

Canadian Investment Regulatory Organization

Housekeeping amendments related to the auditor's report and agreed-upon procedure report

Blackline comparison of Housekeeping Amendments to MFD Form 1 and IDPC Form 1 auditor's reports and agreed upon procedure reports

INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS A, D AND E

To: Canadian Investment Regulatory Organization and Canadian Investor Protection Fund

Opinion

We have audited the Statements of Form 1 of _____ (the Member), which comprise:

Statement A - Statements of financial position as at
_____ and _____
(date) (date)

Statement D - Statements of income and comprehensive income for the years ended
_____ and _____
(date) (date)

Statement E - Statements of changes in capital for the year ended _____ and
_____ (date)
changes in retained earnings (or undivided profits) for the years ended
_____ and _____
(date) (date)

and notes to the Statements, including ~~a summary of significant accounting policies~~ material accounting policy information (collectively referred to as the Statements).

In our opinion, the accompanying Statements present fairly, in all material respects, the financial position of the Member as at _____ and _____, and the results of its
(date) (date)

operations for the years then ended in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Canadian Investment Regulatory Organization ("CIRO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statements* section of our report. We are independent of the Member in accordance with the ethical requirements that are relevant to our audit of the Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note _____ to the Statements which describes the basis of accounting.
(note)

The Statements are prepared to assist the Member in complying with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by CIRO. As a result, the Statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

[Optional wording to either be removed or customized by respective audit firms] Material Uncertainty related to Going Concern

We draw attention to Note _____ in the Statements which indicates that [insert key events and
(note)
conditions that resulted in the material uncertainty]. As stated in Note _____ in the Statements,
(note)
these events and conditions, along with other matters as set forth in Note _____ in the Statements,
(note)

indicate that a material uncertainty exists that may cast significant doubt on the Member's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter - Unaudited Information

We have not audited the information in Schedule 5 of Part II of Form 1 and accordingly, do not express an opinion on the schedule.

Other Matter – Restriction on Use [Optional wording to either be removed or customized by audit firms]

Our report is intended solely for the Member, CIRO and the Canadian Investor Protection Fund (“CIPF”) and should not be used by parties other than the Member, CIRO and CIPF.

Responsibilities of Management and Those Charged with Governance for the Statements

Management is responsible for the preparation and fair presentation of the Statements in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by CIRO and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Statements, management is responsible for assessing the Member's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Member or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Member's financial reporting process.

Auditor's Responsibilities for the Audit of the Statements

Our objectives are to obtain reasonable assurance about whether the Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Member's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Member's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Member to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Statements, including the disclosures, and whether the Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Audit Firm]

[Signature of the name of the audit firm]

[Auditor address]

[Date]

FORM 1, PART II
AGREED-UPON PROCEDURES REPORT ON COMPLIANCE FOR
INSURANCE AND SEGREGATION OF CASH AND SECURITIES

To: _____ <Member>

Purpose of this Agreed-upon Procedures Report

Our report is solely for the purpose of providing _____ <Member> (Member) with information to assist the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF) in their assessment of the Member's compliance with certain requirements regarding maintaining minimum insurance and segregation of client cash and securities as outlined in Mutual Fund Dealer Rules (MFD Rules) listed in the Procedures and Findings section below and may not be suitable for another purpose.

Responsibilities of the engaging party

The Member, CIRO and CIPF have acknowledged that the agreed-upon procedures, as required by CIRO, are appropriate for the purpose of the engagement. The Member is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Canadian Standard on Related Services (CSRS) 4400, *Agreed-upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Member, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional ethics and quality management

[Free form text]

[Sample: In performing the Agreed-upon Procedures engagement, we complied with the relevant ethical requirements in the rules of professional conduct/code of ethics applicable to the practice of public accounting issued by the various professional accounting bodies. We have also complied with the independence requirements that are relevant to assurance engagements in Canada.]

Our firm applies Canadian Standard on Quality Management (CSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and findings

We have performed the procedures described below, which were agreed upon with the Member with respect to the Member's compliance with certain requirements regarding maintaining minimum insurance and segregation of client cash and securities as outlined in MFD Rules listed in the Procedures and Findings section below.

	Procedures	Findings [State the results of the procedures performed]
(1)	<p>Obtain the written internal control policies and procedures of the Member, from management of the Member, and inspect whether they include internal controls regarding:</p> <ul style="list-style-type: none"> (i) maintaining insurance coverage as required in MFD Rule 4 and MFD Rule 400 - Internal Control Rule Statement 3, and (ii) segregation of client cash and securities as required in MFD Rule 3.3. 	
(2)	<p>Obtain written representation from management of the Member that “The Member’s internal control policies and procedures regarding insurance and segregation of client cash and securities meet the minimum requirements in MFD Rule 3.3, MFD Rule 4, and MFD Rule 400 - Internal Control Rule Statement 3 as at <period end date> and have been implemented.” The name and title of those of management who provided the written representation are to be reported in the findings.</p>	
(3)	<p>Obtain the Financial Institution Bond insurance policy(s) (the FIB(s)) as at <period end date>, from management of the Member, and inspect whether the FIB(s):</p> <ul style="list-style-type: none"> (i) clauses exist as per MFD Rule 4.1 for: <ul style="list-style-type: none"> (a) Fidelity (b) On premises (c) In transit and mail (d) Forgery or alterations (e) Securities; and (ii) includes the minimum coverage limits as per MFD Rule 4.4. 	

(4)	<p>From a listing of all Member insurance brokers as at <i><period end date></i>, provided by management of the Member, confirm items (i) to (xi) below for each insurance broker and report differences from the details reported in the FIB(s):</p> <ul style="list-style-type: none"> (i) Insurance company name (ii) Name of insured (iii) FIB/registered mail (iv) Expiry date (v) Coverage (vi) Type of aggregate limit (vii) Provision for full reinstatement (viii) Premium (ix) Clauses (x) Deductible (xi) Losses and claims. 	
(5)	<p>From the report of total client cash and securities held as at <i><period end date></i>, provided by management of the Member. Agree the total client cash and securities held by the Member as at <i><period end date></i> to Schedule 4 of Form 1, Part II.</p>	
(6)	<p>From a listing of all securities segregation locations as at <i><period end date></i>, provided by management of the Member, inspect that each securities segregation location meets the definition of "acceptable securities locations" as defined in the General Notes and Definitions to Form 1.</p>	
(7)	<p>From a listing of all cash segregation locations as at <i><period end date></i>, provided by management of the Member:</p> <ul style="list-style-type: none"> (i) inspect that each cash segregation location meets the definition of "Acceptable Institutions" as defined in the General Notes and Definitions of Form 1; and (ii) for each account: <ul style="list-style-type: none"> (a) inspect that the account was designated as "in trust"; and (b) inspect that the account was interest bearing. 	

[Optional: Restriction on Use]

[Free form text]

[Sample: This Agreed-upon Procedures Report is intended solely for the information and use of the Member, CIRO and CIPF and is not intended to be and should not be used by other parties.]

(auditing firm)

(date)

(signature)

(place of issue)

[Optional: Additional information]

Independent Auditor's Report for Statements A, E and F

To: _____ <name of Self-Regulatory Organization> _____ and _____ <name of Investor Protection Fund> _____

Opinion

We have audited the Statements of Form 1 of _____ <Dealer Member's name> _____, which comprise of:

- Statement A - Statements of financial position as at _____ <date> _____ and _____ <date> _____,
- Statement E - Statements of income and comprehensive income for the years ended _____ <date> _____ and _____ <date> _____,
- Statement F - Statements of changes in capital for the year ended _____ <date> _____, and changes in retained earnings (or undivided profits) for the years ended _____ <date> _____ and _____ <date> _____, and notes to the Statements, including a ~~summary of significant accounting policies~~ material accounting policy information (collectively referred to as the Statements).

In our opinion, the accompanying Statements present fairly, in all material respects the financial position of the Dealer Member as at _____ <date> _____ and _____ <date> _____, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the notes and instructions to Form 1 prescribed by _____ <name of Self-Regulatory Organization> _____.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Statements* section of our report. We are independent of the Dealer Member in accordance with the ethical requirements that are relevant to our audit of the Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting

We draw attention to note _____ <note> _____ to the Statements which describes the basis of accounting.

The Statements are prepared to assist the Dealer Member in complying with the financial reporting provisions of the notes and instructions to Form 1 prescribed by _____ <name of Self-Regulatory Organization> _____. As a result, the Statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Material uncertainty related to going concern (Optional wording to either be removed or customized by respective audit firms)

We draw attention to note _____ <note> _____ in the statements which indicates that [insert key events and conditions that resulted in the material uncertainty]. As stated in note _____ <note> _____ in the Statements, these events and conditions, along with other matters as set forth in note _____ <note> _____ in the Statements, indicate that a material uncertainty exists that may cast significant doubt on the Dealer Member's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter – Unaudited information

We have not audited the information in Schedules 13 and 13A of Part II of Form 1 and accordingly, do not express an opinion on these schedules.

Other matter – Restriction on use (Optional wording to either be removed or customized by audit firms)

Our report is intended solely for the Dealer Member, _____ <name of Self-Regulatory Organization> _____ and _____ <name of Investor Protection Fund> _____ and should not be used by parties other than the Dealer Member, _____ <name of Self-Regulatory Organization> _____ and _____ <name of Investor Protection Fund> _____.

Responsibilities of management and those charged with governance for the Statements

Management is responsible for the preparation and fair presentation of the Statements in accordance with the financial reporting provisions of the notes and instructions to Form 1 prescribed by _____ <name of Self-Regulatory Organization> _____, and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report for Statements A, E and F (Continued)

In preparing the Statements, management is responsible for assessing the Dealer Member's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Dealer Member or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Dealer Member's financial reporting process.

Auditor's responsibilities for the audit of the Statements

Our objectives are to obtain reasonable assurance about whether the Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Dealer Member's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Dealer Member to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Statements, including the disclosures, and whether the Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Audit firm

Signature of the name of the audit firm

Auditor address

Date

Form 1, Part II (Continued)

#	Procedures	Findings [State the results of the procedures performed]
(1)	<p>Obtain the written internal control policies and procedures of the Dealer Member, from management of the Dealer Member, and inspect whether they include internal controls regarding:</p> <ul style="list-style-type: none"> (i) maintaining insurance coverage as required in Part C of Corporation Investment Dealer and Partially Consolidated Rule 4400, and (ii) segregation of client securities as required in Part A of Corporation Investment Dealer and Partially Consolidated Rule 4300. 	
(2)	<p>Obtain written representation from management of the Dealer Member that “the Dealer Member’s internal control policies and procedures regarding insurance and segregation of client securities meet the minimum requirements in Part A of Corporation Investment Dealer and Partially Consolidated Rule 4300 and Part C of Corporation Investment Dealer and Partially Consolidated Rule 4400 as at _____ <period end date> _____ and have been implemented.” The name and title of those of management who provided the written representation are to be reported in the findings.</p>	
(3)	<p>Obtain written representation from management of the Dealer Member that “the Dealer Member’s guarantee agreements include the minimum requirements in section 5825 of the Corporation Investment Dealer and Partially Consolidated Rules as at _____ <period end date> _____.”</p>	
(4)	<p>Obtain the Financial Institution Bond Form #14 insurance policy (FIB) as at _____ <period end date> _____, from management of the Dealer Member, and inspect whether the FIB:</p> <ul style="list-style-type: none"> (i) clauses exist as per section 4456 of the Corporation Investment Dealer and Partially Consolidated Rules for: <ul style="list-style-type: none"> (a) Fidelity (b) On premises (c) In transit (d) Forgery or alteration (e) Securities (ii) includes the minimum coverage limits as per section 4457 or 4458 of the Corporation Investment Dealer and Partially Consolidated Rules. 	
(5)	<p>From a listing of all Dealer Member insurance brokers as at _____ <period end date> _____, provided by management of the Dealer Member, confirm items (a) to (k) below for each insurance broker and report differences from details reported in the FIB and Form 1:</p> <ul style="list-style-type: none"> (a) Insurance company name (b) Name of insured (c) FIB/registered mail (d) Expiry date (e) Coverage (f) Type of aggregate limit (g) Provision for full reinstatement (h) Premium 	

Form 1, Part II (Continued)

	<ul style="list-style-type: none"> (i) Clauses (j) Deductible (k) Losses and claims 	
(6)	<p>From a listing of all clients as at <u><period end date></u>, provided by management of the Dealer Member, select 10¹ client account statements.</p> <ul style="list-style-type: none"> (i) Calculate the client net equity amount at as <u><period end date></u> for each client statement selected in accordance with the notes and instructions to Schedule 10 of Form 1. Calculate the total value of the securities for each client selected using the bid/ask price, where applicable. (ii) Agree the calculated client net equity amount for each client statement in procedure (6)(i) to the Total Client Net Equity Report as at <u><period end date></u>, provided by management of the Dealer Member. (iii) Agree the total client net equity from the Total Client Net Equity Report as at <u><period end date></u>, provided by management of the Dealer Member, to Schedule 10 of Form 1. 	
(7)	<p>From a listing of all segregation locations as at <u><period end date></u>, provided by management of the Dealer Member, inspect that each segregation location meets the definition of “acceptable securities locations” as defined in the general notes and definitions to Form 1.</p>	
(8)	<p>From a listing of all clients as at <u><period end date></u>, provided by management of the Dealer Member, select 10 client account statements. For each client account statement selected:</p> <ul style="list-style-type: none"> (i) Calculate the segregation requirements in accordance with Part A of Corporation Investment Dealer and Partially Consolidated Rule 4300. (ii) Agree the calculation in procedure (8)(i) to the Segregation Report as at <u><period end date></u>, provided by management of the Dealer Member. 	
(9)	<p>From the Undersegregation Reports, provided by management of the Dealer Member, select 10 security positions reported as being undersegregated at various dates throughout the year. For the selected 10 security positions, inspect that the undersegregation was corrected within the timelines required by Part A of Corporation Investment Dealer and Partially Consolidated Rule 4300.</p>	
(10)	<p>From the list of hypothecated securities as at <u><period end date></u>, provided by management of the Dealer Member, select 10 security positions and compare each security position to the Segregation Report as at <u><period end date></u>, provided by management of the Dealer Member, and inspect that security positions held in segregation were not used to secure call loans.</p>	
(11)	<p>From the Stock Record and Position Report (SRP) as at <u><period end date></u>, provided by management of the Dealer Member, select 10 security positions to identify a customer holding that position. For each client, compare the client’s holding per the SRP to the individual customer account statement and inspect that the stock message on the customer account statement appropriately indicates whether that the security position was held in segregation.</p> <p>Select 10 segregated securities from customer account statements as at</p>	

¹ Samples are to be selected statistically, haphazardly or randomly.

Form 1, Part II (Continued)

	<p><u> <period end date> </u> , provided by management of the Dealer Member, and trace each segregated security to the SRP as at <u> <period end date> </u> and to the Segregation Report as at <u> <period end date> </u> , provided by management of the Dealer Member to inspect that the security position was held in segregation.</p>	
(12)	<p>Obtain a list of guarantee relationships, provided by management of the Dealer Member. From the listing obtained, select 10 guarantee relationships used by the Dealer Member to reduce the margin required during the period reported on the Form 1, for monthly financial reporting purposes. For each of the 10 guarantee relationships:</p> <ul style="list-style-type: none"> (i) Obtain written confirmation of the guarantee relationship from the guarantor of the account(s) guaranteed and that the guarantee was in place as at <u> <period end date> </u> . (ii) Compare the wording of the guarantee agreements to the requirements in section 5825 of the Corporation Investment Dealer and Partially Consolidated Rules. 	

[Optional: Restriction on Use]

[Free form text]

[Sample: This Agreed-upon Procedures Report is intended solely for the information and use of the Dealer Member, the Corporation and Investor Protection Fund and is not intended to be and should not be used by other parties.]

Auditing firm

Date

Signature

Place of issue

[Optional: Additional information]