



Receiver General Manual

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 for 2004-2005

Last Update: 2005-04-22

Aussi disponible en français

**Receiver General Manual (RGM) - Chapter 17
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.

Chapter Version	Version Date	Summary of Significant Chapter Changes
Revision No. 1	2005-04-22	The chapter has been revised. The Letter of Representation must be dated June 30, 2005 and is due on or before July 8, 2005 .
Chapter 17 (initial)	2004-05-04	Initial version that replaces Receiver General Directive (RGD) 2003-4. Must be read in conjunction with RGD 2003-2, "Instructions for the Reporting of the Results and Financial Position of Crown Corporations and other Government Business Enterprises" and RGD 2001-5, "Public Accounts Instructions concerning the Reporting of Insurance Programs operated by Crown Corporations and other Government Business Enterprises". The date of the representations is July 2, 2004 ; therefore, the Letters of Representation must be dated July 2, 2004 .

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
17.1 Introduction	4
17.1.1 Purpose and scope	5
17.1.2 Authority	5
17.1.3 Application	6
17.1.4 Instruction	6
17.2 Responsibilities	7
17.3 Definitions	7
17.4 Procedures	9
17.4.1 Special reporting criteria	9
17.4.2 Disclosure of exceptions	10
17.4.3 Manuscript preparation	10
17.4.4 Reporting requirements	12
17.4.5 Certification	26
17.4.6 Effective date	26
17.4.7 Submission of Letter of Representation	26
17.5 Inquiries	28
<u>Appendices</u>	
Appendix A – List of Crown corporations and other government business enterprises	28
Appendix B – List of Crown corporations authorized to exercise Section 33 of the FAA	32
Appendix C – Excerpts of Sections 33 and 34 from the FAA	33
Appendix D – Predrafted Letter of Representation for Crown corporations and other government business enterprises	35

17.1 INTRODUCTION

The *Financial Administration Act*, Subsection 64(1), 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 being audited by the Auditor General, are included in the *Public Accounts of Canada* which are then 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, i.e. various Crown corporations and other government business enterprises, which form part of the Government’s accounting entity and 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 audited financial statements of the Government of Canada and 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 obtain supporting representations from Crown corporations and other government business enterprises.

Financial information of Crown corporations and other government business enterprises (see list in Appendix A) is either consolidated with that of the Government or summarized in a note for reporting purposes in the audited financial statements of the Government. Crown corporations and other government business enterprises must submit representations to support the information pertaining to their activities that appear in the *Public Accounts of Canada* as they form part of the Government’s reporting entity.

Several Crown corporations (see list in Appendix B) are also required to use the Consolidated Revenue Fund (CRF) or have been delegated authority to do so under Section 33 of the FAA (see Appendix C). Accordingly, some or all of their financial transactions are recorded in the accounts of Canada, and their financial information is disclosed in the *Public Accounts of Canada*. It must be stressed that those Crown corporations listed in Appendix B, which are required to use the CRF or which have been delegated authority under Section 33 of the FAA must, whenever appropriate, make representations for those transactions recorded in the accounts of Canada and for those transactions that should have been recorded in the accounts of Canada.

Information regarding insurance programs administered by agent Crown corporations also appears as a note in the audited financial statements of the Government of Canada. The Canada Deposit Insurance Corporation, the Canada Mortgage and Housing Corporation and the Export Development Canada are to address the representation concerning insurance programs shown in subsection 17.4.4.

17.1.1 Purpose and Scope

The purpose of this chapter is to advise Crown corporations and other government business enterprises of the reporting requirements for the Letter of Representation, which must be submitted to the Auditor General of Canada and to the Deputy Receiver General for Canada. The Letter of Representation confirms the reporting of financial transactions to be recorded in the accounts of Canada, to be included in the *Public Accounts of Canada* as well as other financial information that may or may not be included in the *Public Accounts of Canada*. It 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 and relevant information has been disclosed to the external auditor.

The representations presented herein reflect the current status of the Government audit environment. Minor wording changes may be required to make a representation applicable to a particular Crown corporation or other government business enterprise. Any changes to the wording of the predrafted Letter of Representation appearing in Appendix D, must be agreed to beforehand with the responsible officers from Public Works and Government Services Canada (for the Deputy Receiver General) and the Office of the Auditor General of Canada as described in section 17.5 or, where other external auditors have been appointed by a reporting organization, with these external auditors as well. 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 each Crown corporation and other government business enterprise 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*.

17.1.2 Authority

The authorities for this chapter are Sections 63 and 64 of the *Financial Administration Act* (FAA) (R.S., c. F-11; 1985), 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 appropriate information, and Section 13 of the *Auditor General Act*, which entitles the Auditor General to require and receive appropriate information, the Receiver General and the Auditor General require Letters of Representation on an annual basis.

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

The Internet address for the Act is: <http://laws.justice.gc.ca/en/F-11/index.html>.

17.1.3 Application

This chapter applies to those Crown corporations and other government business enterprises:

- that provide information that is accounted for by consolidation or disclosed in a note to the audited financial statements of the Government of Canada, including, but not restricted to Crown corporations listed in Schedule III, Parts I and II of the FAA as well as a number of those not listed in the schedules of the FAA as they are exempt from the application of Divisions I to IV of Part X of the FAA and other government business enterprises. (A list of Crown corporations and other government business enterprises is presented in Appendix A);
- which have been delegated authority under Section 33 of the FAA. See Appendix B for a list of these Crown corporations with authority for a portion of their business. Crown corporations 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 Chapter 16, “Instructions to Departments for the Letter of Representation to the Auditor General of Canada and the Deputy Receiver General for Canada”, subsection 16.2.2 of this manual;
- that administer insurance programs as agents of the Crown and provide data or information to compile the portion of the contingent liabilities note related to Insurance Programs that is contained in the Notes to the Financial Statements of the Government of Canada; and,
- that, for whatever reason, are requested to provide a Letter of Representation by the Auditor General or Receiver General for Canada.

17.1.4 Instruction

All Crown corporations and other government business enterprises, which meet the criteria described in section 17.1 and subsections 17.1.3 and 17.4.1, are required to submit a Letter of Representation, in accordance with the procedures contained in subsections 17.4.2 and 17.4.3.

17.2 RESPONSIBILITIES

Crown corporations and other government business enterprises within the Government's reporting entity are required to submit a Letter of Representation to support CC forms submitted under Receiver General Directives (RGD) 2003-2 and 2001-5.

- (a) The Chief Executive Officer of the reporting organization must:
- ensure that management's responsibility for the proper recording of financial transactions in the accounts of Canada and the proper reporting of financial transactions to be included in the *Public Accounts of Canada*, is fully disclosed in the Letter of Representation.
- (b) The Chief Financial Officer of the reporting organization must:
- report all information required to the Deputy Receiver General;
 - disclose information pertaining to non-compliance with any representation described in subsection 17.4.4;
 - inform and obtain approval of any proposed wording changes to the predrafted Letter of Representation with the responsible officers at Public Works and Government Services Canada (for the Deputy Receiver General) and the Office of the Auditor General of Canada as described in section 17.5 or, where other external auditors have been appointed by a reporting organization, with these external auditors as well; and,
 - prepare the Letter of Representation and ensure that it is dispatched by courier in a timely manner to the Auditor General with a **signed duplicate** to the Deputy Receiver General.

17.3 DEFINITIONS

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

Audited financial statements – for purposes of this chapter the audited 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. These statements appear in Section 2 of Volume 1 of the *Public Accounts of Canada*.

Chief Executive Officer – the senior executive officer responsible for the management of a Crown corporation or other government business enterprise.

Chief Financial Officer – the senior officer responsible for the financial affairs of a Crown corporation or other government business enterprise.

Consolidated Crown corporations – comprise those Crown corporations that rely on Government funding as their principal source of revenue.

Crown corporation – a corporation which at March 31, falls within the definition of Section 83 or Section 85 of the *Financial Administration Act* (FAA). This includes the corporations listed in Parts I and II of Schedule III of the FAA and, in addition, the Bank of Canada, the Canada Council for the Arts, the Canadian Broadcasting Corporation, Telefilm Canada, the International Development Research Centre and the National Arts Centre Corporation, which are exempt from Division I to IV of Part X of the FAA. It also includes any unconsolidated wholly-owned subsidiaries.

External auditor – the Auditor General of Canada and any other independent professional accountant engaged by the Government, a Crown corporation or another government business enterprise to examine and report on financial data, records, accounts, systems or statements.

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.

Letter of Representation – a certificate which contains representations made by the Chief Executive Officer of a Crown corporation or other government business enterprise 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 proper reporting of financial information to be included in the *Public Accounts of Canada* (see Appendix D - Predrafted Letter of Representation).

Other government business enterprise – an organization that is not a Crown corporation, within the meaning of the FAA, but which is owned or controlled by the Government and accountable to either Parliament or to a Minister. It is however, not dependent on parliamentary appropriations and its principal activity is the sale of goods and services to individuals and organizations outside of the government reporting entity.

17.4 PROCEDURES

Each Crown corporation or other government business enterprise, within the Government's reporting entity, must prepare on its own letterhead written representations based on the predrafted Letter of Representation in Appendix D and submit to the Auditor General with a **signed duplicate** (not a photocopy) to the Deputy Receiver General.

The predrafted Letter of Representation reflects the current status of the Government audit environment. Minor wording changes may be required to make a representation applicable to a particular Crown corporation or other government business enterprise. Any proposed changes to the wording, must be agreed to beforehand with the responsible officers from Public Works and Government Services Canada (for the Deputy Receiver General) and the Office of the Auditor General of Canada as described in section 17.5 or, where other external auditors have been appointed by a reporting organization, with these external auditors as well. 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 of Representation is required. The details to be disclosed in the case of exceptions are given in subsection 17.4.2.

It is possible that audit staff of the external auditor may not visit or request financial records from a particular Crown corporation or other government business enterprise during a fiscal year for the purpose of the *Public Accounts of Canada*. Consequently, when the external auditor does not visit or request financial records some representations may not be entirely appropriate. Such representations must be indicated in an appropriate manner. Nonetheless, a Letter of Representation is required of all Crown corporations and other government business enterprises within the Government's reporting entity whether or not they have been visited by the audit staff of the external auditor.

17.4.1 Special reporting criteria

Crown corporations with Section 33 FAA signing authority

Several Crown corporations, including the Canadian Dairy Commission, the Canadian Commercial Corporation, Telefilm Canada, the Export Development Canada and the International Development Research Centre have been delegated signing authority under Section 33 of the FAA (see Appendix C). In addition, the Canada Mortgage and Housing Corporation administers certain programs for the Government. Some activities of these programs are recorded in the CRF. These corporations must make representations, which are specifically mentioned in the predrafted Letter of Representation in Appendix D, for those activities that are recorded in the CRF.

17.4.2 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:

- (a) identification of the account, program and/or vote affected;
- (b) authorities not adhered to (legislation, directives, circulars, regulations, etc.);
- (c) impact of the exceptions on the CC forms 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,
- (d) additional information to further explain the exception.

For exceptions pertaining to contingent liabilities, the required information is described in RGD 2003-2, "Instructions for the Reporting of the Results and Financial Position of Crown Corporations and Other Government Business Enterprises".

17.4.3 Manuscript preparation

Letters of Representation are not published in the *Public Accounts of Canada*, nor are they part of any published report. They are used to support representations made to the Auditor General of Canada by Crown corporations and other government business enterprises. They are also used by the Government to support representations by Crown corporations and other government business enterprises regarding proper recording and reporting of financial transactions and information in the *Public Accounts of Canada*.

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. The addresses are given in subsection 17.4.7.

All amounts must be rounded to the nearest dollar.

All representations must agree with CC forms, plates and manuscripts containing financial information, on the basis of the Government's year end, to be included in the *Public Accounts of Canada*, as submitted to the Receiver General for Canada. If corrections are necessary to CC forms, plates or manuscripts previously submitted which affect 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. A brief letter of explanation should be included.

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 D), 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.

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

Mandatory representations, which apply to all Crown corporations and other government business enterprises are specified below. Representation number 8 applies only to agent Crown corporations operating Insurance Programs. Crown corporations administering insurance programs must make representations for information submitted on form CC-10 for fiscal year ending March 31, 2005.

Any proposed changes to the wording of the representations in the predrafted Letter of Representation in Appendix D **must be** agreed to beforehand with the responsible officers from Public Works and Government Services Canada (for the Deputy Receiver General) and the Office of the Auditor General as described in section 17.5 or, where other external auditors have been appointed by a reporting organization, with these external auditors as well.

If a representation that is applicable to a reporting organization has a zero dollar closing balance to report, indicate "NIL" against the representation. Do not use "Not Applicable" or "N/A" and please **do not** delete the representation.

If a particular representation does not apply to a reporting organization, indicate "Not Applicable" or "N/A" against the representation.

The following representations of the predrafted Letter of Representation in Appendix D are mandatory to reporting organizations as specified below and, therefore, must not be answered "Not Applicable" or "N/A":

Representations numbered 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14 and 15 apply to **all** reporting organizations.

Representations 16, 17, and 18 apply only to those Crown corporations with authority under Section 33 of the FAA.

Representation number 19 applies only to **Export Development Canada**.

Important: Each representation must maintain the corresponding representation number assigned to it in the predrafted Letter of Representation in Appendix D.

17.4.4 Reporting requirements

Each representation must be considered by every reporting Crown corporation and other government business enterprise, and all exceptions must be reported, as required in subsection 17.4.2. An example of exceptions for most representations is provided in this section. Note that the examples provided do not form a set of examples based on rational circumstances of a particular reporting organization, but are intended as “stand alone” illustrations of exceptions reported in respect of individual representations.

Crown corporations and other government business enterprises that are required to submit a Letter of Representation must be identified by their complete legal name. Space is provided in the introductory page (Page 1) of the predrafted Letter of Representation in Appendix D.

Representations must be on the basis of the Government’s fiscal year ending March 31, i.e. April 1 to March 31, which is the basis of the information required by the CC forms.

In the examples that follow, the term “reporting organizations” is used to represent both Crown corporations and other government business enterprises.

The representations cover the following subjects:

Representation Number 1 (Reported Transactions)

- All financial transactions of the reporting organizations must have been accurately reported to the Deputy Receiver General for recording in the accounts of Canada through forms CC-1 through 6b and CC-10 (and other plates in accordance with Chapter 15, “Public Accounts Instructions” of this manual, if appropriate) as stated in RGD 2003-2, “Instructions for the Reporting of the Results and Financial Position of Crown Corporations and Other Government Business Enterprises”, and, if applicable, RGD 2001-5, “Public Accounts Instructions concerning the Reporting of Insurance Programs operated by Crown Corporations and other Government Business Enterprises”.

It is the responsibility of Crown corporations and other government business enterprises to report details of transactions on CC forms (and other plates if applicable), in a timely and accurate manner for reporting in the *Public Accounts of Canada*. This includes the assets, liabilities, revenues and expenses of the reporting organizations as well as supplementary schedules or notes which are combined with the Government’s balances (or supplementary information) in the accounts of Canada and the *Public Accounts of Canada*.

Ex. All financial transactions of the reporting organization have been accurately reported to the Deputy Receiver General for recording in the accounts of Canada on forms CC-1 through 6b and CC-10 as per RGD 2003-2, "Instructions for the Reporting of the Results and Financial Position of Crown Corporations and Other Government Business Enterprises", and RGD 2001-5, "Public Accounts Instructions concerning the reporting of Insurance Programs operated by Crown Corporations and other Government Business Enterprises", except as follows:

Revenues for the year of \$64,900,000 could not be accurately split between transactions with the Government and outside sources. It is believed that most of this revenue is generated from the marketplace, however, some Federal department transactions have occurred, and are not identifiable or estimable due to the corporation's accounting system.

Representation Number 2 (Books of Accounts and Records)

- The reporting organizations must have maintained complete, proper, and accurate books of accounts and records, from which complete and accurate financial statements and supplementary reports, and CC forms (or other plates if applicable) 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 the case of Crown corporations with Section 33 authority under the FAA, all amounts recorded in the accounts of Canada are reflected correctly and reconciled to the accounts of the corporation.

Section 131 of the FAA requires Crown corporations to keep books, records and management control systems to enable the preparation of accurate financial statements. Any exceptions must be disclosed and detailed including amounts, in this paragraph:

Ex. The Crown corporation has maintained complete, proper, and accurate books of accounts and records, from which complete and accurate financial statements and supplementary reports and CC forms, 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. All amounts recorded in subsidiary accounts in the Crown corporation's accounting system have been reconciled to the corporate General Ledger except as follows:

The accounts receivable sub ledger does not reconcile with the General Ledger accounts receivable of the corporation by \$45,000. The difference is being investigated by officers of the corporation.

Representation Number 3 (Recording and Reporting of Financial Information)

- The reporting organizations must have complied with all relevant Receiver General and Treasury Board requirements, the *Financial Administration Act* (if applicable), and 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* or other interim Government financial reports.

All Crown corporations must comply with any and all requirements of the Receiver General, the Treasury Board and any relevant legislation, regarding the recording and reporting of their financial transactions. Subsection 131(4) of the FAA explains how Treasury Board regulations may be developed to augment the corporation's use of generally accepted accounting principles. Subsection 89(1) of the FAA requires the Crown corporation to implement any and all directives from Order in Council.

- The reporting organizations must have complied with generally accepted accounting principles in the preparation of their financial statements **except for** accounts maintained in the CRF for which all relevant significant accounting policies of the Government of Canada have been applied.

The reporting organizations must comply with generally accepted accounting principles (GAAP) as detailed in the Handbook of the Canadian Institute of Chartered Accountants (except for those accounts maintained in the CRF for which Government significant accounting policies must apply). Details of non compliance with GAAP must be disclosed and detailed in this paragraph. An example of such an exception might be the write-off of major capital assets to expense at the time of purchase.

Crown corporations exercising authority under Section 33 of the FAA 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 including those described in RGD 1994-3, "Recording of Non-Monetary Transactions in the accounts of Canada". Exceptions must be disclosed and detailed in this paragraph. Examples of such exceptions might be: unrecorded payables at year end, reporting of accrued liabilities as contingent liabilities, recording of contingent liabilities as payables, foreign currency transactions recorded at the time of payment in foreign currency and translated only at year end.

- These accounting principles must have been applied, on a basis consistent with that of the preceding year.

As stated in the preceding paragraph, reporting organizations must comply with generally accepted accounting principles **except for** those Crown corporations whose accounts are maintained in the CRF. Unless required by significant Government accounting policies, legislation, changes to corporate by-laws or a change in the nature of the business etc., the accounting principles must be applied on a consistent basis. Exceptions must be disclosed and detailed in this paragraph.

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) RGDs 2003-2 and 2001-5, significant accounting policies of the Government of Canada, if appropriate, as well as any other Treasury Board requirements (i.e. directives, circulars and regulations);*
- (b) the Financial Administration Act; and,*
- (c) all other legislation affecting the reporting organization.*

and,

- (a) the reporting organization's financial statements have been prepared in accordance with generally accepted accounting principles (except for those accounts maintained in the CRF); and,*
- (b) the reporting organization has applied these accounting principles on a basis consistent with that of the preceding year;*

except as follows:

The Financial Administration Act does not apply to the reporting organization.

For 2004-2005, the reporting organization did not capitalize a new building. Had this building been capitalized, the fixed assets on the Balance Sheet would have been increased by \$425,643 (net of depreciation of \$40,582), to total \$1,072,934. The Statement of Operations and Accumulated Deficit and the Statement of Cash Flow would have been adjusted accordingly.

Representation Number 4 (Contaminated Sites)

- All liabilities and contingent liabilities related to contaminated sites have been measured and reported to the Deputy Receiver General.

All Crown corporations and other government business enterprises are required to report on contaminated sites in accordance with RGD 2003-2, “Instructions for the Reporting of the Results and Financial Position of Crown Corporations and Other Government Business Enterprises”. Environmental liabilities should be reported on form CC-2, while contingent liabilities related to contaminated sites should be reported on form CC-6.

Ex. All liabilities and contingent liabilities related to contaminated sites have been reported to the Deputy Receiver General on the appropriate CC forms.

Representation Number 5 (Contingent Liabilities)

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

Crown corporations and other government business enterprises are required to report particulars of contingent liabilities in accordance with RGD 2003-2, “Instructions for the Reporting of the Results and Financial Position of Crown Corporations and Other Government Business Enterprises”. Crown corporations administering accounts for the Government should use Plates I-11 and I-12 and consult subsection 15.3.5 of Chapter 15, “Public Accounts Instructions” of this manual, for instructions on how to report contingencies for administered accounts. Contingent liabilities can include guarantees, lawsuits, tax claims, contaminated sites (see Representation Number 4 above) and pending and threatened litigation.

Ex. All contingent liabilities have been reported to the Deputy Receiver General on the appropriate CC forms (and plates I-11 and I-12, where appropriate) for disclosure in the Public Accounts of Canada. We have no knowledge of any other lawsuits, tax claims or pending litigation, including possible claims, of any consequence or of any other contingent liabilities of whatever nature, except as follows:

- (i) *The reporting organization has guaranteed loans totaling \$9 million. It did not include this amount on its CC forms as the loan was jointly guaranteed by another corporation. Had this amount been included, our contingent liabilities would have increased accordingly.*

Representation Number 6 (Letters of Comfort)

- Letters of Comfort must not have been issued nor been in force at any time during the year or subsequent to the period up to June 30, 2005.

A Letter of Comfort is a guarantee by a Crown corporation or other government business enterprise to a financial institution on behalf of another corporation, enterprise, person, association or other entity for a loan that may be issued in the future. The appropriate Government minister may issue a similar letter on behalf of a Crown corporation or other government business enterprise.

Ex. Letters of Comfort to financial institutions from the reporting organization have not been issued nor, to the best of our knowledge and belief, have such letters been issued by the Minister for the reporting organization with the exception of a \$200,000 Letter of Comfort issued on behalf of the Provincial Fishermen's Association to XY Bank on April 14, 2005.

Representation Number 7 (Capital Lease Obligations, Contractual Obligations and Details of Borrowing Transactions)

- All capital lease obligations and contractual obligations must have been reported to the Deputy Receiver General for disclosure in the *Public Accounts of Canada* in accordance with RGD 2003-2, "Instructions for the Reporting of the Results and Financial Position of Crown Corporations and Other Government Business Enterprises".

Information regarding capital lease obligations and contractual obligations is required for disclosure in the *Public Accounts of Canada*. All Crown corporations and other government business enterprises must comply with the requirements of RGD 2003-2 and report such amounts for disclosure in various notes to the audited financial statements of the Government. Cases of non-compliance must be reported and detailed.

All Crown corporations and other government business enterprises are also required to submit details of borrowing transactions on forms CC-6 and CC-6a during the year. Cases of non-compliance must be reported and detailed below.

Ex. All capital lease obligations and contractual obligations as well as details of borrowing transactions have been reported to the Deputy Receiver General on appropriate CC forms for disclosure in the Public Accounts of Canada in accordance with RGD 2003-2 except as follows:

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

Representation Number 8 (Insurance Programs administered by agent Crown corporations)

- All financial transactions pertaining to insurance funds/provisions administered by agent Crown corporations in accordance with RGD 2001-5, “Public Accounts Instructions concerning the reporting of Insurance Programs operated by Crown corporations and other government business enterprises” must have been reported on forms CC-10 to the Deputy Receiver General.

Agent Crown corporations operating insurance programs are required to report, on form CC-10, to the Deputy Receiver General, underwriting statistics (i.e., the amount of insurance in force, the amount of net claims paid in the year, average net claims for the past 60 months and the revenues, expenses and net income or loss for the fund/provision). In addition, all facts that provide an assessment of the accuracy of the fund/provision, plus other factors that have a material effect on the fund/provision should be described in notes to the above data.

Ex. We have submitted to the Deputy Receiver General details of the insurance funds/provisions, including all underwriting statistics, results of operations, and supplementary information as required, on form CC-10. All information is complete except as follows:

The bankruptcy of ABC Trustco could result in claims of up to \$125.5 million. At March 31, 2005, an amount of \$100 million had been provided for. The balance has not been reflected on the CC forms.

Representation Number 9 (Financial Records/Minute Books)

- Crown corporations and other government business enterprises must have made all financial records and data and minute books available to the organization’s external auditor.

A generally accepted auditing principle includes the practice of reviewing the formal minutes or informal notes or summaries of the meetings of management level committees. The requirement to produce minutes of the management-type committee meetings could provide the corporation’s auditor with information that could have an effect on her opinion regarding the financial statements. In terms of Crown corporations, Subsection 144(1) of the FAA details the access to corporation records by the external auditor.

Ex. We have made available to the corporation’s external auditor:

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 (or date of Separate Opinion Audit Report if no audit work was performed by the external Auditor on the CC forms). The most recent meetings of these two committees were held on June 15, 2005 and June 29, 2005 respectively.

Representation Number 10 (Accounts Receivable)

- Crown corporations and other government business enterprises must maintain accounts receivable records and establish rules and procedures to record an appropriate allowance to reflect amounts where collection is in doubt.

Accounts receivable represent valid claims against debtors and exceptions must be disclosed and detailed in this paragraph. In addition an appropriate allowance is recorded to reflect amounts where collection is in doubt and deletions of accounts receivable have been properly authorized.

Ex. Accounts receivable represent valid claims against debtors for transactions arising on or before March 31, 2005 and all uncollectible accounts have been properly disclosed and deletions properly authorized with the exception of deletion of \$23,432 which was not authorized by a responsible officer. The reporting organization has taken appropriate action to collect all monies owing the organization (and Her Majesty in Right of Canada in which latter case, monies collected have been promptly deposited to the credit of the Receiver General for Canada).

Representation Number 11 (Inventories, Tangible Capital Assets and Prepayments)

- Crown corporations and other government business enterprises must have legal title to these assets, maintain essential records and establish rules and procedures to safeguard and control these assets.

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

- (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 at original cost based on available information;*
- (b) records respecting tangible capital assets for which the reporting organization 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 12 (Subsequent Events)

- Events, new or amended legislation, regulations or directives have not 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.

Crown corporations and other government business enterprises must disclose known 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.

Ex. Since March 31, 2005 to the date of this letter, there have not been any events, new or amended legislation, regulations or directives which could effect the audited financial statements of the Government of Canada or supplementary information of the Government of Canada, except as follows:

On June 14, 2005, legislation was introduced in the House of Commons to sell off a portion of the corporation's operations. Bill C-XX details the intentions of the Government on this matter.

Representation Number 13 (Financial Statements of the Government of Canada)

- All known information that could have an affect 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 a Crown corporation or other government business enterprise 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 or items; 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 that was not disclosed to the external auditor and to the Deputy Receiver General which could affect the financial statements of the Government of Canada.

Representation Number 14 (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.

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 controls 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.)

Representation Number 15 (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 organization) 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) *bribes, or improper benefits rendered or accepted, and/or*
- (f) *influences applied improperly, and/or*
- (g) *business inconsistent with the Corporation's charter, and/or*
- (h) *loss of money or property as a result of defalcation, fraudulent acts or omission of corporate officer.*

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).

The following representations, numbered 16, 17 and 18, apply only to those Crown corporations exercising authority under Section 33 of the FAA (See Appendix B). Representation Number 19 is applicable only to EXPORT DEVELOPMENT CANADA. Other Crown corporations and all other government business enterprises need NOT respond.

Representation Number 16 (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 as appropriate, within the authorized limits of Appropriation Acts and other governing statutes.

Reporting Crown corporations exercising Section 33 authority under the FAA must comply with the FAA, the *Interpretation Act* and the Criminal Code of Canada. They must also comply with the Treasury Board policies, Treasury Board Secretariat publications and the Receiver General Manual and directives. Reporting organizations must also comply with Chapter 15 (subsection 15.4.2) of this manual, whichever is applicable, in order to disclose overexpended amounts in the manuscript “Summary of Source and Disposition of Authorities”. Overexpended 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, in an account maintained in the CRF by the reporting Crown corporation amounting to \$5,000,000.

Representation Number 17 (Specified Purpose Accounts, Other Liabilities and Unmatured Debts)

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

Those Crown corporations exercising authority under Section 33 of the FAA must make representations for the transactions which are recorded as the Government's liabilities in the accounts of Canada. They must also make representations for the financial information submitted to the Deputy Receiver General, not just for the amounts disclosed in their respective financial statements or records. Exceptions must be disclosed and detailed in this paragraph. An exception would be the reporting as payables, of explicit guarantees which are contingent liabilities.

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

Government reporting entities 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.

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

- (a) originated under the authority of appropriate legislation; and,*
- (b) represent financial obligations to organizations and individuals outside the Government of Canada as an accounting entity;*

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 18 (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.

Crown corporations exercising authority under Section 33 of the FAA must disclose payables as required by Subsection 37.1(1) of the FAA and by “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 Chapter 14, Appendix 1 (Old Year DFMS Accrual Entries, Adjusting Entries and Closing of Old Year Accounts) of this manual entitled, “Year End Timetable and Procedures”, and the disclosure instructions of Chapter 15 (subsection 15.4.2) of this manual.

Furthermore, the Canada Mortgage and Housing Corporation administers programs for the Government, which, at least in part, allow use of the CRF. Therefore, it is required to record its liabilities at year end in accordance with the criteria established above. 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, Vote18, 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 those of the Treasury Board policy on “Payables at Year-End (PAYE)”, nor with those of Chapter 14, Appendix 1 (Old Year DFMS Accrual Entries, Adjusting Entries and Closing of Old Year Accounts) 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 19 (Determination of Allowance(s) for Expected Losses under Loan Guarantee Programs)

To be completed by Export Development Canada only

- Determine and report 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.

Ex. Provisions have been determined 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 corporation 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.

17.4.5 Certification

The Letter of Representation must be signed by both appropriate officials of the Crown corporation or other government business enterprise:

the Chief Executive Officer, and

the Chief Financial Officer.

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

17.4.6 Effective date

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

17.4.7 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 organization appearing in Appendix A.

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 A/Chief
Public Accounts Section
Central and Public Accounts Reporting Directorate
Finance, Accounting, Banking and Compensation
Public Works and Government Services Canada
11 Laurier Street
Place du Portage
Phase III, Core 13A2
Gatineau, Quebec
K1A 0S5

17.5 INQUIRIES

Contacts within the Office of the Auditor General should be with the Principal in charge of the audit of the reporting organization.

Contacts within Public Works and Government Services Canada:

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

or

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

Appendix A
List of Crown corporations and other government business enterprises
for Fiscal Year 2004-2005

List of Consolidated Crown corporations

- Atomic Energy of Canada Limited
 - Canada Council for the Arts
 - * Canada Mortgage and Housing Corporation,
Minister's Account only
 - Canadian Air Transport Security Authority
 - Canadian Broadcasting Corporation
 - * Canadian Dairy Commission,
Dairy Support Operation Financed by the Government of Canada only
 - Canadian Museum of Civilization
 - Canadian Museum of Nature
 - Canadian Race Relations Foundation
 - Canadian Tourism Commission
 - Cape Breton Growth Fund Corporation
 - Defence Construction (1951) Limited
 - Enterprise Cape Breton Corporation
 - ** Federal Bridge Corporation Ltd, The
 - International Development Research Centre
 - Marine Atlantic Inc.
 - National Arts Centre Corporation
 - National Capital Commission
 - National Gallery of Canada
 - National Museum of Science and Technology
 - Old Port of Montreal Corporation Inc
 - Queen's Quay West Land Corporation
 - Standards Council of Canada
 - Telefilm Canada
 - VIA Rail Canada Inc
- * These corporations comprise both "consolidated" and "enterprise" components in their operations. Please ensure both parts are covered in the introduction of the Letter of Representation on page 1.
- ** Includes the wholly-owned subsidiaries: The Jacques Cartier and Champlain Bridges Incorporated and The Seaway International Bridge Corporation Limited.

**List of Enterprise Crown corporations
and other government business enterprises**

Enterprise Crown corporations

- Atlantic Pilotage Authority
- Bank of Canada
- Blue Water Bridge Authority
- Business Development Bank of Canada
- Canada Deposit Insurance Corporation
- Canada Development Investment Corporation
 - Canada Hibernia Holding Corporation
- Canada Lands Company Limited
- * Canada Mortgage and Housing Corporation
 - Insurance Programs
 - Mortgage Backed Securities Guarantee Fund
- Canada Post Corporation
- Canadian Commercial Corporation
- * Canadian Dairy Commission
 - Marketing operations
- Cape Breton Development Corporation
- Export Development Canada
- Farm Credit Canada
- Freshwater Fish Marketing Corporation
- Great Lakes Pilotage Authority
- Laurentian Pilotage Authority
- Pacific Pilotage Authority
- Parc Downsview Park Inc
- Ridley Terminals Inc.
- Royal Canadian Mint

- * These corporations comprise both “consolidated” and “enterprise” components in their operations. Please ensure both parts are covered in the introduction of the Letter of Representation on page 1.

Other government business enterprises

Belledune Port Authority
Canadian Wheat Board
Fraser River Port Authority
Halifax Port Authority
Hamilton Port Authority
Montreal Port Authority
Nanaimo Port Authority
North Fraser Port Authority
Port Alberni Port Authority
Prince Rupert Port Authority
Quebec Port Authority
Saguenay Port Authority
Saint John Port Authority
St. John's Port Authority
Sept-Iles Port Authority
Thunder Bay Port Authority
Toronto Port Authority
Trois-Rivieres Port Authority
Vancouver Port Authority
Windsor Port Authority

Appendix B
List of Crown corporations
authorized to exercise Section 33 of the
Financial Administration Act (FAA)

Canada Mortgage and Housing Corporation
Canadian Commercial Corporation
Canadian Dairy Commission
Export Development Canada
International Development Research Centre
Telefilm Canada

For those accounts that are administered on behalf of the Government, and the activities of which are at least in part, recorded in the Consolidated Revenue Fund.

Appendix C
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

- (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).

Appendix D
Predrafted Letter of Representation

To be typed on Corporate 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 A/Chief
Public Accounts Section
Central and Public Accounts Reporting Directorate
Finance, Accounting, Banking and Compensation
Public Works and Government Services Canada
11 Laurier Street
Place du Portage,
Phase III, Core 13A2
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 inclusion in the *Public Accounts of Canada* and in the audited financial statements of the Government of Canada included therein, for the year ended March 31, 2005. To the best of our knowledge and belief, in respect to:

“ENTER THE COMPLETE LEGAL NAME OF YOUR ORGANIZATION IN THIS SPACE”, hereinafter referred to as the reporting organization, we make the following representations:

1. All financial transactions of the reporting organization have been accurately reported to the Deputy Receiver General for recording in the accounts of Canada on forms CC-1 through CC-6b and CC-10 * [and other plates in accordance with Chapter 15, “Public Accounts Instructions” of this manual, if appropriate **] as per RGD 2003-2, “Instructions for the Reporting of the Results and Financial Position of Crown Corporations and Other Government Business Enterprises”, and RGD 2001-5, “Public

Accounts Instructions concerning the Reporting of Insurance Programs operated by Crown Corporations and other Government Business Enterprises”*.

2. The reporting organization has maintained complete, proper, and accurate books of accounts and records, from which complete and accurate financial statements and CC forms (and other plates), 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. All amounts recorded in subsidiary accounts in the reporting organization’s accounting system have been reconciled to the corporate general ledger. ** (We are a corporation with Section 33 authority under the FAA, and further declare that all accounts representing transactions recorded in the CRF are reflected correctly and have been reconciled to those of the corporation.)

3. In the recording and reporting of financial information to be included in the accounts of Canada, the *Public Accounts of Canada* and other quarterly financial statements, the reporting organization has complied with:
 - (a) RGD 2003-2, RGD 2001-5 *, and RGD 1994-3, “Recording of Non-monetary transactions in the accounts of Canada” as well as all relevant Treasury Board and other Receiver General requirements (i.e. directives, circulars and regulations);
 - (b) the *Financial Administration Act*;
 - (c) all other legislation affecting the reporting organization (and accounts in the CRF **);
 - (d) the corporation’s financial statements have been prepared in accordance with generally accepted accounting principles; and, (except for accounts maintained in the CRF, for which all relevant accounting policies of the government of Canada have been applied **); and,
 - (e) the reporting organization has applied their accounting principles, on a basis consistent with that of the previous year.

* Applicable only to Crown corporations and other government business enterprises operating insurance programs.

** Applicable only to those Crown corporations exercising Section 33 authority under the FAA.

Note: Representations Number 1, 2 and 3 are mandatory for all reporting organizations (see subsections 17.4.3 and 17.4.4).

4. All liabilities and contingent liabilities related to contaminated sites have been reported to the Deputy Receiver General on the appropriate CC forms.

5. All contingent liabilities have been reported to the Deputy Receiver General on the appropriate CC forms (and Plates I-11 and I-12, if applicable **) for disclosure in the *Public Accounts of Canada*. We have no knowledge of any other lawsuits, tax claims or pending litigation, including possible claims, of any consequence or any other contingent liabilities of whatever nature.

6. Letters of comfort to financial institutions from the reporting organization have not been issued nor, to the best of our knowledge and belief, have such letters been issued by the Minister for the reporting organization. Nor have any such letters been in force at any time during the year or during the period to June 30, 2005.

7. All capital lease obligations, contractual obligations and details of borrowing transactions have been reported to the Deputy Receiver General on appropriate CC forms for disclosure in the *Public Accounts of Canada* in accordance with RGD 2003-2.

8. We have submitted to the Deputy Receiver General details of the insurance funds/provisions, including all underwriting statistics, results of operations, and supplementary information as required, on form CC-10 *.

* Applicable only to Crown corporations and other government business enterprises operating insurance programs.

** Applicable only to those Crown corporations exercising Section 33 authority under the FAA.

Note: Representations Number 4, 5, 6 and 7 are mandatory for all reporting organizations (see subsections 17.4.3 and 17.4.4).

9. We have made available to the external auditor:

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 (or date of Separate Opinion Audit report if no audit work was performed by the external auditor on the CC forms). The most recent meeting(s) of this(these) committee(s) for the said period was(were) held on _____ (and) _____ respectively.

10. Accounts receivable represent valid claims against debtors for transactions arising on or before March 31, 2005 and all uncollectible accounts have been properly disclosed and deletions properly authorized. The reporting organization has taken appropriate action to collect all monies owing the organization (and Her Majesty in Right of Canada in which latter case, monies collected have been promptly deposited to the credit of the Receiver General for Canada**).

** Applicable only to those Crown corporations exercising Section 33 authority under the FAA.

Note: Representations Number 9 and 10 are mandatory for all reporting organizations (see subsections 17.4.3 and 17.4.4).

11. The reporting organization (and Her Majesty in Right of Canada **) has satisfactory title to all recorded assets and essential records have been maintained and the rules and procedures applied are sufficient to safeguard and control property. In particular, the subsidiary records for:
 - (a) inventories are recorded 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 at original cost based on available information;
 - (b) records respecting tangible capital assets for which the corporation 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.

12. Since March 31, 2005 (or date of last audit) to the date of this letter, 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.

13. We are not aware of any information that was not disclosed to the external auditor and to the Deputy Receiver General which could affect the financial statements of the Government of Canada or the Auditor General's opinion of them.

** Applicable only to those Crown corporations exercising Section 33 authority under the FAA.

Note: Representations Number 11, 12 and 13 are mandatory for all reporting organizations (see subsections 17.4.3 and 17.4.4).

14. 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 ***.
15. 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) bribes, or improper benefits rendered or accepted, and/or
 - (f) influences applied improperly, and/or
 - (g) business inconsistent with the Corporation's charter, and/or
 - (h) loss of money or property as a result of defalcation, fraudulent acts or omission of corporate officer.

*** Or insert alternative wording such as “is not aware of any significant facts relating to any frauds or suspected frauds known to management that may have affected the entity or the Auditor General’s opinion on the financial statements of the Government of Canada”.

Note: Representations Number 14 and 15 are mandatory for all reporting organizations (see subsections 17.4.3 and 17.4.4).

NOTE - Representations Number 16, 17, and 18 apply ONLY to those Crown corporations exercising authority under Section 33 of the FAA. See Appendix B. Representation Number 19 is applicable only to EXPORT DEVELOPMENT CANADA. Other Crown corporations and all other government business enterprises need not respond to these representations.

16. 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 as appropriate, within the authorized limits of, Appropriation Acts and other governing statutes.

17. All specified purpose accounts, other liabilities and unmatured debts:

- (a) originated under the authority of appropriate legislation; and,
- (b) represent financial obligations to organizations and individuals outside the Government of Canada as an accounting entity.

18. All unpaid accounts relating to annual lapsing and non-lapsing budgetary appropriations and annual lapsing non-budgetary appropriations have been recorded as payables.

19. To be completed by **Export Development Canada** only

Provisions have been determined for all loan guarantee programs administered on behalf of the Government 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 of this manual. Particulars have been forwarded to the Deputy Receiver General for disclosure in the *Public Accounts of Canada*.

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

Chief Financial Officer

Chief Executive Officer

Note: The responsibility for signing the Letter of Representation cannot be delegated for administrative convenience by either of the appropriate officials. If due to illness or some other unavoidable reason, an appropriate officer is unable to certify, the Letter of Representation should then be signed by an authorized replacement, who has been formally appointed in an acting capacity to the absent official.

Please enter particulars of these situations here.