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Reporting Requirements for Mortgage Administrators

Section 3 of Ontario Regulation 193/08 – Reporting Requirements for Licensees made under the Mortgage Brokerages, Lenders and Administrators Act, 2006 requires the following reporting by mortgage administrators:

1. Within 90 days after the end of every fiscal year, every mortgage administrator shall give the Superintendent,
 - (a) a copy of its audited financial statements for the year;
 - (b) a copy of a report by the auditor about the books, records and accounts of the mortgage administrator for the year, in a form approved by the Superintendent; and,
 - (c) a copy of a report by the auditor about the mortgage administrator's trust account and the assets and liabilities under administration for the year, in a form approved by the Superintendent.

You can email the required information to FSCO at CCOUpdates@fSCO.gov.on.ca.

For paragraphs (a) and (b):

Please discuss the scope of your auditor's engagement to ensure that your auditor provides an audit opinion to meet the reporting requirements, with respect to your financial statements. To meet the requirement in paragraph (b), you must:

1. Advise your auditor that you will provide a copy of their management letter¹ to FSCO, or confirm that your auditor will not issue a letter regarding paragraph (b); and,
2. Provide FSCO with a copy of your auditor's management letter, or notify FSCO that a letter will not be issued by your auditor regarding paragraph (b).

For paragraph (c):

The auditor's report must address your compliance with the requirements and standards under the Mortgage Brokerages, Lenders and Administrators Act, 2006 (the Act), for mortgage administrators who manage and keep records for trust accounts, assets and liabilities under administration. Please discuss the scope with your auditor. Your auditor will require a direct engagement for this purpose. It is the expectation of the Superintendent that the auditor shall

perform a reasonable assurance compliance reporting engagement to perform procedures to obtain evidence about the entity's compliance with the requirements of the Act.

A sample report² under paragraph (c) follows.

INDEPENDENT AUDITOR'S REASONABLE ASSURANCE REPORT ON COMPLIANCE

For purposes of the sample report, the following circumstances are assumed:

- The mortgage administrator is in compliance with the specified requirements for the period.
- The auditor is issuing an unqualified opinion.
- Headings will be used in the report.

To the Financial Services Commission of Ontario,

We have undertaken a reasonable assurance engagement of [name of mortgage administrator]'s compliance during the period of [Month day, year] to [Month day, year], with the standards in the Mortgage Brokerages, Lenders and Administrators Act, 2006 (the "Act") applicable to mortgage administrators with trust funds ("the specified requirements"). These standards are contained in Ontario Regulation 189/08 (Mortgage Administrators: Standards of Practice) and Ontario Regulation 193/08 (Reporting Requirements for Licensees).

Management's Responsibility

Management is responsible for [name of mortgage administrator]'s compliance with the specified requirements of the Act. Management is also responsible for such internal control as management determines necessary to enable [name of mortgage administrator]'s compliance with the specified requirements.

Our Responsibility

Our responsibility is to express a reasonable assurance opinion on [name of mortgage administrator]'s compliance based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements 3531, Direct Engagements to Report on Compliance. This standard requires we plan and perform this engagement to obtain reasonable assurance about whether [name of mortgage administrator] complied with the specified requirements, in all significant respects.

Reasonable assurance is a high level of assurance, but is not a guarantee that an engagement conducted in accordance with this standard will always detect a significant instance of non-

compliance with specified requirements when it exists. Instances of non-compliance can arise from fraud or error and are considered significant if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report. A reasonable assurance compliance reporting engagement involves performing procedures to obtain evidence about the entity's compliance with the specified requirements. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of significant non-compliance, whether due to fraud or error.

We believe the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Our Independence and Quality Control

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Canadian Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews and Financial Statements, and Other Assurance Engagements and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion

In our opinion, [name of mortgage administrator] complied with the specified requirements established under the Act during the period [Month day, year] to [Month day, year], in all significant respects.

We do not provide a legal opinion on [name of mortgage administrator]'s compliance with the specified requirements.

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate] [Date]

[Auditor's Address]

Resources

It is your responsibility to comply with Ontario Regulation 193/08. You should make yourself familiar with this Regulation, and make use of all resources available to you. Resources such as the Compliance Checklist for Managing the Mortgage Administrator, Keeping Records and Trust Accounts (available at

[Compliance and fraud checklists for the mortgage brokering industry](#)) will help you ensure that your business is in compliance at all times.

Endnotes

1. A management letter is an auditor's letter addressed to the mortgage administrator which can identify issues not required to be disclosed in the audited financial statements, but represents the auditor's concerns and suggestions noted during the audit.

2. The sample report reflects new Canadian Standards on Assurance Engagements [CSAE 3001 and CSAE 3531] effective for compliance reports issued on or after April 1, 2019, although early application is permitted.