

Registrar of Mortgage Brokers
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FORM 13 - for Fiscal Year End _____
ENGAGEMENT LETTER – Between Accountant and Client

This document is to be retained by the mortgage broker and/or accounting firm. The Registrar of Mortgage Brokers does not require a copy unless requested.

PURSUANT TO THE MORTGAGE BROKERS ACT

The mortgage broker to be reported on is:

Mortgage Broker		
Address		
City	Province	Postal Code
Phone	Fax	E-mail
Name of Designated Individual		

Dear Sir or Madam:

This letter sets the terms of our engagement as accountants for the purpose of reporting under Section 6 of the Regulations to the Mortgage Brokers Act and the Conditions of Registration. This engagement, for the fiscal year ended _____, _____ will be limited to the procedures outlined below, except where those procedures are extended as directed by you in writing. **Any such additional procedures shall be attached to this letter and become part of the engagement.**

The **Table of Recommended Minimum Examination Guidelines**, on the last page of this document, will be used in our examination. In completing the **Accountant's Report**, we will select three months of our choice within the period being reported upon. The months selected (hereinafter referred to in this report as the "selected months") will be reported to the Registrar of Mortgage Brokers of British Columbia and used for the purpose of completing procedures 2, 3, 5, 6, 7, 8, 9, 10, 11, 15, and 17 of the **Accountant's Report**. The procedures we will carry out are as follows:

1. Review the trust bank reconciliation and trust liability reconciliation for each of the _____ months in the fiscal year ended _____, _____ and ensure that:
 - (a) there are sufficient funds in the depositories to meet the trust liabilities;
 - (b) listings and reconciliation have been prepared monthly within 45 days of the date of the prior month's bank statement;
 - (c) there were no unreconciled differences; and

- (d) each trust reconciliation was dated and bore the signature of the Designated Individual, or a person appointed by the Designated Individual.
2. For the selected months, review a number of trust transactions. Determine that they were entered in the mortgage broker's trust ledger accounts with supporting records and that, for each mortgage transaction:
 - (a) there is a written agreement between the mortgage broker and any person providing mortgage or other trust money, expressly acknowledging the trust arrangement between them, and setting forth the terms under which the money is to be received and disbursed;
 - (b) a separate file has been maintained for each mortgage;
 - (d) deposit slips in sufficient detail have been prepared to permit the identification of the payment into the account of each receipt of trust money recorded; and
 - (e) cancelled cheques or other supporting documentation with sufficient detail have been prepared to permit the identification of withdrawals made from the account of each disbursement of trust money recorded.
3. Verify by tracing to supporting documents the information on the trust bank account reconciliation for each of the selected months.
4. Confirm directly with the depositories as at _____, _____ the balances of all trust accounts disclosed in the **Mortgage Broker's Representations to the Registrar of Mortgage Brokers**. Agree the amounts confirmed with the balances on the mortgage broker's trust bank reconciliation, and review the reconciling items on the bank reconciliation.
5. Compare trust ledger balances from selected trust ledger accounts to the listing of trust liabilities, and compare selected balances from the listing to the trust ledger accounts (both at the end of the selected months).
6. Trace the details of the last receipt of the selected months and the first receipt for the next month from the trust liability records to the trust bank records to ensure that the entries were recorded in the appropriate months.
7. Trace the last five disbursements of the selected months and the first five disbursements for the next month from the trust liability records to the trust bank records to ensure that the entries were recorded in the appropriate months.
8. Trace the trust liability month-end balances of the accounts examined in procedures 6 and 7 above to the listing of trust liabilities applicable to that date.
9. For the selected months, trace a number of deposits from the trust ledger to the bank deposit books, bank statements and supporting records, and confirm that the deposits were made within two banking days after their receipt or within any further period agreed to in writing by the parties to the transaction.

10. For the selected months, examine disbursements from the trust accounts to determine whether the disbursements are in accordance with the timing and other terms of trust governing the use of that money.
11. Scrutinize selected trust ledger liability accounts and report any debit balances.
12. Scrutinize the mortgage broker's trust and general depository statements and passbooks covering the year and report all overdrafts, dishonoured cheques and cash receipts exceeding \$10,000 that occurred during the year.
13. Determine, by inquiry and observation, whether the mortgage broker has a general account for funds other than trust funds. Verify a number of receipts and disbursements in the general account for the selected months to ensure that they are not trust transactions.
14. Verify a number of receipts and disbursements in the trust account for the selected months to ensure the following, wherever applicable:
 - (a) the trust monies are separated and apart from monies that belong to the mortgage broker;
 - (b) a commission, fee, other remuneration, or reimbursement of expenses incurred has been withdrawn by cheque after it has become payable, but not before;
 - (c) money received by a mortgage broker from a person buying or proposing to buy a mortgage from the mortgage broker on account of the purchase price thereof has been withdrawn by the mortgage broker from the trust account when the mortgage concerned has been transferred to that person, or their nominee, but not before; and
 - (d) no service charge or other charge has been deducted from the monies in the trust account by the depository at which the trust is maintained.
15. Forward a copy of the **Accountant's Report** to the Designated Individual and discuss the contents with the Designated Individual.

We will report on the results of the preceding procedures. So that we may carry out this engagement, you will make available to us all books, correspondence with the Registrar of Mortgage Brokers, records and accounts pertaining to the mortgage broker operations for the fiscal year ended _____, _____. The mortgage broker will also provide us with the following:

1. **Mortgage Broker's Representations to the Registrar of Mortgage Brokers**, in the approved form, duly completed and signed for the fiscal year ended _____, _____.
2. **Accountant's Report**, in the approved form, for our completion.

We will discuss the details of the completed **Accountant's Report** with you and provide you a copy of the report for forwarding to the Registrar of Mortgage Brokers of British Columbia.

Name of the director

Signature of the director and Date

**Table of Recommended Minimum Examination Guidelines for
Mortgage Brokers**
(for use in completing the Accountant's Report)

Estimated Monthly Transactions	Recommended Examination Numbers in Selected Months
0-50	Examine all transactions (to a maximum of 10)
51-200	Examine 20% of all transactions
Over 200	Examine 40 transactions