

3. One province did not segregate the surplus removal proceeds between within-quota and over-quota surplus but simply made an allocation of the proceeds between the two pools.

\* \* \*

These matters highlight the problems we encountered during our audit. We would require that they be rectified before we can consider giving an unqualified opinion on the financial statements. Then too, there is the problem that almost 5 months have passed in 1974.

In addition, most of the provinces have independent auditors who render an opinion on the financial statements of the Provincial Boards. We would like to have the opportunity to discuss with the various provincial auditors the timing of their audit reports and the approach they will be taking to their current year's audit. The timing of the completion of their audit is of the utmost importance to us if we are to receive their report before our final year end audit. We understand you are planning to hold your annual meeting after March 31 in future although we note that your by-law 15 should be given the provincial auditors to give us what we need in time states that your annual meeting is to be held within 3 months of your fiscal year end. Enough time should be given the provincial auditors to give us what we need in time for us to meet our deadline. Could CEMA request the Provincial Boards at this time to ask their auditors to co-operate in the foregoing?

These were our main problems although there may be some other items arising which we do not foresee at this time.

Yours very truly,

Touche, Ross & Co.

c.c. National Farm Products Marketing Council

October 24, 1974

Canadian Egg Marketing Agency  
Suite 805  
116 Albert Street  
Ottawa, Ontario  
K1P 5G3

Gentlemen:

On May 10, 1974, we wrote to you (copy attached) outlining the problems that we encountered during our audit of the Canadian Egg Marketing Agency which gave rise to our denial of opinion on your 1973 financial statements. Substantially all of these problems existed during the period January 1, 1974 to June 30, 1974 together with some additional problems concerning inventory matters.

*Levies:*

All of the items raised in our May 10th letter with regard to levies remain unchanged with one exception. Some provincial boards have instituted legal action to collect unpaid levies from producers although this situation is still not prevalent.

The Province of New Brunswick has not acknowledged the levy increases that have been approved by the Agency. This province has been remitting the levy to the Agency only on the basis of 1¢ per dozen. The Agency's financial statements at June 30, 1974 reflect the levy due from New Brunswick on the authorized basis and hence contain a disputed receivable of \$42,823 from this province.

The Manitoba provincial board does not check the numerical continuity of the producer reports. Hence, we as auditors, cannot determine that all production in the Province has been recorded and that the Agency has received all its levy.

The British Columbia provincial board has an internal audit section. In some instances where internal audits have been performed, actual production was shown to be in excess of reported production.

*Surplus Removal:*

Our main problem concerning the year ended December 31, 1973 was the impossibility of determining from the records in the provinces whether or not the surplus eggs were within or over quota. This problem also existed during the six months ended June 30, 1974. In fact, most of the surplus eggs in this period were reported as being within quota. The surplus eggs reported as over quota were minimal.

The Province of Nova Scotia is claiming an additional amount of approximately \$70,000 for surplus eggs within 100% of quota for the first 10 weeks in which provincial allotments were reduced to 90%.

During an audit of the Manitoba board by the Agency's internal audit staff they determined that the Agency had been overcharged by this board by approximately \$123,000. This amount is made up of various items including dyeing charges not allowed by the Agency and sales proceeds from eggs which had not been credited on the surplus removal claim form to the Agency. Manitoba has acknowledged \$90,000 of this claim at the present time and this has been adjusted in the Agency's June 30, 1974 financial statements.

The audit of the Quebec board by the Agency's internal auditors showed that in several instances the Quebec board charged twice at intervention price for the same deliveries, thus resulting in an overcharge by the Quebec board of \$18,846. This has been agreed to by the Quebec board and has been adjusted in the Agency's June 30, 1974 financial statements.