for the Letter of Representation is June 30, 2005 (see Appendix B).

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### 16.4.7 Submission of Letter of Representation

The Letter of Representation (dated June 30, 2005), jointly addressed to the Auditor General and to the Deputy Receiver General, **is due on or before July 8, 2005** for each reporting entity appearing in Appendix C.

The original of the Letter of Representation must be sent by courier directly to the Auditor General with a signed duplicate (not a photocopy) sent by courier to the Deputy Receiver General, to the addresses given below.

#### **Please send by courier service**

The Auditor General of Canada  
c/o Principal  
Public Accounts Audit Team  
Stop 8062  
240 Sparks Street  
Ottawa, Ontario  
K1A 0G6

The Deputy Receiver General for Canada  
c/o Senior Project Officer  
Public Accounts Section  
Central and Public Accounts Reporting Directorate  
Finance, Accounting, Banking and Compensation  
Public Works and Government Services Canada  
Place du Portage  
Phase III, Core 13A2  
11 Laurier Street  
Gatineau, Quebec  
K1A 0S5

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## 16.5 INQUIRIES

Contact with regard to the Letter of Representation within the Office of the Auditor General should be the Principal in charge of the audit of the department or agency (the reporting organization) involved.

Contacts within Public Works and Government Services Canada:

Tom Bryant  
Senior Project Officer  
Public Accounts Section  
Central and Public Accounts Reporting Directorate  
Telephone number: (819) 956-2744  
Facsimile number: (819) 956-5407  
E-mail: [tom.bryant@pwgsc.gc.ca](mailto:tom.bryant@pwgsc.gc.ca)

or

Paul Poulin  
A/Chief  
Public Accounts Section  
Central and Public Accounts Reporting Directorate  
Telephone number: (819) 956-1854  
Facsimile number: (819) 956-5407  
E-mail: [paul.a.poulin@pwgsc.gc.ca](mailto:paul.a.poulin@pwgsc.gc.ca)

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**Appendix A**  
**Excerpts of Sections 33 and 34 from the FAA**

33. (1) No charge shall be made against an appropriation except on the requisition of the appropriate Minister of the department for which the appropriation was made or of a person authorized in writing by that Minister.
- (2) Every requisition for a payment out of the Consolidated Revenue Fund shall be in such form, accompanied by such documents and certified in such manner as the Treasury Board may prescribe by regulation.
- (3) No requisition shall be made pursuant to subsection (1) for a payment that:
- (a) would not be a lawful charge against the appropriation;
  - (b) would result in an expenditure in excess of the appropriation; or
  - (c) would reduce the balance available in the appropriation so that it would not be sufficient to meet the commitments charged against it.
- (4) The appropriate Minister may transmit to the Treasury Board any requisition with respect to which that Minister desires the direction of the Board, and the Board may order that payment be made or refused. (R.S., c. F-10, s. 26)
34. (1) No payment shall be made in respect of any part of the public service of Canada unless, in addition to any other voucher or certificate that is required, the deputy of the appropriate Minister, or another person authorized by that Minister, certifies:
- (a) in the case of a payment for the performance of work, the supply of goods or the rendering of services,
    - (i) that the work has been performed, the goods supplied or the service rendered, as the case may be, and that the price charged is according to the contract, or if not specified by the contract, is reasonable,
    - (ii) where, pursuant to the contract, a payment is to be made before the completion of the work, delivery of the goods or rendering of the service, as the case may be, that the payment is according to the contract, or
    - (iii) where, in accordance with the policies and procedures prescribed under subsection (2), payment is to be made in advance of verification, that the claim for payment is reasonable; or



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- (b) in the case of any other payment, that the payee is eligible for or entitled to the payment.
- (2) The Treasury Board may prescribe policies and procedures to be followed to give effect to the certification and verification required under subsection (1).

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**Appendix B**  
**Predrafted Letter of Representation**

**To be typed on your departmental letterhead  
and sent to both addressees**

June 30, 2005

By courier to

The Auditor General of Canada  
c/o Principal  
Public Accounts Audit Team  
Stop 8062  
240 Sparks Street  
Ottawa, Ontario  
K1A 0G6

By courier to

The Deputy Receiver General for Canada  
c/o Senior Project Officer  
Public Accounts Section  
Central and Public Accounts Reporting Directorate  
Finance, Accounting, Banking and Compensation  
Public Works and Government Services Canada  
11 Laurier Street  
Phase III, Core 13A2  
Place du Portage  
Gatineau, Quebec  
K1A 0S5

Letter of Representation

We acknowledge management's responsibility for proper recording of financial information, and for the proper reporting of that information for the inclusion in the *Public Accounts of Canada* and in the audited financial statements of the Government of Canada included therein, relating to the following organizations (hereinafter collectively called "the reporting organization"), [Insert name(s) of organization(s) here \_\_\_\_\_

\_\_\_\_\_] for the year ended March 31, 2005. To the best of our knowledge and belief, in respect to the above-named reporting organization, we make the following representations:

\* 1. All financial transactions of the reporting organization have been accurately recorded in the accounts of Canada.

\* The representation is applicable to all reporting organizations (mandatory); thus, not applicable or N/A cannot be used on the completed Letter of Representation (see the related representation in subsection 16.4.4 of this chapter).

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- \* 2. The reporting organization has maintained complete, proper, and accurate books of accounts and records, from which complete and accurate final trial balance and supplementary reports, required for the *Public Accounts of Canada*, have been prepared. There are no material transactions during the year that have not been properly reflected in the accounts. In addition, the reporting organization has reconciled net results per the statement of operations to the use of appropriations.
- \* 3. In the recording and reporting of financial information to be included in the accounts of Canada, the *Public Accounts of Canada* and other monthly and quarterly financial statements, the reporting organization has complied with:
- (a) all relevant Receiver General and Treasury Board requirements (i.e. Treasury Board Accounting Standards, directives, circulars and regulations);
  - (b) the *Financial Administration Act*;
  - (c) all other legislation affecting the reporting organization; and,
  - (d) all relevant accounting policies of the Government of Canada including those relating to year-end fiscal transactions with other government departments or reporting agencies.
- \* 4. The reporting organization has adhered to all legislative requirements respecting the entering into of financial transactions, including those pertaining to accounts payable at year end, and all such transactions have been accurately recorded in accordance with, and within the authorized limits of, *Appropriation Acts* and other governing statutes.
- \* 5. Accounts receivable represent valid claims against debtors for transactions arising on or before March 31, 2005. An appropriate allowance for doubtful accounts has been recorded and deletions have been properly authorized.
- \* Mandatory for all reporting organizations (see the related representation in subsection 16.4.4 of this chapter).

- 
6. All loans, investments and advances:
- (a) were made under the authority of appropriate legislation;
  - (b) represent valid claims against organizations and individuals outside the Government of Canada as an accounting entity;
  - (c) are recorded as assets in the accounts of Canada, and loans and advances have been valued as specified in the Treasury Board policy on “Allowances for Valuation of Assets and Liabilities”. Amounts established in accordance with this policy and representing estimated losses on realization of financial claims, have been reported to the Treasury Board;
  - (d) are not subject to forgiveness; and,
  - (e) are not likely to require Parliamentary appropriations for deletion.  
(If an appropriation will be required, indicate estimated amounts necessary to delete.)
7. All specified purpose accounts, superannuation and pension accounts, other liabilities and unmatured debts:
- (a) originated under the authority of appropriate legislation;
  - (b) represent obligations to organizations and individuals outside the Government of Canada as an accounting entity; and,
  - (c) all specified purpose accounts and superannuation and pension accounts, were maintained in accordance with their respective legislation.
- \* 8. All unpaid accounts relating to annual lapsing and non-lapsing budgetary appropriations and annually lapsing non-budgetary appropriations have been recorded as payables.

\* Mandatory for all reporting organizations (see the related representation in subsection 16.4.4 of this chapter).

- 
- \* 9. The reporting organization has satisfactory title to all recorded assets, essential records have been maintained and the rules and procedures applied are sufficient to safeguard and control public property. In particular:
- (a) Inventories are valued at cost. If they no longer have service potential, they are valued at the lower of cost or net realizable value. Items for which the cost are not readily available have been valued using management's best estimate of original cost based on available information;
  - (b) records respecting tangible capital assets for which the department is responsible are accurate and complete, and all acquisitions and disposals of tangible capital assets during the year have been properly authorized;
  - (c) prepaid expenses represent amounts paid for services to be rendered in future periods; and,
  - (d) property, plant and equipment and other assets with a limited life are being amortized or otherwise written off as a charge to expense over our estimation of their useful lives in a systematic and rational manner.
- \* 10. All contingent liabilities have been reported to the Deputy Receiver General for disclosure in the *Public Accounts of Canada*.
11. Provisions have been determined and recorded for all loan guarantee programs that were in force at any time during the year or during the period to June 30, 2005. Proper documentation relative to the calculation of these amount(s) is on file for review by the Treasury Board and/or the Office of the Auditor General. These amounts were established in accordance with the criteria outlined in Chapter 15. Particulars have been forwarded to the Deputy Receiver General for disclosure in the *Public Accounts of Canada*.
- \* Mandatory for all reporting organizations (see the related representation in subsection 16.4.4 of this chapter).



- \* 15. We have made available to the Auditor General and her staff:

All financial records and related data, summations of meetings, and minute books which contain complete and authentic minutes of all meetings of the management committee and (specify other management level committees as appropriate \_\_\_\_\_) applicable to the period April 1, 2004 to June 30, 2005. The most recent meeting(s) of this(these) committee(s) for the said period was(were) held on \_\_\_\_\_ (and) \_\_\_\_\_ respectively.

\*\* See alternative wording below

- \* 16. The reporting organization has taken appropriate action to collect all monies owing to Her Majesty, and all monies collected have been deposited to the credit of the Receiver General for Canada.

- \* 17. Since March 31, 2005, there have been no events, new or amended legislation, regulations or directives, other than those reflected in the financial statements or notes thereto, which should be reflected or disclosed in the audited financial statements of the Government of Canada or supplementary reports of the Government of Canada.

- \* 18. We are not aware of any information not disclosed to the Auditor General of Canada and the Deputy Receiver General for Canada, which could affect the Auditor General's opinion on the financial statements of the Government of Canada.

\* Mandatory for all reporting organizations (see the related representation in subsection 16.4.4 of this chapter).

\*\* If appropriate, enter additional wording: "Not applicable. For the purpose of the *Public Accounts of Canada*, audit staff of the Auditor General did not request financial records or related data nor the minutes of meetings of management level committees for the period in reference".

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- \* 19. We understand that the prevention and detection of error and fraud are primarily our responsibility and may not necessarily be detected by you, even if they are material in amount. We acknowledge that it is our responsibility to design, implement and maintain internal controls that are designed to prevent and detect fraud and error. We have disclosed to you all significant facts relating to any frauds or suspected frauds known to us involving management, employees who have significant roles in internal control or others where the fraud could have a significant effect on the financial information of the reporting organization.
- \* 20. We are not aware of:
- (a) any illegal or possibly illegal acts. (We have disclosed to you all facts related to illegal or possibly illegal acts identified.)
  - (b) any conflicts of interest involving (name of organization) where it has, directly or indirectly, entered into any purchase, sale or any other transaction with a member of Parliament, a member of the Board, a member of senior management, a manager, or with an organization in which one of these persons had a direct or indirect interest, and/or
  - (c) any violations or possible violations of laws or regulations the effect of which should be considered for disclosure in the *Public Accounts of Canada* or as a basis for recording a liability or loss contingency, and/or
  - (d) actions taken in Canada that are not in accordance with the laws of Canada (federal or provincial) or actions taken outside Canada that violate the laws of the place where the transactions occurred, or that if taken in Canada would be in violation of the Criminal Code of Canada, and/or
  - (e) there have been no communications from regulatory agencies concerning non-compliance with laws or regulations which could have a material effect on the information for inclusion in the *Public Accounts of Canada* (state exceptions, if any).

\* Mandatory for all reporting organizations (see the related representation in subsection 16.4.4 of this chapter).



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21. **Additional representations – Canada Customs and Revenue Agency and the Canada Border Services Agency ONLY** (references, subsection 16.4.4).

1. All objections or appeals in the amount of \$10 million or more have been reviewed to determine their likelihood of loss. A provision has been accrued for those cases where management views the outcome as likely to be decided in favour of the taxpayer. All other cases have been disclosed.
2. The methodology adopted by the Government of Canada to calculate tax revenues and related receivables and payables on an accrual basis has been properly applied.
3. Tax Receivables represent valid claims against taxpayers or estimated amounts receivable from taxpayers as determined by application of the tax accrual methodology. An appropriate allowance for doubtful accounts has been recorded. Amounts deemed uncollectible have been removed from receivables, and these deletions have been properly authorized.
4. Payables represent valid claims by taxpayers or estimated payables as determined by application of the tax accrual methodology.

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On behalf of the reporting organization(s) referred to on the first page.

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Senior Financial Officer

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Deputy Head (Deputy Minister)

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Senior Full-time Financial Officer

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Senior Financial Officer

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Head (Chairperson or President)

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Senior Full-time Financial Officer

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Chief Financial Officer

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Chief Executive Officer

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Senior Full-time Financial Officer

**Note:** The responsibility for signing the Letter of Representation cannot be delegated for administrative convenience by any of the appropriate officials. If because of illness or some other unavoidable reason, an appropriate officer is unable to certify, the Letter of Representation should be signed by an authorized replacement, who has been formally appointed in an acting capacity for that absent official. Please enter particulars of these situations here.

**Appendix C**  
**List of Departments and Agencies**

Departments and agencies must provide representations based on the Government structure used for reporting in the 2004-2005 *Public Accounts of Canada*. This Government structure (shown in subsection 15.2.4 of Chapter 15) is based on the 2004-2005 Main Estimates and has been updated to March 31, 2005. Column 1 lists the departments and agencies that must provide representations. Column 2 lists the organization(s) that will be covered by each individual Letter of Representation.

**Letter of Representation  
expected from the following  
Government Reporting Entities**

**Organizations covered by  
the Letter of Representation (Note 1)**

**Agriculture and Agri-Food  
Department**

Department  
Canadian Dairy Commission Program (1)  
Farm Credit Canada Program (1)

Canadian Food Inspection Agency

Canadian Food Inspection Agency

Canadian Grain Commission

Canadian Grain Commission

**Atlantic Canada Opportunities Agency  
Department**

Department  
Enterprise Cape Breton Corporation Program (1)

**Canada Customs and Revenue Agency  
Department**

Department  
Canada Post Corporation Program (1)  
Royal Canadian Mint Program (1)

**Letter of Representation  
expected from the following  
Government Reporting Entities**

**Organizations covered by  
the Letter of Representation (Note 1)**

**Canadian Heritage  
Department**

Department  
Canada Council for the Arts Program (1)  
Canadian Broadcasting Corporation Program (1)  
Canadian Museum of Civilization Program (1)  
Canadian Museum of Nature Program (1)  
National Arts Centre Corporation Program (1)  
National Capital Commission Program (1)  
National Gallery of Canada Program (1)  
National Museum of Science and  
Technology Program (1)

Canadian Radio-television and  
Telecommunications Commission

Canadian Radio-television and  
Telecommunications Commission

Library and Archives of Canada

Library and Archives of Canada

National Battlefields Commission

National Battlefields Commission

National Film Board

National Film Board

Public Service Commission

Public Service Commission

Public Service Staff Relations Board

Public Service Staff Relations Board

Public Service Staffing Tribunal

Public Service Staffing Tribunal

Status of Women — Office of the  
Co-ordinator

Status of Women — Office of the  
Co-ordinator

**Citizenship and Immigration  
Department**

Department

Immigration and Refugee Board  
of Canada

Immigration and Refugee Board  
of Canada

**Letter of Representation  
expected from the following  
Government Reporting Entities**

**Organizations covered by  
the Letter of Representation (Note 1)**

**Economic Development Agency of  
Canada for the Regions of Quebec**  
Department

Department

**Environment**  
Department

Department

Canadian Environmental Assessment  
Agency

Canadian Environmental Assessment  
Agency

Parks Canada Agency

Parks Canada Agency

**Finance**  
Department

Department  
Canada Deposit Insurance  
Corporation Program (1)

Auditor General

Auditor General

Canadian International Trade Tribunal

Canadian International Trade Tribunal

Financial Consumer Agency of Canada

Financial Consumer Agency of Canada

Financial Transactions and Reports  
Analysis Centre of Canada

Financial Transactions and Reports  
Analysis Centre of Canada

Office of the Superintendent of Financial  
Institutions

Office of the Superintendent of Financial  
Institutions

**Fisheries and Oceans**  
Department

Department  
Freshwater Fish Marketing Corporation  
Program (1)

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**Letter of Representation  
expected from the following  
Government Reporting Entities**

**Organizations covered by  
the Letter of Representation (Note 1)**

**Foreign Affairs and International Trade  
(Foreign Affairs)**

Department

Department  
International Development Research Centre  
Program (1)

Canadian International Development  
Agency

Canadian International Development  
Agency

International Joint Commission

International Joint Commission

**Governor General**

Department

Department

**Health**

Department

Department

Canadian Institutes of Health Research

Canadian Institutes of Health Research

Hazardous Materials Information  
Review Commission

Hazardous Materials Information  
Review Commission

Patented Medicine Prices Review Board

Patented Medicine Prices Review Board

**Human Resources and Skills  
Development**

Department

Department  
Canada Mortgage and Housing Corporation  
Program (1)

Canada Industrial Relations Board

Canada Industrial Relations Board

Canadian Artists and Producers  
Professional Relations Tribunal

Canadian Artists and Producers  
Professional Relations Tribunal

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**Letter of Representation  
expected from the following  
Government Reporting Entities**

**Organizations covered by  
the Letter of Representation (Note 1)**

Canadian Centre for Occupational  
Health and Safety

Canadian Centre for Occupational  
Health and Safety

**Human Resources Development  
(Social Development)**

Department

Department

**Indian Affairs and Northern  
Development**

Department

Department

Canadian Polar Commission

Canadian Polar Commission

**Industry**

Department

Department

Canadian Tourism Commission Program (1)  
Standards Council of Canada Program (1)

Canadian Space Agency

Canadian Space Agency

Competition Tribunal

Competition Tribunal

Copyright Board

Copyright Board

National Research Council of Canada

National Research Council of Canada

Natural Sciences and Engineering  
Research Council

Natural Sciences and Engineering  
Research Council

Social Sciences and Humanities  
Research Council

Social Sciences and Humanities  
Research Council

Statistics Canada

Statistics Canada

**Letter of Representation  
expected from the following  
Government Reporting Entities**

**Organizations covered by  
the Letter of Representation (Note 1)**

**International Trade**

Department

Department

Canadian Commercial Corporation Program (1)

Export Development Canada Program (1)

NAFTA Secretariat, Canadian Section

NAFTA Secretariat, Canadian Section

**Justice**

Department

Department

Canadian Human Rights  
Commission

Canadian Human Rights  
Commission

Canadian Human Rights Tribunal

Canadian Human Rights Tribunal

Commissioner for Federal Judicial Affairs

Commissioner for Federal Judicial Affairs

Courts Administration Service

Courts Administration Service

Law Commission of Canada

Law Commission of Canada

Offices of the Information and Privacy  
Commissioners of Canada

Offices of the Information and Privacy  
Commissioners of Canada

Supreme Court of Canada

Supreme Court of Canada

**National Defence**

Department

Department

Canadian Forces Grievance Board

Canadian Forces Grievance Board

Military Police Complaints Commission

Military Police Complaints Commission



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**Letter of Representation  
expected from the following  
Government Reporting Entities**

**Organizations covered by  
the Letter of Representation (Note 1)**

**Natural Resources**

Department

Department

Atomic Energy of Canada Limited Program (1)

Cape Breton Development Corporation Program (1)

Canadian Nuclear Safety Commission

Canadian Nuclear Safety Commission

National Energy Board

National Energy Board

Northern Pipeline Agency

Northern Pipeline Agency

**Office of Infrastructure of Canada**

Department

Department

**Parliament**

The Senate

The Senate

House of Commons

House of Commons

Library of Parliament

Library of Parliament

Office of the Ethics Commissioner

Office of the Ethics Commissioner

**Privy Council**

Department

Department

Security Intelligence Review  
Committee

Canadian Intergovernmental  
Conference Secretariat

Canadian Intergovernmental  
Conference Secretariat

Canadian Transportation Accident  
Investigation and Safety Board

Canadian Transportation Accident  
Investigation and Safety Board

Chief Electoral Officer

Chief Electoral Officer

**Letter of Representation  
expected from the following  
Government Reporting Entities**

**Organizations covered by  
the Letter of Representation (Note 1)**

Commissioner of Official Languages

Commissioner of Official Languages

National Round Table on the Environment  
and the Economy

National Round Table on the Environment  
and the Economy

**Public Works and Government  
Services**

Department

Department

**Solicitor General (Public Safety  
and Emergency Preparedness)**

Department

Department  
Office of the Correctional Investigator  
Royal Canadian Mounted Police  
External Review Committee  
Royal Canadian Mounted Police  
Public Complaints Commission

Canada Border Services Agency

Canada Border Services Agency

Canadian Firearms Centre

Canadian Firearms Centre

Canadian Security Intelligence  
Service

Canadian Security Intelligence  
Service

Correctional Service

Correctional Service

National Parole Board

National Parole Board

Office of Indian Residential Schools  
Resolution of Canada

Office of Indian Residential Schools  
Resolution of Canada

Royal Canadian Mounted Police

Royal Canadian Mounted Police

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**Letter of Representation  
expected from the following  
Government Reporting Entities**

**Organizations covered by  
the Letter of Representation (Note 1)**

**Transport**

Department

Department

Canadian Transportation Agency

Canadian Transportation Agency

Transportation Appeal Tribunal of Canada

Transportation Appeal Tribunal of Canada

**Treasury Board**

Secretariat

Secretariat

Canada School of Public Service

Canada School of Public Service

Public Service Human Resources  
Management Agency of Canada

Public Service Human Resources  
Management Agency of Canada

**Veterans Affairs**

Department

Department

**Western Economic Diversification**

Department

Department

**Note**

- (1) Where the organization mentioned is a Crown corporation, the Letter of Representation prepared by the Government Reporting Entity is to cover the program(s) on the Government's books used to fund Crown corporation(s) and representations are strictly from the Government's perspective.

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**Appendix D**  
**Hyperlinks to documents referenced in this Chapter**

- (1) Receiver General Manual (RGM), Chapter 15, “Public Accounts Instructions”.  
<http://publiservice.pwgsc.gc.ca/rg/text/recgen-e.html>
- (2) *The Public Accounts of Canada*.  
<http://publiservice.pwgsc.gc.ca/rg/text/pubacc-e.html>
- (3) *The Financial Administration Act*.  
<http://laws.justice.gc.ca/en/F-11/index.html>
- (4) *The Auditor General Act*.  
<http://laws.justice.gc.ca/en/A-17/index.html>
- (5) The Main Estimates.  
<http://publiservice.tbs-sct.gc.ca/est-pre/estime.asp>
- (6) RGM, Chapter 17, “Instructions to Crown corporations and other government business enterprises for the Letter of Representation to the Auditor General of Canada and the Deputy Receiver General for Canada”.  
<http://publiservice.pwgsc.gc.ca/rg/text/recgen-e.html>
- (7) Treasury Board policies, regulations and Treasury Board Secretariat publications.  
[http://publiservice.tbs-sct.gc.ca/Pubs\\_pol/dcgpubs/TBM\\_142/siglist\\_e.html](http://publiservice.tbs-sct.gc.ca/Pubs_pol/dcgpubs/TBM_142/siglist_e.html)
- (8) Treasury Board Accounting Standards and FIS Accounting Manual.  
[http://publiservice.tbs-sct.gc.ca/Pubs\\_pol/dcgpubs/accstd/siglist\\_e.html](http://publiservice.tbs-sct.gc.ca/Pubs_pol/dcgpubs/accstd/siglist_e.html)
- (9) RGM, Chapter 14, “Year End Timetable and Procedures”.  
<http://publiservice.pwgsc.gc.ca/rg/text/recgen-e.html>
- (10) RGD 1994-3, “Recording of Non-Monetary Transactions in the accounts of Canada”.  
<http://publiservice.pwgsc.gc.ca/rg/text/oldrg-e.html>
- (11) *The Inquiries Act*.  
<http://laws.justice.gc.ca/en/I-11/index.html>
- (12) *The Interpretation Act*.  
<http://laws.justice.gc.ca/en/I-21/index.html>

(13) Criminal Code of Canada.

<http://laws.justice.gc.ca/en/C-46/index.html>

(14) Instructions in the annual Treasury Board Secretariat circular letter, “Allowances for Valuation of Assets and Liabilities for the Fiscal Year Ended March 31, 2005”.

[http://www.tbs-sct.gc.ca/fin/sigs/information\\_bulletins/allowan\\_e.asp](http://www.tbs-sct.gc.ca/fin/sigs/information_bulletins/allowan_e.asp)