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April 15, 2010

Annual External Audit of Credit Unions and Caisses Populaires – High Risk Areas

This letter contains important information for management, audit committees and external auditors in planning for the annual external audits of credit unions/caisses populaires.

The attached appendix identifies areas that are considered as high risk areas within credit unions/caisses populaires. These items should be considered by management and audit committees when considering and reviewing their internal control structures and business policies and may be considered by the auditor in planning and performing the audit. These areas are also addressed in a separate publication, “High Risk Areas in Credit Unions and Caisses Populaires”, which is available on DICO’s website.

DICO places significant reliance on the work of the external auditor in reporting any material issues that have come to their attention when conducting the annual audit engagement. In accordance with Section 172 of the Act, the auditor is required to report any transaction or conditions that have come to the auditor’s attention adversely affecting the credit union that, in the auditor’s opinion, are not satisfactory and require rectification, including any circumstances that indicate there may have been a contravention of the Act or Regulations.

In that regard, auditors should be familiar with Assurance and Related Services Guidelines (AUG) 13, Special Reports on Regulated Financial Institutions, and AUG 17, Transactions or Conditions Reportable Under the “Well-being” Reporting Requirement” in Federal Financial Institutions Legislation. These provide guidance for external auditors regarding derivative reporting requirements of regulated financial institutions. Some of the items included in the appendix may be reportable under these audit guidelines.

As a result of the audit and information brought to DICO’s attention and pursuant to Sections 171 and 171.1 of the *Credit Unions and Caisses Populaires Act, 1994 (the “Act”)*, DICO or the Superintendent may require the auditor of a credit union or caisse populaire to report on the extent of the auditor’s procedures in the examination of the institution’s financial statements, enlarge or extend the scope of that examination, or perform any other specific procedures. This may require a special engagement between the credit union and the auditor, with reporting based on a framework available to public accountants under the applicable professional standards and with clearly defined and agreed upon criteria between the auditor and DICO.

DICO would like to draw the auditors attention to the specific Sections and Subsections of the Act that relate to the financial audit, specifically 169 (1, 2, 3, 3.1), 169 (8), 171.1, 171 (1) and 172.

DICO would also like to thank the Institute of Chartered Accountants of Ontario and the Auditor Advisory Committee for the assistance they have provided in developing this guidance.

Should you have any questions, please do not hesitate to contact the DICO Risk Analyst for your credit union/caisse populaire.

Yours truly,

Andy Poprawa
President and CEO

Copies to: Chair
 CEO