



FORM MB-1 (Mortgage Broker)
ENGAGEMENT LETTER
Between Accountant and Client
CLOSING AUDIT

This document is to be retained by the brokerage and/or accounting firm.
 The Real Estate Council of Alberta does not require a copy unless requested.

PURSUANT TO THE REAL ESTATE ACT

Since July 1996, when the Real Estate Act became law, the Real Estate Council of Alberta (RECA) has been responsible for regulation of the real estate and mortgage broker industries in Alberta. For more information, please contact **RECA, 202 - 1506 11 Ave SW, Calgary, AB, T3C0M9** .
 Phone (403) 228-2954 or (toll free in Alberta) 1-888-425-2754. E-mail info@reca.ca
 Website: www.reca.ca

The brokerage to be reported on is:

<i>Brokerage</i>		
<i>Address</i>		
<i>City</i>	<i>Province</i>	<i>Postal Code</i>
<i>Phone</i>	<i>Fax</i>	<i>E-mail</i>
<i>Name of Broker</i>		

Dear Sir or Madam:

This letter sets the terms of our engagement as accountants for the purpose of reporting under Rule 90 pursuant to the *Real Estate Act*.

This engagement, for the period ended _____, _____ (*date of mortgage brokerage licence termination*) will be limited to the procedures outlined below, except where those procedures are extended as directed by you in writing. **Any such additional procedures shall be attached to this letter and become part of the engagement.**

The **Table of Recommended Minimum Examination Guidelines**, on the last page of this document, will be used in our examination. In completing the **Accountant's Report**, we will select a month of our choice within the period being reported upon. The month selected (hereinafter referred to in this report as the "selected month") will be reported to the Real Estate Council of Alberta and used for the purpose of completing procedures 2, 3, 5, 6, 7, 8, 9, 10, 11 and 14 of the **Accountant's Report**. The procedures we will carry out are as follows:

1. Review the trust bank reconciliation and trust liability reconciliation for each of the _____ months in the period ended _____, _____ (*date of mortgage brokerage's licence termination*) and ensure that:
 - (a) there are sufficient funds in the depositories to meet the trust liabilities,
 - (b) listings and reconciliation have been prepared monthly within 30 days of the date of the prior month's bank statement,
 - (c) there were no unreconciled differences, and
 - (d) each trust reconciliation was dated and bore the signature of the broker.

2. For the selected month, review a number of trust transactions. Determine that they were entered in the brokerage's trust ledger accounts with supporting records and that, for each mortgage transaction:
 - (a) there is a written agreement between the brokerage and the person providing the mortgage or other trust money, expressly acknowledging the trust arrangement between them, and setting forth the terms under which the money is to be received and disbursed, and
 - (b) a separate file has been maintained for each mortgage.
3. Verify by tracing to supporting documents the information in the trust bank account reconciliation as at the end of the selected month.
4. Confirm directly with depositories as at _____, _____ (date of licence termination) all trust accounts disclosed in the **Mortgage Brokerage's Representations to the Real Estate Council of Alberta**. Agree the amounts confirmed with the balances on the brokerage's trust bank reconciliation, and review the reconciling items on the bank reconciliation.
5. Compare trust ledger balances from selected trust ledger accounts to the listing of trust liabilities, and compare selected balances from the listing to the trust ledger accounts (both at the end of the selected month).
6. Trace the details of the last receipt of the selected month and the first receipt for the next month from the trust liability records to the trust bank records to ensure that the entries were recorded in the appropriate month.
7. Trace the last five disbursements of the selected month and the first five disbursements for the next month from the trust liability records to the trust bank records to ensure that the entries were recorded in the appropriate month.
8. Trace the trust liability month-end balances of the accounts examined in procedures 6 and 7 above to the listing of trust liabilities applicable to that date.
9. For the selected month, trace a number of deposits from the trust ledger to the bank deposit books, bank statements and supporting records, and confirm that the deposits were made within two banking days after their receipt or within any further period agreed to in writing by the parties to the trade.
10. For the selected month, examine disbursements from the trust accounts to determine whether the disbursements are in accordance with the timing and other terms of trust governing the use of that money.
11. Scrutinize selected trust ledger liability accounts and report any debit balances greater than \$100 that have arisen during the period being reported on.
12. Scrutinize the brokerage's trust depository statements and passbooks covering the period being reported on for depositories disclosed in the **Mortgage Brokerage's Representations to the Real Estate Council of Alberta** and report all overdrafts that occurred during the period.
13. Determine, by inquiry and observation, whether the brokerage has a general account for funds other than trust funds.

14. Verify a number of receipts and disbursements in the general account for the selected month to ensure that they are not trust transactions.
15. Forward a copy of the **Accountant's Report** to the broker and discuss the contents with the broker.

These procedures do not constitute an audit and therefore we will not express an opinion about the accuracy or completeness of the trust books, records and financial information provided, or about whether or not there were any irregularities during the period that were not disclosed to us. However, we will report on the results of the preceding procedures.

So that we may carry out this engagement, you will make available to us all books, correspondence with the Real Estate Council of Alberta and its Executive Director, records and accounts pertaining to the mortgage brokerage for the period ended _____, ____ (date of licence termination). Your brokerage will also provide us with the following:

1. **Mortgage Brokerage's Representations to the Real Estate Council of Alberta**, in the approved form, duly completed and signed for the period ended _____, ____ (date of licence termination).
2. **Accountant's Report**, in the approved form, for our completion.

We will discuss the details of the completed **Accountant's Report** with you and provide you a copy of the report for forwarding to the Real Estate Council of Alberta.

Our fees for services rendered will be based on the time spent by us, plus any out of pocket expenses that we incur.

Please review this letter carefully, sign, date, and return one copy to us.

Yours very truly,

Name of Accountant and Accounting Firm

Date

Signature of Accountant

The terms set out in the foregoing letter are hereby agreed to.

Name of Broker

Date

Signature of Broker

**Table of Recommended Minimum Examination Guidelines
for Mortgage Brokerages**
(for use in completing the Accountant's Report)

SINGLE LENDORS	
Estimated Monthly Transactions	Recommended Examination Numbers in Selected Month
0-50	Examine all transactions (to a maximum of 10)
51-200	Examine 20% of all transactions
Over 200	Examine 40 transactions

MULTIPLE LENDORS OR UNDIVIDED INTERESTS	
Number of Transactions in Selected Month	Recommended Examination Numbers in Selected Month
0-50	Examine all transactions to a maximum of ten (10)
Over 50	Examine 25% to a maximum of twenty-five (25)
<p>In the selected month, transactions that make up the recommended examination numbers shown above should be selected from a range of transaction types. Use the following proportions as far as applicable transactions allow.</p>	
Total Transactions Examined in Selected Month should be made up of:	Transactions with a value of:
35%	Less than \$1Million
25%	\$1 Million to Less than \$10 Million
20%	\$10 Million to Less than \$100 Million
20%	\$100 Million and Over