Message

From: susan.nicholson@ieso.ca [susan.nicholson@ieso.ca]
Sent: 2018-04-08 5:31:58 PM
To: John Rattray [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=0c3134c1c2744b1ea8ff0e5ddd13dfe4-John Rattra]
CC: Jordan Penic [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=7d23bcd450594583bb40b447b35485da-Jordan Peni]; Anthy Lovachis [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=42a8bb25d4b341b6aa9c16b1ddbc0790-Anthy Lovac]
Subject: Re: Question from Globe for Review

Thank you for looking into this John.

Sent from my iPhone

On Apr 8, 2018, at 5:13 PM, John Rattray <John.Rattray@ieso.ca> wrote:

> Under the Electricity Act we are required to comply with certain section of the Business Corporation Act and the Corporation Act. Under the Corporations Act the IESO is required to have an audit (also required under the EA), and keep proper records. The section of the Corporation Act which requires directors to sign off is not applicable to the IESO, but the EA section 25.3 requires our annual report to be signed by the Chair, and section 12 requires directors to act honestly. I would go with the response you jointly developed below and not get into the weeds on this.
>
> John
>
> ## O Reg 610/98 provides:
>
> ## Application of the Business Corporations Act and the Corporations Act
>
> **4.** (1) The following provisions of the *Business Corporations Act* apply, with necessary modifications, to the IESO:
> 1. Subsections 132 (1) to (7) and 132 (9).
> 2. Section 136. O. Reg. 610/98, s. 4 (1); O. Reg. 334/07, s. 3 (1).
>
> (2) For the purposes of subsection (1),
> (a) a reference in the *Business Corporations Act* to an officer of a corporation shall be deemed to include a member of a panel established by the IESO; and
> (b) a contract or transaction that requires compliance with any of the market rules is not for that reason alone a material contract or transaction for the purposes of section 132 of *the Business Corporations Act*. O. Reg. 610/98, s. 4 (2); O. Reg. 334/07, s. 3 (2).
> (3) Despite subsection (1), subsections 132 (1) to (7) and 132 (9) of the *Business Corporations Act* do not apply,
> (a) so as to prohibit a director of the IESO or a member of a panel established by the IESO from voting on the market rules or an amendment to the market rules; or
> (b) so as to require a director of the IESO or a member of a panel established by the IESO, in connection with a vote on the market rules or an amendment to the market rules, to make any disclosure or request any entry in the minutes of meetings. O. Reg. 610/98, s. 4 (3); O. Reg. 334/07, s. 3 (3).
>
> **5.** The following provisions of the *Corporations Act* apply, with necessary modifications, to the IESO:
> 1. Subsections 59 (1) and (2) and sections 60 and 61.

2. Section 96.
3. Section 122.
4. Sections 273 and 275.
5. Subsections 286 (4) and (5) and section 292.
6. Subsection 298 (4) and sections 299 to 305. O. Reg. 610/98, s. 5; O. Reg. 334/07, s. 4.
6. Revoked: O. Reg. 334/07, s. 5.

Section 96 of the Corporation Act provides:

Annual audit

96 (1) The auditor shall make such examination as will enable the auditor to report to the shareholders as required under subsection (2).

Auditor's report

(2) The auditor shall make a report to the shareholders on the financial statement, other than the part thereof that relates to the period referred to in subclause 97 (1) (b) (ii), to be laid before the company at any annual meeting during the auditor's term of office and shall state in the report whether in the auditor's opinion the financial statement referred to therein presents fairly the financial position of the company and the results of its operations for the period under review in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Idem

(3) If the financial statement contains a statement of source and application of funds or a statement of changes in net assets, the auditor shall include in the auditor's report a statement whether in the auditor's opinion, in effect, the statement of source and application of funds or the statement of changes in net assets presents fairly the information shown therein.

Idem

(4) The auditor in the auditor's report shall make such statements as the auditor considers necessary,

(a) if the company's financial statement is not in agreement with its accounting records;

(b) if the company's financial statement is not in accordance with the requirements of this Act;

(c) if the auditor has not received all the information and explanations that the auditor has required; or

(d) if proper accounting records have not been kept, so far as appears from the auditor's examination.

Right of access, etc.

(5) The auditor of a company has right of access at all times to all records, documents, books, accounts and vouchers of the company and is entitled to require from the directors and officers of the company such information and explanation as in the auditor's opinion are necessary to enable the auditor to report as required by subsection (2).

Auditor may attend shareholders' meetings

(6) The auditor of a company is entitled to attend any meeting of shareholders of the company and to receive all notices and other communications relating to any such meeting that a shareholder is entitled to receive and to be heard at any such meeting that the auditor attends on any part of the business of the meeting that concerns the auditor as auditor. R.S.O. 1990, c. C.38, s. 96.

Books of account

302 A corporation shall cause to be kept proper books of account and accounting records with respect to all financial and other transactions of the corporation and, without derogating from the generality of the foregoing, records of,

(a) all sums of money received and disbursed by the corporation and the matters with respect to which receipt and disbursement took place;

(b) all sales and purchases of the corporation;

(c) the assets and liabilities of the corporation; and

(d) all other transactions affecting the financial position of the corporation. R.S.O. 1990, c. C.38, s. 302.

Untrue entries

303 A director, officer or employee of a corporation who makes or assists in making any entry in the minutes of proceedings mentioned in section 299, in the documents and registers mentioned in section 41 and subsection 300 (1) or in the books of account or accounting records mentioned in section 302, knowing it to be untrue, is guilty of an offence and on conviction is liable to a fine of not more than $1,000 or to imprisonment for a term of not more than three months, or both. R.S.O. 1990, c. C.38, s. 303; 2015, c. 38, Sched. 7, s. 47 (5).

Sections 108 and 330 do not apply to the IESO:

Approval of financial statement

108 The financial statement shall be approved by the board of directors, such approval to be evidenced by the signature at the foot of the balance sheet by two of the directors duly authorized to sign, and the auditor's report shall be attached to the financial statement or there shall be inserted at the foot of the balance sheet a reference to the report. R.S.O. 1990, c. C.38, s. 108.

Untrue statements

330 (1) Every person who makes or assists in making a statement in any return, certificate, financial statement or other document required by or for the purposes of this Act or the regulations made under this Act, knowing it to be untrue, is guilty of an offence and on conviction is liable to a fine of not more than $1,000 or to imprisonment for a term of not more than three months, or to both.

Limitation of action

(2) No prosecution under subsection (1) shall be commenced more than one year after the facts upon which the prosecution is based first came to the personal knowledge of the Minister or Deputy Minister. R.S.O. 1990, c. C.38, s. 330.

From: Susan Nicholson
Sent: April 07, 2018 3:02 PM
To: Jordan Penic; John Rattray; Anthy Lovachis
Subject: Fwd: Question from Globe for Review

John do we follow the business corporation act?

Sent from my iPhone

Begin forwarded message:

> **From:** "Betik, Matthew" <mbetik@kpmg.ca>
> **Date:** April 7, 2018 at 2:35:48 PM EDT
> **To:** Susan Nicholson <susan.nicholson@ieso.ca>
> **Subject: Re: Question from Globe for Review**
>
> It is not an audit requirement. May be a business corporations act, but I am not sure.
>
> Sent from my iPhone
>
> On Apr 7, 2018, at 2:24 PM, Susan Nicholson <susan.nicholson@ieso.ca> wrote:
>
>> Hi Matt, regarding the signature of the financial statements by Tim and Carole can you please confirm if that is a "requirement" of audit standards or of something else.
>>
>> Sent from my iPhone
>>
>> Begin forwarded message:

From: Jordan Penic <jordan.penic@ieso.ca>
Date: April 7, 2018 at 1:55:07 PM EDT
To: Susan Nicholson <susan.nicholson@ieso.ca>
Cc: Anthy Lovachis <Anthy.Lovachis@ieso.ca>
Subject: RE: Question from Globe for Review

Thanks Susan. Do you know where I could find whether the signature of the Board is a requirement of audit standards or not? I have also updated the response to reflect your comment about the signed management rep letter.

From: Susan Nicholson
Sent: April 06, 2018 5:08 PM
To: Jordan Penic
Cc: Anthy Lovachis
Subject: Re: Question from Globe for Review

Hi Jordan, I am not certain if the signature of board on the financial statements is a requirement of the audit standards or not. I also believe the signed management rep letter is a requirement of audit standards and not of PSAS. Let me know if you wish to discuss further.

Sent from my iPhone

On Apr 6, 2018, at 3:21 PM, Jordan Penic <jordan.penic@ieso.ca> wrote:

> Hi Susan,
>
> I have written a response below to the question posed by the Globe. Can you please let me know if you think this is technically accurate? There is also a remaining question that I have highlighted and am hoping you can address it.
>
> We're hoping to share this afternoon. Does Kim need to review?
>
> Let me know if you'd like to discuss.
>
> Cheers,
>
> Jordan
>
> **Q: For publicly-traded companies, there are certification requirements in Canada. For example, the CEO and CFO certify that the issuer's financial statements contain no misrepresentation, that the financial**

statements fairly present the financial condition of the issuer, and so on. Do those requirements apply to the IESO's financial statements? If not, what responsibilities are attached to signing off on the books of a government agency?

The IESO is required to have its financial statements audited on a yearly basis as outlined in the *Electricity Act, 1998*. When IESO engages its auditor as required under the Act, it signs a management representation letter meeting accounting audit standards. This letter identifies that management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board Chair and the Chair of the Audit Committee sign the IESO financial statements (NTD: Is this a requirements somewhere?).

As a best practice and to increase transparency for its financial statement users, the IESO also includes a Management Report in its financial statements that is signed by the CEO and CFO. This letter essentially summarizes the statements made in the management representation letter and identifies the independent third party auditor. This can be found on page 8 of our most recent Annual Report.

This email was sent to you by **KPMG** (http://info.kpmg.ca). To sign up to receive event invitations and other communications from us (we have some informative publications that may be of interest to you), or to stop receiving electronic messages sent by KPMG, visit the **KPMG Online Subscription Centre** (http://subscribe.kpmg.ca).

At KPMG we are passionate about earning your trust and building a long-term relationship through service excellence. This extends to our communications with you.

Our lawyers have recommended that we provide certain disclaimer language with our messages. Rather than including them here, we're drawing your attention to the following links where the full legal wording appears.

- **Disclaimer concerning confidential and privileged information/unintended recipient** (http://disclaimer.kpmg.ca).
- **Disclaimer concerning tax advice** (http://taxdisclaimer.kpmg.ca).

If you are unable to access the links above, please cut and paste the URL that follows the link into your browser.
