

Inventory:

We examined the inventory in mid-August at all known locations. The examinations were then reconciled back to June 30, 1974 based upon information at the Agency and the storage locations. The inventory records of the Agency were inaccurate and not up to date at the time of our examination and we had to work from the Agency's files to determine the location of the inventory. These records are still not up to date nor have they been corrected. There were several locations where eggs were stored and not examined by us because the locations were not known to us or the Agency at the date of the examination.

During the six months period, the Agency changed the perpetual inventory system and did not forward the egg quantities from the old cards onto the new cards. In addition all the sales of eggs were not recorded on the kardex system. This made it impossible to compare our physical examination with the kardex and we found that the kardex was totally unreliable.

We were unable to determine the quality of the inventory at the time of our examination and we were unable to enlist the services of a sufficient number of qualified experts in this field to assist us.

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We would be pleased to discuss these matters further with you at your convenience.

Yours very truly,

Touche, Ross & Co.

cc: Honourable E. F. Whelan, Minister of Agriculture
National Farm Products Marketing Council

November 21, 1974

CANADIAN EGG MARKETING AGENCY

Can a clear audit certificate be given for 1975?

Yes, provided rectifications (as below) are made within 2-3 months (maximum) from this date.

Rectifications:

See letters Touche Ross & Co. May 10, 1974 and October 24, 1974 attached re problems.

Suggested Solutions:

1. Issue clear instructions from CEMA setting forth uniform procedures to be followed at the provincial level re levy and surplus removal. It is understood that CEMA will not be carrying an inventory in future.

2. Follow these up with some method of enforcement and strong penalties.

3. Amend the levy order to a practical basis rather than a levy on *all* eggs produced.

4. Amend the law so that CEMA has the right to control the number of hens. As it is now, the law only gives control of marketing. In addition, any production formula for determining surplus removal costs for each province has to be agreed to and adhered to by the provincial boards.

5. Have provinces keep records that clearly support within and over quota production.

6. The external audit should be more extensive at the provincial level by CEMA's external auditors and better still would be the arrangement that CEMA's auditors be appointed auditors of the provincial boards. Alternatively, CEMA's external auditors could at least be appointed co-auditors of the provincial boards.

7. To have records and operation properly controlled there should be much more direct management and planning at least six months ahead. Preferably strong central control with clearly defined responsibility for planning, co-ordination, control, operation and performance.

8. Such an organization as CEMA would require a "within house" independent review within the audit function to agree to a clear certificate. Thus, it is impossible to guarantee a clear certificate. It depends upon circumstances at the year end.

A copy of the relevant Minutes of Proceedings and Evidence (*Issues Nos. 1 to 16*) is tabled.

(*The Minutes of Proceedings and Evidence accompanying the Report recorded as Appendix No. 30 to the Journals*).

The House resumed consideration of a point of order in relation to the language and content of the petition presented to the House on Tuesday, December 10, 1974 by the honourable Member for St. Paul's (Mr. Roberts);

RULING BY MR. SPEAKER

MR. SPEAKER: If there are no other honourable Members who wish to continue this interesting discussion, I would remind the House, with respect to the able and experienced Members who have made contributions, that the question before us is, of course, not one of the acceptability of the petition. The petition in its written form has been accepted; there is no restriction with respect to that of form which applies to acceptance by