### Office of the Auditor General of Canada

Sample Legal Letters (dated on or after 1st Dec 2016)

Sep-2016

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### Sample Legal Letters

Purpose:

To provide sample legal letters taken directly from CAS 501 of CPA Canada.

Six types of letters are provided in the attached schedules, including:

1. an inquiry letter when there are claims or possible claims to be listed;
2. an inquiry letter when there are no claims or possible claims to be listed;
3. the response letter when there are claims or possible claims listed;
4. the response letter when there are no claims or possible claims listed;
5. a supplementary inquiry letter for (a) new or possible claims that come to the auditor’s attention after the effective date of the initial response letter, or (b) when management revises its evaluation of a particular claim or possible claim that was included in the initial inquiry letter; and
6. the updated response letter.

These sample letters are provided in an electronic format for the convenience of our audit staff. These sample legal letters are to be used when:

* sending inquiry letters dated on or after December 1, 2016;
* communicating with a law firm and/or the entity’s in-house legal counsel, provided that the law firm and/or in-house legal counsel is representing or advising the entity with respect to claims and possible claims; and
* the entity’s financial statements are prepared in accordance with any of the standards found in the CPA Canada Handbook—Accounting or in the CPA Canada Public Sector Accounting Handbook.

OAG auditors should refer to the Joint Policy Statement Concerning Communications with Law Firms Regarding Claims and Possible Claims in Connection with the Preparation and Audit of Financial Statements, which was issued by CPA Canada in April 2016, for guidance related to the use of these letters.

### Sample Inquiry Letter—Version 1

The following example is provided for use by management in preparation of inquiry letters when there are claims or possible claims to be listed.

[Client’s letterhead]

Privileged and Confidential

|  |  |
| --- | --- |
| [Responsible lawyer(s) within the law firm] | [Date] |

We write this letter to you at the request of our auditors, pursuant to the Joint Policy Statement of [insert date of JPS] between the Canadian Bar Association and the Auditing and Assurance Standards Board.

In connection with the preparation and audit of financial statements of [name of entity] for the fiscal period ended [insert fiscal year end], we seek your confirmation with respect to our evaluation of claims and possible claims on which your firm has represented or advised the following:

* [Name of entity]
* [If applicable, insert the related entities that the law firm is retained by and to which the inquiry relates]

Please provide us, and our auditors, with your acknowledgment of receipt of this inquiry letter.

Based on an examination of your records, we seek your confirmation, as of [insert effective date of response], of the following:

1. The claims and possible claims listed are appropriately described;
2. Our evaluation is reasonable; and
3. All outstanding claims are included in this inquiry letter (other than any exclusions described below)[[1]](#footnote-1).

If there are outstanding claims omitted from this inquiry letter (other than any exclusions described below)[[2]](#footnote-2), we ask that you indicate in the response letter the names of the parties and the amount claimed.

If there are possible claims omitted from this inquiry letter (other than any exclusions described below)[[3]](#footnote-3), we ask that you contact us to discuss such items and the application of the Joint Policy Statement to those possible claims.

|  |  |
| --- | --- |
| Description  [Indicate the following:   * date of filing, * the names of entities, * the names of other parties, * nature of claim or possible claim, * amount claimed, and * current status] | Evaluation  [Indicate management’s evaluation of the outcome of claims and possible claims, including the estimated financial effect.[[4]](#footnote-4)] |

This letter does not include: [If applicable, describe the nature of matters in respect of which, and specific quantitative thresholds below which, claims and possible claims have been excluded from the inquiry letter.] [[5]](#footnote-5)

Therefore, in responding to this letter, you need not consider such matters.[[6]](#footnote-6)

We would appreciate a response on or before [insert response date].

[*When the response date is within a period of less than five business days from the effective date of response, state:*] We request a response date within a period of less than the typical five business days from the effective date of response due to [describe circumstances].

If you are unable to meet the response date, please advise us and our auditors as soon as practicable.

Please address your reply, marked “Privileged and Confidential,” to [name of entity], and send a signed copy of your reply directly to our auditors, [Insert name(s) and appropriate contact information of auditor(s)].

We have authorized our auditors to request, if they deem necessary, an updated response letter(s) with a new effective date of response.

Yours truly,

[An authorized signatory on behalf of the entity and its related entities]

[Name and title of authorized signatory]

c.c.: [Name of Engagement Leader]—Office of the Auditor General of Canada

### Sample Inquiry Letter—Version 2

The following example is provided for use by management in preparation of inquiry letters when there are no claims or possible claims to be listed.

[Client’s letterhead]

Privileged and Confidential

|  |  |
| --- | --- |
| [Responsible lawyer(s) within the law firm] | [Date] |

We write this letter to you at the request of our auditors, pursuant to the Joint Policy Statement, effective 1 December 2016, between the Canadian Bar Association and the Auditing and Assurance Standards Board.

In connection with the preparation and audit of financial statements of [name of entity] for the fiscal period ended [insert fiscal year end], we seek your confirmation that there are no claims on which your firm has represented or advised the following:

* [Name of entity]
* [If applicable, insert the related entities that the law firm is retained by and to which the inquiry relates]

Please provide us, and our auditors, with your acknowledgment of receipt of this inquiry letter.

Based on an examination of your records, we seek your confirmation that there are no claims that are outstanding as of [insert effective date of response] (other than any exclusions described below)[[7]](#footnote-7).

If there are outstanding claims (other than any exclusions described below)[[8]](#footnote-8), we ask that you indicate in the response letter the names of the parties and the amount claimed.

If there are possible claims (other than any exclusions described below)[[9]](#footnote-9), we ask that you contact us to discuss such items and the application of the Joint Policy Statement to those possible claims.

This letter does not include: [If applicable, describe the nature of matters in respect of which, and specific quantitative thresholds below which, claims and possible claims have been excluded from the inquiry letter.] **[[10]](#footnote-10)**

Therefore, in responding to this letter, you need not consider such matters.[[11]](#footnote-11)

We would appreciate a response on or before [insert response date].

*When the response date is within a period of less than five business days from the effective date of response, state:* We request a response date within a period of less than the typical five business days from the effective date of response due to [describe circumstances].

If you are unable to meet the response date, please advise us and our auditors as soon as practicable.

Please address your reply, marked “Privileged and Confidential,” to [name of entity], and send a signed copy of your reply directly to our auditors, [Insert names and appropriate contact information of auditors].

We have authorized our auditors to request, if they deem necessary, an updated response letter(s) with a new effective date of response.

Yours truly,

[An authorized signatory on behalf of the entity and its related entities]

[Name and title of authorized signatory]

c.c.: [Name of Engagement Leader]—Office of the Auditor General of Canada

### Sample Response Letter—Version 1

The following example is provided for use by law firms in preparation of response letters when responding to inquiry letters where there are claims or possible claims listed (such as Sample Inquiry Letter—Version 1).

[Law Firm’s letterhead]

Privileged and Confidential

|  |  |
| --- | --- |
| [Appropriate addressee] | [Date] |

We are replying to your letter of [insert date of letter], in accordance with the Joint Policy Statement referred to in that letter.

Based on an examination of our records, we confirm that, as of [insert the effective date of response], the claims or possible claims referred to in your letter with regard to which our representation or advice has been sought:

1. have been appropriately described [except for the following:

Names of the Parties Amount Claimed]

1. have been reasonably evaluated [except for the following with respect to which we cannot confirm:

Names of the Parties Amount Claimed]

1. include all claims that are outstanding, taking into account any exclusions described in the inquiry letter [except for the following:

Names of the Parties Amount Claimed]

This letter must not be quoted from or referred to in your financial statements, or quoted from or specifically referred to in the auditor’s report, or be provided in whole or in part to any other person, without our prior written consent.

Yours truly,

[Authorized signatory on behalf of the law firm]

[Name and title of authorized signatory]

c.c.: [Name of Engagement Leader]—Office of the Auditor General of Canada

### Sample Response Letter—Version 2

The following example is provided for use by law firms in preparation of response letters when responding to inquiry letters where there are no claims listed (such as Sample Inquiry Letter—Version 2).

[Law Firm’s letterhead]

Privileged and Confidential

|  |  |
| --- | --- |
| [Appropriate addressee] | [Date] |

We are replying to your letter of [insert date of letter], in accordance with the Joint Policy Statement referred to in that letter.

Based on an examination of our records, we confirm that, as of [insert the effective date of response], there are no claims that are outstanding [or] *When there are claims that are outstanding, state:* We have identified in our records the following claim(s) which is (are) outstanding as of [insert the effective date of response].

[Names of the Parties Amount Claimed]

This letter must not be quoted from or referred to in your financial statements, or quoted from or specifically referred to in the auditor’s report, or be provided in whole or in part to any other person, without our prior written consent.

Yours truly,

[Authorized signatory on behalf of the law firm]

[Name and title of authorized signatory]

c.c.: [Name of Engagement Leader]—Office of the Auditor General of Canada

### Sample Supplementary Inquiry Letter

The following example is provided for use by auditors in preparation of a request for an updated response letter from a law firm.

[Auditor’s letterhead]

Privileged and Confidential

|  |  |
| --- | --- |
| [Responsible lawyer(s) within the law firm] | [Date] |

On behalf of management of [name of entity] [and related entities], and in connection with the preparation and audit of financial statements of [name of entity] for the fiscal period ended [insert fiscal year-end], we seek an update of your response dated [insert date of initial response letter] to the letter from [name of entity] dated [insert date of initial inquiry letter].

Based on an examination of your records, we seek your confirmation that as of [insert the new effective date of response] your response with respect to management’s inquiries [including its evaluation of the following claims and possible claims,] remains unchanged from your earlier response in your letter dated [insert date of initial response letter]:

[Names of the Parties Amount Claimed]

We would appreciate a response on or before [insert updated response date]. If you are unable to meet the response date, please advise us and management as soon as practicable.

Please address the reply, marked “Privileged and Confidential”, to [name of entity], and send a signed copy of your reply to us.

Yours truly,

[Authorized signatory on behalf of the auditors]

[Name and title of authorized signatory]

c.c.: [Name of management within entity]

### Sample Updated Response Letter

The following example is provided for use by law firms in responding to the auditor’s request for an updated response letter, sent to the entity’s management, with a copy to the auditors.

[Law Firm’s letterhead]

Privileged and Confidential

|  |  |
| --- | --- |
| [Appropriate addressee] | [Date] |

We are replying to your auditor’s request for an update to our response letter dated [insert date] to the inquiry letter dated [insert date].

Based on an examination of our records, we confirm that as of [insert the new effective date of response] our response remains unchanged from our earlier response in our letter dated [insert date of initial response letter].

[or]

*Where change to the initial response letter has been identified, state*: Based on an examination of our records, we confirm that as of [insert the new effective date of response] our earlier response in our letter dated [insert date of initial response letter] has changed with respect to the following:

[Names of the Parties Amount Claimed]

[Insert a reason, for example, a change in the description of a claim or a possible claim from your earlier inquiry letter / a change in evaluation of a claim or a possible claim from your earlier inquiry letter / the existence of a new claim not described in your earlier inquiry letter.]

This letter must not be quoted from or referred to in your financial statements or quoted from or specifically referred to in the auditor’s report, or be provided in whole or in part to any other person, without our prior written consent.

Yours truly,

[Authorized signatory on behalf of the law firm]

[Name and title of authorized signatory]

c.c.: [Name of Engagement Leader]—Office of the Auditor General of Canada

1. When there are no exclusions, the wording within brackets should be removed. [↑](#footnote-ref-1)
2. When there are no exclusions, the wording within brackets should be removed. [↑](#footnote-ref-2)
3. When there are no exclusions, the wording within brackets should be removed. [↑](#footnote-ref-3)
4. Management's evaluation will need to conform to the financial reporting framework that management applies in the preparation of the financial statements. The law firm is not expected to be familiar with the applicable financial reporting framework or the accounting for an evaluation of claims or possible claims in order to respond to this request. See SCHEDULE B in the Joint Policy Statement for illustrations of management's evaluation of claims or possible claims for inclusion in the inquiry letter. [↑](#footnote-ref-4)
5. Delete this section, if inapplicable. [↑](#footnote-ref-5)
6. Delete this section, if inapplicable. [↑](#footnote-ref-6)
7. When there are no exclusions, the wording within brackets should be removed. [↑](#footnote-ref-7)
8. When there are no exclusions, the wording within brackets should be removed. [↑](#footnote-ref-8)
9. When there are no exclusions, the wording within brackets should be removed. [↑](#footnote-ref-9)
10. Delete this section, if inapplicable. [↑](#footnote-ref-10)
11. Delete this section, if inapplicable. [↑](#footnote-ref-11)