

## APPENDIX "B"

December 6, 1974

Mr. Richard Prigent  
 Clerk Special Committee on Egg Marketing  
 Committees and Private Legislation Branch  
 Room 620, Vanguard Building  
 Ottawa, Ontario

Dear Mr. Prigent:

A member of the Special Committee on Egg Marketing, Mr. Donald Mazankowski, has communicated with us and asked for more detailed information concerning our audit of the Canadian Egg Marketing Agency.

Attached is a copy of our letters dated May 10, 1974 and October 24, 1974 addressed to CEMA.

Further, Mr. Paul Babey, Chairman of the National Farm Products Marketing Council, posed a question to us recently. He wished to know whether an unqualified auditors' certificate could be given by the auditors of CEMA for the year 1975, and we provided him with a memorandum from us dated November 21, 1974, copy attached, setting forth our thoughts on this question.

Yours very truly,

Touche, Ross & Co.

C. G. Gale/lm  
 cc: Mr. Donald Mazankowski  
 National Farm Products Marketing Council  
 Canadian Egg Marketing Agency  
 Herridge Tolmie et al

May 10, 1974

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

Gentlemen:

We are writing to you to outline 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.

The problem was that basically the provincial accounting systems were not set up to control and collect the levy or keep track of the surplus production of eggs and the problem can be looked at in two phases.

#### Levy

1. The levies order indicates that a levy is to be collected on *all* eggs produced in Canada. As a practical matter, the Provincial Marketing Boards only attempt to collect the levy from producers with more than a minimum flock size which varies from province to province. This

presents a problem for the auditor because, although the levy is due on all production in Canada, there is an undetermined amount of levy for which no attempt at collection is made.

We understand that as a matter of policy CEMA does not expect to collect levy from unregulated producers with flocks of less than minimum size. The various provincial boards have not been consistently instituting legal action for unpaid levies from registered producers. If there are to be exceptions to the policy laid down in the Canadian Egg Marketing Levies Order of May 25, 1973 and subsequent regulations, we feel that amendments should be made to this order to bring it into agreement with the practices of the Agency.

2. Some provinces use a stamp or seal system for collection of the levy. This presents two problems from our point of view namely:

- a) the money remitted to CEMA is based upon the purchase of stamps by the producers so that there is a prepayment of levy to CEMA and
- b) there appears to be little or no control over the stamps revenue so that an independent auditor can determine that all the revenue from the sale of the stamps was recorded and reported as revenue.

3. One province remits the levy to CEMA based upon an estimate of production and no attempt is made to make any adjustment based upon the actual production figures.

4. Another province bills the producers for the levy on a quarterly basis based upon records they keep on the number and age of the producers' hens. If the producers pay the levy the province is happy with the billing but we do not know if they have been properly billed. Because there is no apparent adjustment of the levy to actual production figures, this is unsatisfactory from our point of view.

5. Still another province bases its levy payment to CEMA on Canada Department of Agriculture statistics plus a constant figure. This procedure does not ensure that CEMA receives its levy on all actual production.

#### Surplus Removal

1. The main problem that we encountered was the impossibility of determining from the existing records in the provinces whether or not the surplus eggs were within-quota or over-quota. The operation of the quota system is not consistent among the provinces and further there seems to be a lack of understanding of the CEMA quota system by some of the Provincial Boards.

2. Some provinces used an "average" proceeds for the disposal price of the surplus eggs rather than an actual selling price.