



AUDITOR'S REPORT ON COMPLIANCE WITH DEPOSIT AGENT RULES REGARDING TRUST ACCOUNTS

Instructions

Attached is the form of an auditor's report to the Saskatchewan Securities Commission as to whether a Deposit Agent has operated his trust account in accordance with the Deposit Agent Rules.

In this form:

"Deposit Agent or DA" is someone who receives or solicits funds from investors and transmits those funds to a Financial Institution for investment in guaranteed investment certificates issued by the Financial Institution;

"Deposit Agent Rules" are the business practice rules set out in the Saskatchewan Securities Commission's March 18, 1993 decision as amended on June 23 and October 21, 1993 respecting Deposit Agents; and

"FI" means financial institution.

This report is required under rule 9(g) of the Deposit Agent Rules. Rule 9(g) states:

9. A DA must file a report with the Commission annually within three months after its financial year end. The report must:
 - g. Where the DA uses a Trust Account, contain a report of an accountant acceptable to the Commission, indicating that the accountant has inspected the books and records of the DA concerning that Trust Account and is satisfied that it has been operated by the DA in accordance with these Rules, namely that:
 1. Cheques have been issued to provide for the Trust Account to be balanced daily at zero;
 - i. Deposit slips match financial institution records;
 - ii. Copies of receipts have been examined to verify funds received are being maintained in Trust Accounts that are separate from the DA's operating accounts or personal accounts;
 - iii. That there is a trust agreement concerning the Trust Account in accordance with these Rules;
 - iv. That the Trust Account has not been overdrawn, or if it has been overdrawn, a description of the circumstances of the overdraw; and
 - v. That no payments have been made from the Trust Account to the DA or anyone other than an FI or an investor.

Rule 8 of Deposit Agent Rules sets out when a Deposit Agent may use a trust account, and how the Deposit Agent must operate the trust account. Rule 8 states:

8. When an investor wishes to give the DA cash or to split a third party cheque among a number of Fis, a DA other than a Sub-Agent shall deposit such funds received into a trust clearing account ("Trust Account"). Sub-Agents shall not operate a Trust Account. Such Trust Account shall be operated in accordance with the following provisions:
 - a. The Trust Account is separate from any account for the DA's own funds;
 - b. That a written trust agreement is established between the DA and the financial institution where the Trust Account is held that meets the requirements of these Rules for the use of the Trust Account and the trust agreement acknowledges that:
 - i. The DA holds the funds in trust and the funds must be paid out to an FI or the investor, and not to the DA; and
 - ii. The Trust Account must not be overdrawn;
 - c. Any interest, or other consideration or set off from the DA's financial institution as a result of the operation of the Trust Account is credited to the investor;
 - d. The DA clears the Trust Account to a zero balance at the end of each day by forwarding funds to the Fis; and
 - e. The DA gives the Commission the right to examine and take possession of all records pertaining to the operation of the Trust Account and gives written direction to his financial institution to make such records directly available to the Commission upon its request.

You are qualified to complete an Auditor's Report on Compliance with Deposit Agent Rules Regarding Trust Accounts if you are:

2. a chartered accountant registered as a member in good standing of the Institute of Chartered Accountants of Saskatchewan and in public practice;
3. a Certified General Accountant registered as a member in good standing of the Association of Certified General Accountants of Saskatchewan and in public practice; or
4. a Certified Management Accountant registered as a member in good standing of the Association of Certified Management Accountants of Saskatchewan and in public practice.

[To be provided on auditor's letterhead.]

Auditor's Report on Compliance with Deposit Agent Rules Regarding Trust Accounts

To: The Saskatchewan Securities Commission

Re: _____, Deposit Agent

At the request of _____, Deposit Agent, I have audited the above named Deposit Agent's trust account, held with _____ *[state name of financial institution]*, located at *[state address of financial institution]*, for the period from *[report must cover Deposit Agent's financial year]* to _____, 19___. It is the responsibility of the Deposit Agent to administer its trust account in accordance with Rule 8 of the Deposit Agent Rules. My responsibility is to express an opinion on whether the trust account has been properly administered in accordance with this rule, based upon my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance on whether the Deposit Agent has administered its trust account in accordance with Rule 8 of the Deposit Agent Rules. An audit of the trust account includes examining, on a test basis, evidence supporting the amounts and disclosures in the trust account, and its overall administration by the Deposit Agent in accordance with Rule 8. The scope of the audit was sufficiently comprehensive to permit my completing the attached questionnaire.

In my opinion, the trust account of the Deposit Agent is being properly administered in accordance with Rule 8.

[Where the trust account is not being administered in accordance with Rule 8 the opinion paragraph must briefly detail the deviations encountered, with a cross reference to the questionnaire for more complete details.]

Name of Auditor

Signature

Professional Designation

Address

Date

Deposit Agent Trust Account Questionnaire

Name of Deposit Agent: _____

Trust account No. _____ at _____

name and address of financial institution

In this questionnaire "trust account statement" means the original account statement sent to the Deposit Agent by the financial institution which maintains the trust account.

The audit procedures set out in this questionnaire are the minimum requirements. Auditors should use their discretion to determine whether additional procedures are required.

1. Audit objective: to verify that the Deposit Agent uses the trust account only where the client gives him cash or to split a third party cheque among a number of FIs and for no other purpose. *Rule 8*

Audit procedure:

- ! trace deposits on the trust account statement to the Deposit Agent's copies of the bank deposit showing the breakdown, by investor name and dollar amounts for each investor.
- ! trace the breakdown to the cash receipt from the investor to determine the reason for payment to ensure that the audit objective is being met.
- ! Additional procedures:

Y/N	RESULTS/COMMENTS

2. Audit objective: to verify that the DA deposits funds received from clients in the trust account which is separate from the DA's operating accounts or personal accounts. *Rules 8(a) and 9(g)(iii)*

Audit procedure:

- ! examine copies of the Deposit Agent's receipts to verify that no client funds for the purchase of GICs are deposited or have been deposited in the Deposit Agent's operating accounts or personal accounts, but are deposited in the trust account where allowed in rule 8
- ! additional procedures:

Y/N	RESULTS/COMMENTS

3. Audit objective: to verify that there is a trust agreement concerning the trust account which contains the following provisions:

- ! the Deposit Agent holds the funds in trust and the funds must be paid out to an financial institution or the investor, and not to the Deposit Agent; and
- ! the trust account must not be overdrawn. *[Rules 8(b) and 9(g)(iv)]*

Audit procedure:

- ! examine the trust account agreement between the Deposit Agent and the financial institution where the trust account is maintained. It should contain the required provisions.

	Y/N	RESULTS/COMMENTS
The Deposit Agent holds investors' funds "in trust"		
Funds may be paid out of the trust account to a financial institution or investor, but not to the Deposit Agent.		
The trust account must not be overdrawn.		

4. **Audit objective:** to verify that any interest or other consideration or set off from the DA's financial institution as a result of the operation of the Trust Account is credited to the investor. *[Rule 8(c)]*

Audit procedure:

- ! review trust account statements to determine whether any interest paid on Trust Account, and if yes determine total paid in reporting period
- ! track disposition of interest to ensure that it was paid to investors and not to deposit agent
- ! get written confirmation from financial institution that DA received no other consideration or set off as a result of operating the Trust Account
- ! Additional procedures:

Y/N	RESULTS/COMMENTS

5. **Audit objective:** to verify that cheques have been issued to clear the trust account daily to zero. *[Rules 8(d) and 9(g)(i)]*

Audit procedure:

- ! verify that cheques drawn on the trust account offset balances deposited that day, and verify that the cheques issued subsequently clear the trust account in a timely manner
- ! get written confirmation from financial institution that trust account balance at end of reporting period is zero
- ! confirm that Deposit Agent does a monthly bank reconciliation
- ! Additional procedures:

Y/N	RESULTS/COMMENTS

6. Audit objective: to verify that deposit slips match financial institution records. *[Rule 9(g)(ii)]*

Audit procedure:

- ! match Deposit Agent records and deposit slips to the trust account statements
- ! Additional procedures:

Y/N	RESULTS/COMMENTS

7. Audit objective: to verify that the trust account has not been overdrawn. *[Rule 9(g)(v)]*

Audit procedure:

- ! review the trust account statements and Deposit Agent records to confirm that the trust account has not been overdrawn
- ! Additional procedures:

- ! if it has been overdrawn, give a complete description of the circumstances

Y/N	RESULTS/COMMENTS

8. Audit objective: to verify that no payments have been made from the trust account to the Deposit Agent or anyone other than a financial institution or an investor. *[Rule 9(g)(vi)]*

Audit procedure:

- ! compare cheques (including cheque numbers, cheque dates, name of payee) against the trust account statement and the Deposit Agent records to ensure that cheques drawn on the Trust account are payable to a financial institution or an investor, and never to the Deposit Agent or "cash" or "bearer":
- ! Additional procedures:

Y/N	RESULTS/COMMENTS