[Date]

Engagement and Solicitor-Client Privilege Letter (for special examinations)

Dec-2023

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[Civil title, Name and Surname of the recipient—head of Crown corporation]

[Title]

[Name of the entity]

[Building name]

[Street number and name, Floor, Tower, Suite]

[City, Province]  [Postal code]

Dear [Civil title and surname of the recipient]:

The Auditor General of Canada has been appointed to be the auditor of [Name of the entity] in accordance with the requirements of [*insert applicable legislation* (e.g., paragraph 134(2) of the *Financial Administration Act*; an Act of Parliament appointing the Auditor General of Canada as examiner; Order‑in‑Council No. P.C. 19XX-XXX dated \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_)]. According to sections 138 and 142 of the *Financial Administration Act*, the Auditor General of Canada is required to conduct, at least once every 10 years, a special examination of the systems and practices of [Name of the entity] and its wholly owned subsidiaries (if applicable). [*In the case where a special examination is done earlier than the 10‑year timeline, which may be at the request of the OAG, the appropriate minister, the board of directors of the corporation, or the Governor in Council, this paragraph should be amended accordingly.*]

### Our responsibilities

In accordance with the requirements of the act [*In the case where the corporation is exempt from special examinations under the FAA, but the special examination is being conducted under another authorization such as an enabling statute or Governor in Council order, this sentence should be amended accordingly*], our examination is designed to enable the Auditor General of Canada to issue a report indicating whether, in his opinion, with respect to the criteria established for the examination, there is reasonable assurance that there are no significant deficiencies in the corporation’s systems and practices that were selected for examination.

Our responsibility is to provide the Board of Directors with independent, objective assurance on whether, during the period under examination, the corporation’s financial and management control, information systems, and management practices were maintained in a manner that provided reasonable assurance that

1. the assets of the corporation were safeguarded and controlled
2. the financial, human, and physical resources of the corporation were managed economically and efficiently
3. the operations of the corporation were carried out effectively

We also have an obligation to bring to the attention of the minister and/or Parliament any issues in our report that we think would significantly affect the corporation’s ability to fulfill its mandate and/or responsibilities and would require the authority or powers of the minister and/or Parliament to fully resolve.

We comply with the standards for assurance engagements established by Chartered Professional Accountants Canada in order to perform this assurance engagement, and, accordingly, we will perform such tests and other procedures that we consider necessary in the circumstances.

The scope of our examination will include obtaining, to the extent necessary to effectively carry out our work, an understanding of the corporation and its business environment, the business risks it faces, how the corporation manages those risks, and the corporation’s overall control environment. We will obtain an understanding of its internal control to identify types of potential deficiencies, consider factors that affect the risks of significant deficiencies, and design the nature, timing, and extent of further examination procedures. The scope of our review of internal controls will not be sufficient to express an opinion on the effectiveness or efficiency of the corporation’s internal controls. However, while conducting our examination, we will be alert to significant internal control weaknesses and, should we become aware of such weaknesses, we will inform the corporation’s management.

The audit is performed to obtain reasonable, but not absolute, assurance that based on the criteria established for the examination, there were no significant deficiencies in the systems and practices we examined. Owing to the inherent limitation of an assurance engagement because of factors such as the use of judgment, the inherent limitations of internal control, the use of testing, and the fact that much of the evidence is persuasive rather than conclusive, there is an unavoidable risk that some deficiencies in the corporation’s systems and practices will not be detected (particularly intentional deficiencies concealed through collusion), even though the examination is properly planned and performed.

In planning and conducting the examination, we consider the possibility that fraud or error, if sufficiently significant, may affect our opinion on the corporation’s systems and practices that we examined. Accordingly, we maintain an attitude of professional scepticism throughout the examination, recognizing the possibility that a significant deficiency due to fraud could exist.

Because of the nature of fraud, which could include attempts at concealment through collusion and forgery, an examination designed and executed in accordance with the standards for assurance engagements established by Chartered Professional Accountants Canada may not detect a material fraud. Furthermore, while effective internal control reduces the likelihood that deficiencies will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot guarantee that fraud, error, and illegal acts, if present, will be detected.

Our Code of Values, Ethics and Professional Conduct, the *Financial Administration Act*, and the relevant rules of professional conduct applicable to the practice of public accounting in Canada require us to maintain our independence. We will communicate in writing to [the audit committee or equivalent] any relationships with the corporation that, in our professional judgment, may reasonably be thought to affect our independence. Further, we will confirm our independence with respect to the corporation.

In order to do our work, we will require access to financial and non‑financial data. Management will be asked to provide our staff with free access, at convenient times, to information that relates to fulfilling our responsibilities. Section 144 of the act requires that, where a reasonable request is made, the present or former directors, officers, employees, or agents of the corporation shall furnish such information and explanation and access to records, documents, books, accounts, and vouchers of the corporation or any of its subsidiaries we consider necessary to help us prepare the special examination report. In accordance with sections 61 to 65 of the Canadian Standard on Assurance Engagements (CSAE) 3001, at the principal’s draft report stage, the corporation’s management will be asked to provide written confirmation related to the completeness of the information provided to us.

During the audit, we may request access to documents that may be subject to solicitor-client and other privileges. When we request access to any such documents, we do so pursuant to our powers under the act. Consequently, the disclosure of such documents by the corporation is in compliance with the statutory requirements contained in the act, and therefore the intention is not to waive any privilege attached to the documents. In addition, all documents disclosed to the Office of the Auditor General of Canada (OAG) for these purposes will be treated in strict confidence, and all present administrative arrangements concerning the use of such documents will continue.

Pursuant to several orders-in-council, we are entitled to access certain Cabinet confidences. We will expect you to inform the audit team of all relevant Cabinet confidences of which you are aware. Further, we require that the information you provide to us during the audit includes copies of Cabinet confidences to which we are entitled and that are within your authority to provide to us.

All of our employees must comply with any security requirements applicable to the Crown corporation and take an oath of secrecy that the audited entity requires them to take. Accordingly, except for information that is in or enters the public domain, we will not provide any third party with confidential information concerning the affairs of the corporation without your prior consent—unless we are required to do so by the law.

The act requires the Board of Directors to make the special examination report available to the public within 60 days of receiving the report. Before the special examination report is posted on the corporation’s website or is included in other designated public documents, management is requested to provide us with the document before its release so that we may review the document to ensure that the special examination report has been reproduced accurately. Where additional information concerning the special examination report is included in the designated public document, we will also ensure that the information is consistent with our special examination report and does not appear to contain any material misstatement of facts.

The preceding deals only with our respective responsibilities in connection with the special examination of the corporation. More specifically, this engagement letter does not cover any responsibilities we may have in our role as auditor of the corporation’s annual financial statements and/or auditor of the financial statements of Canada.

### Management responsibilities

Management is responsible for the corporation’s day‑to‑day activities. It is management’s responsibility to maintain books, records, systems, and practices in such a manner as will provide reasonable assurance that

1. the assets of the corporation are safeguarded and controlled;
2. the financial, human, and physical resources of the corporation and its wholly owned subsidiaries are managed economically and efficiently
3. the operations of the corporation and each subsidiary are carried out effectively

It is the responsibility of management to establish a control environment and maintain policies and procedures to help ensure the orderly and efficient conduct of the corporation’s business. Management is accountable to the Board of Directors for all of these responsibilities.

It is management’s responsibility to design and implement internal controls to prevent and detect fraud and error; to assess the risk that the corporation’s systems and practices may be significantly deficient as a result of fraud; and to obtain information relating to fraud or suspected fraud affecting the entity that involves management and employees who have significant roles in internal control or others, where the fraud could have a non‑trivial effect on the corporation’s systems and practices. Management must also provide such information to the examination team, including information relating to any allegations of fraud or suspected fraud affecting the corporation’s systems and practices communicated by employees, former employees, analysts, regulators, or others, unless such information would be considered to have a trivial effect on the corporation’s systems and practices.

### Other matters

The costs associated with this engagement will be paid for from monies appropriated to the Auditor General of Canada by Parliament.

The statutory reporting deadline for the special examination is [day month year]. We will plan the timing of our work, in consultation with management, to ensure that the transmission of the final special examination report to the Board of Directors respects the statutory deadline.

We suggest that the corporation brief the minister, through the department portfolio office, that this special examination has been initiated by the OAG.

Finally, the controlled documents we send to the corporation during this audit must be kept confidential. Management is responsible for creating and following appropriate procedures to ensure the confidentiality of the documents entrusted to their care, in electronic or hard copy form. Management is also responsible for returning all hardcopy controlled documents to the OAG within a timeframe to be agreed upon between management and the OAG.

All working papers and files, other materials, reports, and work created, developed, or performed by the auditor during the course of the engagement, which are part of the audit file, are the property of the auditor.

The above terms of engagement will be effective until amended or terminated in writing.

Please send your response confirming your understanding of the terms of the engagement outlined in this letter and that they are acceptable to you. A suggested letter of acknowledgment is attached for your convenience. Should you have any questions, please do not hesitate to contact me at [insert contact information].

Yours sincerely,

[Name]
Principal (responsible for the audit)
240 Sparks Street
Ottawa, Ontario  K1A 0G6

Enclosure: Acknowledgment letter template

c.c.: [Name of the Board Chairperson], [Title]

 [Name of OAG General Counsel], OAG General Counsel, Legal Services Branch

 *Note:* *If the principal responsible for the audit is different than the principal responsible for the entity:* [Name], Principal (responsible for [name of the entity])

### ACKNOWLEDGMENT LETTER

[Date]

[Name of the recipient—Audit Principal]

[Title]

Office of the Auditor General of Canada

240 Sparks Street

Ottawa, Ontario  K1A 0G6

Dear [Civil title and surname of the recipient]:

This is to acknowledge your letter dated [day month year] informing us that you will be conducting a special examination of [Entity name].

We wish to inform you that we accept the terms of the engagement and acknowledge and understand our responsibilities as outlined in your letter. We will also comply with any requests that you or your staff make for access to relevant documents under the control of [Entity’s name], including documents to which solicitor-client privilege is attached and certain Cabinet confidences. Disclosure of such documents will be made in strict compliance with the duty imposed by the *Financial Administration Act* and does not constitute an intention to waive any privilege attached to the disclosed documents.

Yours sincerely,

[Name]
[Title] Head of Crown corporation
[Name of Entity]

c.c.: [Name of the Board Chairperson], [Title]

 *Note:* *If the principal responsible for the audit is different than the principal responsible for the entity:* [Name], Principal (responsible for [name of the entity])