



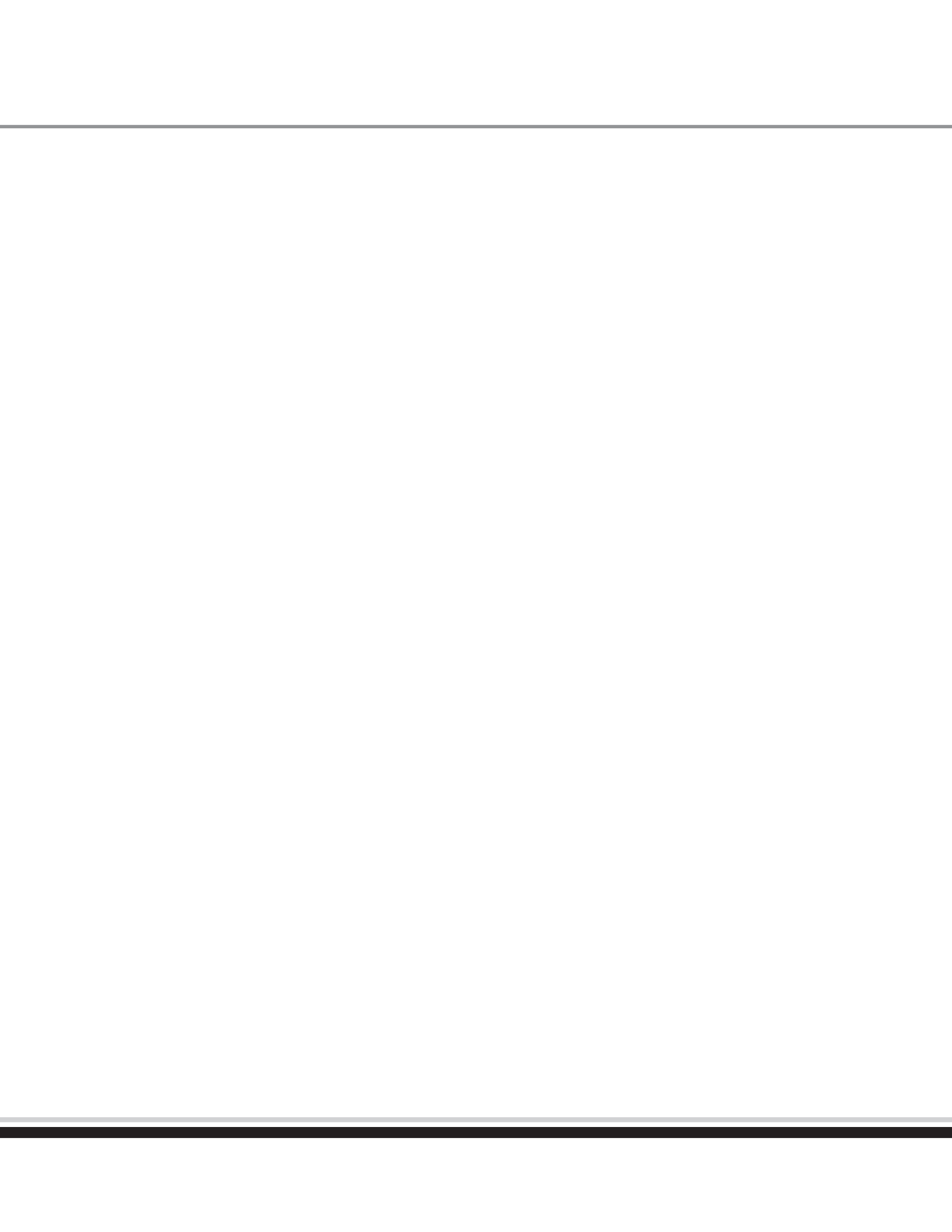
ELECTIONS BC

A non-partisan Office of the Legislature

AUDITOR'S GUIDE

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Preface

This guide has been prepared to provide guidance to auditors appointed under the *Election Act*. It is not the role of our office to tell auditors how to perform their audits, rather we wish to provide guidance on some of the unique issues that arise from the financial reporting requirements of the *Election Act*.

Our office is grateful for the input and assistance received from the advisory services staff of the Chartered Professional Accountants of British Columbia.

Our office would also like to thank Gordon Cummings, FCPA, FCA of D&H Group LLP Chartered Professional Accountants, for his assistance in updating this guide.

Privacy

Elections BC has the authority to collect, use, disclose and dispose of personal information under the *Election Act* and the *Freedom of Information and Protection of Privacy Act*. This information is used to administer provisions of the *Election Act*.

For information about Elections BC's privacy policies, please visit elections.bc.ca/privacy or contact the **Privacy Officer, Elections BC** at 1-800-661-8683, privacy@elections.bc.ca or PO Box 9275 Stn Prov Govt, Victoria BC V8W 9J6.

Introduction

The *Election Act* requires participants in the British Columbia electoral process (leadership contestants, candidates, registered constituency associations and registered political parties) to prepare financing reports and appoint auditors to report on them. Audit reporting under the *Election Act* significantly enhances the public's confidence in the financing of the electoral process, as the auditor is required to report in accordance with Canadian generally accepted auditing standards.

When appropriately completed, the forms prescribed by Elections BC provide all the information required to be disclosed under the *Election Act*. While separate audited financial statements may be prepared, all submissions to Elections BC must be made on forms provided by Elections BC. Accordingly, these guidelines are prepared in relation to financing reports prepared and submitted on Elections BC forms.

This guide is only a summary of the *Election Act* and does not take precedence over the *Election Act*. Where relevant, sections of the *Election Act* have been included in brackets.

All auditors who have been asked to accept an appointment as auditor under the *Election Act* are strongly urged to obtain and become familiar with the following publications, which are available on the Elections BC website at elections.bc.ca:

- The *Election Act*
- Guide for Financial Agents Appointed Under the *Election Act*
- Annual Financial Report Completion Guide
- Election Financing Report Completion Guides
- Guide to the *Election Act*
- Leadership Contestant Financing Report Completion Guide
- Electoral Finance Newsletters

All of the above, except for the *Election Act*, are also available in paper copies from Elections BC.

The *Election Act* is available for purchase from Crown Publications.

As well, the *Income Tax Act* (British Columbia) should be referred to for detailed information on income tax receipts for political contributions.

To ensure that you are eligible to accept the appointment as an auditor, you should refer to section 179 of the *Election Act*. Members of the Chartered Professional Accountants of British Columbia (CPABC) who accept an appointment as an auditor are advised to confirm with CPABC that they are licensed for public practice in the appropriate category to perform this engagement. Chartered Professional Accountants who are not members of the CPABC, but who are members of other CPA bodies, are advised to contact CPABC to confirm the licensing requirements that may apply in British Columbia.

Another important source of information relevant to the audit is the original application for registration and any amendments (*note that Elections BC must be notified of changes to registration information*). This includes the following information regarding the registered entity:

- **name**
- **address**
- **telephone numbers**
- **financial agent**
- **auditor**
- **principal officers**
- **signing authorities**
- **banks at which deposits are to be made**
- **sample signatures**

A copy of the most recent registration documents filed with Elections BC may be obtained by contacting Elections BC.

Auditor appointment

Sections 170, 207, 209, 210 and 211 of Part 10 of the *Election Act* require filing, with Elections BC, of financing reports of candidates, leadership contestants, registered constituency associations and registered political parties. Certain reports must be filed with an auditor's report.

Section 179 of the *Election Act* requires that all registered political parties, registered constituency associations and candidates appoint an auditor. If the appointment ends for any reason, the organization or candidate must appoint a new auditor within 60 days of the vacancy occurring. Leadership contestants need not appoint an auditor unless their financing report meets the criteria which require that an audit be performed.

The auditor must be qualified to be the auditor of a company under sections 205 and 206 of the *Business Corporations Act* (British Columbia):

Persons authorized to act as auditors

- 205** A person is authorized to act as an auditor of a company only if
- (a) the person is a member of, or is a partnership whose partners are members of, a Provincial or Territorial Institute or Ordre of Chartered Accountants, or a Provincial or Territorial Organization of Chartered Professional Accountants, within Canada,
 - (b) the person is certified, under section 222, by the Auditor Certification Board, or
 - (c) the company is a reporting issuer or a reporting issuer equivalent and the person is
 - (i) a person referred to in paragraph (a) or (b) of this section, or
 - (ii) authorized to make an auditor's report under the *Securities Act*, or, in the case of a reporting issuer equivalent, under the legislation that applies to the company and has provisions that are comparable in scope and intent to the auditor qualification provisions of the *Securities Act* and the regulations made under that Act.

Independence of auditors

- 206** (1) For the purposes of subsection (3):
- “**immediate family**”, when used in reference to a person referred to in that subsection, means any of the following who resides with that person:
 - (i) the spouse of that person;
 - (ii) a parent or child of that person;
 - (iii) any relative of that person or of that person's spouse;
 - “**partner**”, when used in reference to a person referred to in that subsection, means any person with whom the person referred to in that subsection carries on in partnership the profession of public accounting.

- (2) A person who is not independent of a company, its affiliates or its directors and officers must not act as the auditor of the company.
- (3) For the purposes of this section, independence is a question of fact, but a person is not independent if:
 - (a) the person is a director, officer or employee of the company or of an affiliate of the company, or is a partner, employer, employee or member of the immediate family of such a director, officer or employee,
 - (b) the person, a member of the person's immediate family, a partner of the person or a member of the immediate family of a partner of the person, beneficially owns or controls, directly or indirectly, any material interest in a security of the company or of any of its affiliates, or
 - (c) the person is appointed a trustee of the estate of the company under the *Bankruptcy and Insolvency Act* (Canada) or is a partner, employer, employee or member of the immediate family of that trustee.

In addition, the *Election Act* disqualifies the following from being appointed as an auditor:

- (a) an election official, a voter registration official or an individual who is otherwise a member of the staff of the Chief Electoral Officer,
- (b) an individual who does not have full capacity to enter into contracts,
- (c) an individual who is the financial agent of the organization or individual to be audited,
- (d) a firm of which a member is the financial agent of the organization or individual to be audited, or an individual who is a member of the same firm as that financial agent, and
- (e) an individual who, at any time within the previous seven years, has been convicted of an offence under the *Election Act* or the *Recall and Initiative Act*.

The appointment of an auditor must be made on the Appointment of Auditor form, prescribed by Elections BC. The form must be fully completed so that it:

- includes the name, mailing address and telephone numbers of the auditor,
- is signed by a principal officer of the appointing organization or the appointing individual,
- indicates the effective date of the appointment, and
- includes a signed consent of the auditor.

As soon as possible after an appointment is made, a copy of the appointment form must be delivered to Elections BC or the District Electoral Officer, as applicable.

Audit requirement

The auditor is required to make a report to the financial agent if the total value of political contributions, election expenses or contestant expenses to be reported is \$10,000 or more [section 213(1)(b)]. The auditor's report must be filed with Elections BC by the financial agent, along with the financing report.

The specific provisions relating to the auditing of reports are contained in section 214 of the *Election Act*:

- (1) For every report that is to be audited under the *Election Act*, the auditor for the organization or individual must make a report to the financial agent.
- (2) Subject to any guidelines issued by the Chief Electoral Officer, the auditor must:
 - (a) conduct an audit in accordance with generally accepted auditing standards, and
 - (b) perform such tests and other procedures as in the auditor's judgment are necessary to determine whether the report has been prepared in accordance with generally accepted accounting principles.
- (3) An auditor must make any additional reports the auditor considers necessary if:
 - (a) the auditor has not received all information and explanations required from the financial agent or from the organization or individual on whose behalf the report has been prepared, or
 - (b) proper accounting records have not been kept by the financial agent.
- (4) The financial agent must give the auditor access at all reasonable times to the records of the financial agent and must provide the auditor with any information the auditor considers necessary to enable the auditor to give a report under this section.

Supplementary reports that a financial agent files with Elections BC under section 212 are **not** required to be audited.

If a political party or constituency association is deregistered, the auditor is required to prepare an audit report on the deregistration financial reports required by section 170 of the *Election Act*. The deregistration financial reports must be prepared in accordance with sections 207, 212 and 213. Deregistration financial reports do not need to be audited if:

- (a) the report is for a constituency association that is deregistered because an electoral district is disestablished, or
- (b) the organization has
 - (i) incurred \$5,000 or less in expenses, and
 - (ii) received \$5,000 or less in political contributions

during the period from the date of the last report filed under section 207 up to and including the last day the organization was registered.

The Chief Electoral Officer has the authority to require an auditor's report for any financing report filed.

Election expenses limits

An election expense is defined in section 183(1) of the *Election Act* as:

“the value of property or services used during a campaign period by or on behalf of a candidate, registered constituency association or registered political party

- (a) to promote or oppose, directly or indirectly, the election of a candidate, or
- (b) to promote or oppose, directly or indirectly, a registered political party.”

The amount of election expenses which may be incurred on behalf of registered political parties and candidates is limited.

For a registered political party the limit is:

- \$4.4 million during the campaign period.

For a candidate the limit is:

- \$70,000 during the campaign period.

These spending limits will be adjusted for changes to the consumer price index. The adjusted limits will be posted on Elections BC's website (elections.bc.ca).

Relevant dates

The *Election Act* considers a financing report to be filed when the report is accepted by the office of the Chief Electoral Officer during its regular business hours. Financing reports may also be delivered to any Service BC Centre.

ANNUAL FINANCIAL REPORTS

REGISTERED POLITICAL PARTIES AND CONSTITUENCY ASSOCIATIONS

- **Reporting period** January 1 (or the date the statement of assets and liabilities filed with its application for registration) to December 31
- **Reporting deadline** March 31 of the following year
- **Late filing deadline** June 29 of the following year
Late reports must be submitted with a \$100 late filing fee

LEADERSHIP CONTESTANT FINANCING REPORTS

- **Reporting period**

Political contributions - all political contributions accepted in relation to the seeking of the leadership must be reported, regardless of when they were collected

Contestant expenses - all contestant expenses incurred in relation to the seeking of the leadership must be reported, regardless of when they were incurred
- **Reporting deadline** 90 days after the leader is selected
- **Late filing deadline** 120 days after the leader is selected
Late reports must be submitted with a \$500 late filing fee

Notes:

A leadership contestant cannot issue income tax receipts. The reporting period will vary for every leadership contestant. In accordance with section 211 of the *Election Act*, a leadership contestant who is acclaimed may not be required to file a financing report if no financial transactions occurred.

ELECTION FINANCING REPORTS

REGISTERED POLITICAL PARTIES

- **Campaign period** The period between when an election is called and the close of general voting
- **Reporting period**

Political contributions - from January 1 of the year the election was held until the end of the campaign period

Election expenses - the value of property or services used during the campaign period to promote or oppose, directly or indirectly, a registered political party or the election of a candidate
- **Reporting deadline** 90 days after General Voting Day
- **Late filing deadline** 120 days after General Voting Day
Late reports must be submitted with a \$500 late filing fee

ELECTION FINANCING REPORTS

REGISTERED CONSTITUENCY ASSOCIATIONS

- **Campaign period** The period between when an election is called and the close of general voting
- **Reporting period**

Political contributions - from January 1 of the year the election was held until the end of the campaign period

Election expenses - registered constituency associations can only incur election expenses on behalf of a candidate during a campaign period. Such expenses are reported by the candidate
- **Reporting deadline** 90 days after General Voting Day
- **Late filing deadline** 120 days after General Voting Day
Late reports must be submitted with a \$500 late filing fee

ELECTION FINANCING REPORTS

CANDIDATES

- **Campaign period** The period between when an election is called and the close of general voting

- **Reporting period**
 - Income** - any income, including political contributions, accepted by the candidate in relation to that individual's candidacy

 - Election expenses** - the value of property or services used during the campaign period to promote or oppose, directly or indirectly, a registered political party or the election of a candidate

 - Other expenses** - any expenditures other than election expenses incurred in relation to the candidacy

- **Reporting deadline** 90 days after General Voting Day

- **Late filing deadline** 120 days after General Voting Day
Late reports must be submitted with a \$500 late filing fee

Notes:

A candidate can **only** issue income tax receipts for political contributions received between the date they received their certificate of candidacy and the return of the writ.

The reporting period will vary for every candidate.

Terms of engagement

Auditors should be aware of the following requirements under the *Election Act*:

- All candidates must appoint an auditor. A candidate's nomination cannot be accepted unless the auditor appointment form is appropriately completed and filed. The auditor appointment form must be signed by both the candidate and the auditor, and filed with the candidate's other nomination documents.
- All registered constituency associations and registered political parties must have an appointed auditor. The auditor's engagement with registered constituency associations and registered political parties is usually one of an ongoing nature.
- Leadership contestants do not need to appoint an auditor unless their contestant financing report requires an audit. An audit is required if the value of either contestant expenses or political contributions to be reported is equal to or greater than \$10,000. If an audit is necessary, an appointment of auditor form must be signed by both the leadership contestant and the auditor, and submitted to Elections BC.

Also, Elections BC considers the accounting requirements of Part 10 of the *Election Act* to be an acceptable financial reporting framework.

Accounting and reporting requirements

The *Election Act* requires some uncommon accounting treatments which are discussed below.

Market value of goods and services

The *Election Act* requires that donated goods and services be recorded at their market value. Reference should be made to section 180 of the *Election Act* for guidance on the treatment of any shortfall between that value and the amount (if any) charged for property or services.

Section 1 of the *Election Act* defines market value as, "the lowest price charged for an equivalent amount of equivalent property or services in the market area at the relevant time." General valuation rules are established by section 185 of the *Election Act*.

Inventory

Only registered political parties and registered constituency associations report inventory and only in annual financial reports and deregistration financial reports.

For election financing reports and leadership contestant financing reports, the value of any inventory of campaign supplies at the beginning of the campaign period must be valued and accounted for in determining the candidate's/leadership contestant's election/contestant expenses. The usual rules regarding business inventory are not applicable under the *Election Act*. Inventory may have to be re-valued at a higher market value than originally paid. For example, if a candidate were to reuse old signs that were left over from a prior election, the current market value of the signs would have to be reported as a current election expense.

Volunteer services

If an individual voluntarily performs services for a political campaign and receives no compensation, directly or indirectly, in relation to the services or the time spent providing the services, the services are not a political contribution or an election expense. However, if an employer continues to pay an individual while they are working for a political party, constituency association, candidate or leadership contestant, the individual is not a volunteer. In that case, the value of their services is a contribution from the employer, and an expense (an election expense if during the campaign period).

If an individual uses paid vacation time to work on a campaign they will be a volunteer as long as they have not been directed by their employer to provide the services and the employer does not provide any extra vacation or leave.

Sections 180(5)(b) and 183(8)(a) of the *Election Act* stipulate that the property of a volunteer, if it is provided or used in relation to the services of the individual as a volunteer, is not a political contribution or an election expense. However, if a volunteer uses equipment of their employer, the market value of the use of the equipment must be reported as both a political contribution (by the employer) and, if used during the campaign period, an election expense subject to the spending limit.

Reporting

Elections BC understands that auditors might not be able to report on the completeness of all financial transactions due to the nature of the operating environment. This would constitute a limitation in the scope of the auditor's examination and, accordingly, auditors may issue a qualified report. This type of qualified auditor's report is considered acceptable by Elections BC. Auditors may use the sample auditor's reports as set out in Appendix C, which are acceptable to Elections BC.

Auditors are cautioned that a qualified auditor's report might not be appropriate in some circumstances. Auditors should consider the requirements of CAS 705 to issue an adverse opinion, disclaim an opinion or withdraw from the engagement. For example, paragraph 8 of CAS 705 requires the auditor to express an adverse opinion when, having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements are both material and pervasive to the financial report.

A disclaimer of opinion is required under section 214(3) of the *Election Act* in specific circumstances, as this section requires an auditor to "...make any additional reports the auditor considers necessary if:

- (a) the auditor has not received all the information and explanations required from the financial agent or from the organization or individual on whose behalf the report has been prepared, or
- (b) proper accounting records have not been kept by the financial agent."

The *Election Act* includes restrictions on overall and specific election expenses. An incorrect allocation of election, nomination or other expenses could be material to the financing reports.

Auditors are advised that language limiting the use and distribution of auditor's reports should not be included in auditor's reports. Financing reports filed under the *Election Act* become part

of the public record as Elections BC is required under various sections of the *Election Act* to make such reports available to the public.

Recommended audit procedures

INTRODUCTION

The *Election Act* contains a number of detailed and stringent requirements concerning election financing. It is strongly recommended that auditors read the *Election Act* and related regulations, as well as the various publications available from Elections BC, before proceeding with their work. Many auditors in the past have found that such audits tend to require much more effort than initially anticipated.

Auditors appointed under the *Election Act* should consider the sensitive nature of the engagements they are undertaking. The clients are engaging in political activities, which frequently come under public scrutiny. As well, all the reports filed with Elections BC become public documents. Moreover, any violation of the legislation could have serious consequences for their clients (refer to sections 216 to 227, and sections 263 and 266 of the *Election Act* for detailed penalties for failure to comply).

THE ENGAGEMENT

The auditor is required by CAS 210 to obtain an engagement letter to clarify the nature of the services to be provided and the responsibilities of each party. It may be appropriate for different people to sign the engagement letter depending on who is the client. In the case of an audit of a candidate or leadership contestant, it is appropriate for the candidate or leadership contestant to sign the engagement letter as the relationship is between the auditor and the candidate or leadership contestant by virtue of appointment and agreement to serve. In addition, it is highly recommended for the financial agent to acknowledge the terms of engagement as he or she plays an integral part in the financial affairs of the candidate or leadership contestant. In fact, the *Election Act* requires the auditor to make his or her report to the financial agent.

In the case of an audit for a registered political party or registered constituency association, it is appropriate for the principal officers to sign the engagement letter. It may be desirable for the auditor to obtain a new engagement letter should there be any change in key officials. Auditors should consider using the sample engagement letters in Appendix A.

Once appointed, auditors are strongly encouraged to meet with the candidate and the financial agent as early as possible to discuss the controls over the acceptance of contributions and the incurring of election expenses. Other key people that an auditor should meet (depending on the entity being audited) include the campaign manager, the political party or constituency association president and the political party leader. In the past, auditors have found these meetings to be highly beneficial in ensuring that all concerned persons understand the importance of implementing such controls.

THE AUDIT

The *Election Act* requires that the financing reports submitted under the Act be prepared in accordance with the regulations of the Chief Electoral Officer or, if no regulations apply, generally accepted accounting principles (GAAP), albeit with certain variations required by the Act and regulations. The most significant variation to GAAP is the requirement that all transactions being reflected in the reports be recorded at fair market value (FMV). This has significant implications for the auditor. As the transactions are occurring in the political arena, third party documentation supporting both donations and expenditures might not be reliable evidence of FMV. For example, the invoiced amount for an expenditure might be discounted from FMV, which should result in recognition of an expenditure at FMV and a related contribution equal to the amount of the discount. Auditors will need to understand how this risk has been managed by the financial agent to avoid the potential of being associated with financial information that is false or misleading.

Auditors are encouraged to use the suggested wording of the Auditor's Report in Appendix C, which is appropriate for an audit of special purpose financial statements prepared using a compliance framework under CAS 800 *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*. The suggested wording in Appendix C also takes into account the limitation in scope of the examination and that verification of revenue and expenses is limited to what has been recorded in the accounts.

An unusual accounting situation arises when goods or services related to an election are purchased or received as contributions prior to the date the election is called. If such goods or services are used during the campaign period, their value is an election expense. Another unusual accounting treatment is that any "opening" inventory of signs (even used ones that were previously expensed) must be recorded at FMV and reported as an election expense, if the signs are used during the campaign period.

Given the number of uncommon accounting treatments, the relatively low volume of transactions, and the sensitivity around the expenditures, many auditors of election financing reports examine one hundred percent of the transactions recorded rather than use sampling. Auditors may wish to consider this as part of their audit planning and risk assessment.

REPRESENTATION LETTER

As in all assurance engagements, auditors of election financing reports use information supplied by the client. Representations made by the client need to be verified as part of the audit, and documented in the form of a written representation letter (see Appendix B). As with the engagement letter, the candidate, leadership contestant or principal officers of the registered political party or registered constituency association are the appropriate signatories to the representation letter. In addition, the written representation letter should be signed by the financial agent, who is responsible for the fiscal controls as detailed in section 177 of the *Election Act*.

SAMPLE AUDIT PROCEDURES

The following list of procedures is not exhaustive, nor is it considered a minimum, for audits under the *Election Act*. The circumstances of each audit must be taken into account. As with any audit, the auditor should consider how materiality and the auditor's risk assessment procedures influence the nature, extent and timing of audit procedures.

Practitioners are expected to apply professional judgement in determining whether the sample audit procedures below are both appropriate and relevant to the circumstances of each engagement. While these sample audit procedures are recommended as a starting point for practitioners, they have not been issued under the authority of the Chartered Professional Accountants of British Columbia (CPABC).

GENERAL

1. Ensure you are eligible to accept the appointment as auditor (section 179 of the *Election Act*). Members of CPABC who accept an appointment as auditor are advised to confirm with CPABC that they are licensed for public practice in the appropriate category to perform this engagement. In addition, they are reminded to review the CPABC Code of Professional Conduct to ensure their compliance with the auditor independence rules therein.
2. Review the *Election Act*, to ensure you understand the audit and reporting requirements of the engagement, in particular:
 - The *Election Act* imposes limits on the amounts candidates and political parties may spend in regards to an election.
 - The *Election Act* requires that the audit be conducted in accordance with Canadian generally accepted auditing standards.
3. Obtain signed engagement letter from the client (see samples in Appendix A).
4. Review and become familiar with the following, which are available from Elections BC:
 - (a) *Election Act*, available for purchase from Crown Publications
 - (b) Guide for Financial Agents Appointed Under the *Election Act*
 - (c) Annual Financial Report Completion Guide
 - (d) Election Financing Report Completion Guides
 - (e) Guide to the *Election Act*
 - (f) Electoral Finance Newsletters
 - (g) Leadership Contestant Financing Report Completion Guide

All of the above materials are available on Elections BC's website (elections.bc.ca).
5. Obtain directly from Elections BC a copy of the most recently filed registration documents which detail signing officers, banks accounts, financial agents and deputy financial agents, etc.
6. Ensure a separate bank account has been used for the financial transactions of the registered political party, registered constituency association, candidate or leadership contestant.
7. All transfers of funds, goods and services, to or from another registered political entity, should be confirmed to ensure the transfer has been properly recorded in the client's records. Transfers are not considered to be political contributions to the transferee.

Where a registered political party, registered constituency association, candidate or leadership contestant receives a transfer, the financial agent should have a copy of, and the auditor should examine, the supporting documentation.

8. Obtain a signed letter of representation (see samples in Appendix B). Consider obtaining additional letters of representation from the campaign manager, political party or constituency association president and the political party leader.
9. Ensure that the filing requirements and deadlines, as outlined in the *Election Act*, are met. Failure to file on time is a contravention of the *Election Act* and may result in serious penalties.
10. Obtain from the financial agent the completed forms to be filed with Elections BC and consider the applicability of the procedures set out in this guide in drafting an appropriate audit program.
11. Review all schedules contained in the materials to be submitted to Elections BC for accuracy and completeness, checking all additions and cross-references.
12. Review the "Relevant dates" section in the body of this guide to clarify the reporting period of the audit engagement.
13. Confirm that the candidate (or the financial agent) has returned all surplus funds to the registered political party, the registered constituency association, or Elections BC in accordance with section 205 of the *Election Act*.

UNDERSTANDING OF INTERNAL CONTROL AND RISK ASSESSMENTS

1. Obtain an understanding of the campaign and its environment, including internal control (e.g. the bookkeeping system), the financial controls over each type of transaction, and the control environment. (Aspects affecting the control environment are communication, enforcement of integrity and ethical values within the campaign, commitment to competence, participation, philosophy and operating style of the financial agent and the candidate, the assignment of authority and responsibility, the campaign structure, and human resource policies and practices. This understanding can be obtained notably through inquiries and discussions with the financial agent and the candidate, as well as from observation of the campaign.)

During the campaign, personally visit and observe the operations at the campaign headquarters. Under normal circumstances, two visits, one close to General Voting Day, should be adequate.

The following matters should be considered during the observation:

- (a) size of headquarters, to ensure that rent expense is reasonable
 - (b) quantities and types of campaign literature
 - (c) duties of campaign workers present in relation to financial matters
 - (d) general campaign operations
 - (e) internal controls that appear to be in place
 - (f) information as to fundraising functions that have occurred or are anticipated
2. Inquire of the candidate and financial agent regarding their assessment of the risk that the return may be materially misstated due to fraud or any illegal acts.

3. Determine the risk of material misstatements in the financing report, and ensure that it will be possible to reduce this risk to an acceptably low level with audit evidence obtained from substantive procedures.

CONTRIBUTIONS

1. Ensure political contributions are recorded according to section 190 of the *Election Act*.
2. Where political contributions are required to be disclosed in a financing report, ensure the financing report includes each contributor who, during the period covered by the report, made one or more political contributions that in total have a value of more than \$250, in accordance with section 206 of the *Election Act*.
3. Ensure anonymous contributions were received as permitted by section 186 and are recorded according to section 190 of the *Election Act*.
4. Ensure all prohibited contributions (e.g. \$20 in cash received anonymously by mail) were either returned within 30 days or remitted to the Chief Electoral Officer, according to section 189 of the *Election Act*.
5. Ensure loans and debts are properly recorded and disclosed according to sections 177, 181 and 190 of the *Election Act*.
6. Agree cash received to bank deposit book, cash receipt records and bank statements.
7. For contributions of goods and services, ensure correspondence is on file from the contributor indicating the fair market value for contribution purposes.
8. Reconcile the value of receipts issued, and reported in the financial report, to records of cash receipts, and donations of goods and services.
9. Ensure the accuracy of income tax receipts issued. Tickets sold at a fundraising function that do not qualify as a political contribution may still result in the issuance of an income tax receipt. Income tax receipts may only be issued for contributions of money.
10. Verify serial continuity of income tax receipts issued and on hand. Ensure all receipts are accounted for.

FUNDRAISING ACTIVITIES

1. Section 182 of the *Election Act* provides special rules for fundraising functions. Review the policy for allocating ticket revenue between contributions and expenses established for the event. Ensure official income tax receipts are issued for that part of the ticket price deemed to be tax receiptable (i.e. ticket price less cost per person).
2. Ensure that the fair market value of contributed property and services is properly determined in accordance with section 185 of the *Election Act*. If property (goods) or services are donated for sale and their fair market value is greater than \$250, the value of the political contribution is the fair market value of the goods and services.
3. If property (goods) or services are purchased at a fundraising function at greater than fair market value, the difference between the price paid and fair market value is a political contribution.
4. Ensure discounted property and services are accounted for in accordance with section

180(2) of the *Election Act*. If property (goods) or services are provided at less than their fair market value, the provider of the property or services is considered to have made a political contribution equal to the difference between the fair market value and the amount charged, unless their value is \$250 or less and they are sold at a fundraising function.

5. Ensure income tax receipts for candidates are issued only for contributions of money given after the candidate has been issued a Certificate of Candidacy and ending on the day the writ of election is returned to the Chief Electoral Officer (the official end date of the election period) (section 192 of the *Election Act*). Income tax receipts cannot be issued for contributions to nomination or leadership contestants.
6. Ensure income tax receipts issued are not for political contributions of property or services.
7. Ensure income tax receipts issued by registered political parties and registered constituency associations are not issued on behalf of nomination or leadership contestants or candidates.

EXPENSES

1. Ensure all contestant expenses are in compliance with the *Election Act*.
2. Ensure all election expenses are in compliance with the *Election Act*. An election expense is the value of property or services **used during the campaign period** to promote or oppose, directly or indirectly, a registered political party or the election of a candidate.
3. Ensure election and leadership contestant expenses are incurred through the financial agent or an individual authorized in writing by the financial agent. Ensure all election and leadership contestant expenses are paid by the financial agent or an individual authorized in writing by the financial agent and are paid out of the political party's, candidate's or contestant's bank account. This does not apply to a candidate's personal expenses as per section 193 of the *Election Act*.
4. Ensure that expenditures greater than \$25 are supported by adequate documentation (i.e. invoice or bill) as per section 177 of the *Election Act*.
5. Review supporting documentation for political contributions of property (goods) and services that are used in the campaign period to ensure that they are recorded as per the *Election Act*.
6. Ensure the registered political party's and candidate's election expenses during the campaign period comply with the limit established by sections 198, 199, 201 and 204 of the *Election Act*.

Contact Elections BC, or check our website (elections.bc.ca) for confirmation of the election expense limit to ensure the registered political party and the candidate did not exceed the expense limit.

7. Ensure the expenses as specified in section 203 and any regulations of the *Election Act* are not included as election expenses for the purpose of determining whether an organization or individual has complied with the election expense limit.

An election expense that is not included for the purpose of calculating whether there has been compliance with an expense limit is subject to all other provisions of the *Election Act*.

8. Review payables and accruals for reasonableness and completeness as it is not unusual for there to be significant delays in receiving invoices after a campaign. Obtain confirmation from the financial agent that no other person or organization has incurred election expenses without his or her knowledge and/or consent. Experience has shown that it is not unusual for the financial agent to delegate to the campaign manager, the party leader, or the party president the authority to incur or authorize election expenses. This matter should also be included in the letter of representation (see samples in Appendix B).
9.
 - a) Expenses incurred by a registered constituency association on the candidate's behalf are only permitted during the campaign period and must be attributed to the candidate's expense limit (section 200 of the *Election Act*). For audits of candidate's election financing reports, ensure these expenses are disclosed in the election financing report.
 - b) For audits of registered constituency association's election financing reports, ensure that expenses incurred on the candidate's behalf are reported as transfers to the candidate.
10.
 - a) Expenses incurred by a registered party to promote specific candidates (other than the party leader) must be divided and attributed to the candidates (section 201 of the *Election Act*). For audits of candidate's election financing reports, ensure these expenses are disclosed in the election financing report. Where the candidate is also the political party leader, ensure the expenses incurred by the political party are correctly allocated and reported as an election expense of the political party.
 - b) For audits of registered party's election financing reports, ensure that expenses incurred to promote specific candidates (other than the party leader) are divided and attributed to the candidates and reported as transfers given to the candidates. Where the candidate is also the political party leader, ensure the expenses incurred by the political party are correctly allocated and reported as an election expense of the political party.
11. Obtain a list of paid staff working on the campaign from the financial agent. Review their contracts and document the payment arrangements. Confirm payment of salaries or the accrual of payables.
12. Inquire of the financial agent for registered political parties and registered constituency associations if the entity controls other organizations and document the relationships. Confirm with the financial agent that activities of these controlled organizations are included in the election financing report for the registered political party or constituency association as required under section 210(2.1) of the *Election Act*.
13. Confirm with the financial agent that all election advertising conducted on behalf of the candidate or party, or with the consent of the financial agent, candidate or party, has been included in the expenses and, if conducted by others, as a political contribution.

REPORTING REQUIREMENTS

1. An audit must be conducted if political contributions, election expenses or contestant expenses are \$10,000 or more. However, the Chief Electoral Officer may require an auditor's report in other cases as well.

2. The audit must be conducted in accordance with Canadian generally accepted auditing standards (section 214 of the *Election Act*).
3. The financial agent must file a copy of the auditor's report with the financing report.
4. Auditors must provide additional reports to the Chief Electoral Officer in accordance with section 214(3) of the *Election Act* if they have not received all the information and explanations required from the financial agent or if proper accounting records have not been kept by the financial agent. As discussed above, this reporting requirement may be satisfied by the auditor issuing a disclaimer of opinion.
5. The financial agent must ensure the financing reports filed with Elections BC include all the required information as specified in the *Election Act*.

ADDITIONAL PROCEDURES FOR ANNUAL AUDIT OF REGISTERED POLITICAL PARTIES AND REGISTERED CONSTITUENCY ASSOCIATIONS

In general, the annual audit of a registered political party or a registered constituency association is not unlike an audit of other not-for-profit organizations. Accordingly, after the appropriate risk assessment and audit planning, auditors can reasonably follow their standard audit programs for similar not-for-profit organizations. However, auditors are reminded of some of the uncommon accounting treatments required by the *Election Act* and should consider incorporating the following procedures, as well as the previously identified procedures, into their audit programs.

1. Test to ensure goods are valued at fair market value and agree to supplier certification. Review this certification to ensure it does not contain a discount component, which should be recorded as a contribution and an expense.
2. Review internal controls over recording of contributions accepted, including goods and services donated. Ensure donated goods and services are recorded at fair market value. Ensure donated goods and services are properly recorded as contributions and expensed at appropriate values when used.
3. Ensure the registered political party or registered constituency association has included all the financial information in its annual financial report (section 207 of the *Election Act*).
4. Ensure the registered political party has prepared a combined listing of contributions for the party, all its registered constituency associations, and all its candidates (section 207(4) of the *Election Act*).
5. Ensure the registered political party or the registered constituency association has reported all loans received during the year, including those that have been repaid during the year (section 207(3)(g) of the *Election Act*).
6. During a year where there has been an election, registered political parties and registered constituency associations are still required to submit an annual financial report, as well as any necessary election financing reports. This means that some transactions will be reported twice, once in the election financing report and once in the annual financial report.

Appendix A - Sample engagement letters

The following sample letters are for engagements with registered political parties, registered constituency associations and candidates, and may be amended as appropriate in the circumstances.

Annual Financial Reports

of Registered Political Parties and Registered Constituency Associations

(Date)

(Name(s) of principal officer(s)
of registered political party/constituency association)
(Address)

Dear (Name):

I am writing to document our mutual understanding of the terms of my engagement as auditor to report under the *Election Act* on the annual financial report of (registered political party/constituency association) for the year ended [year-end date]. In the event of an election called during the year, the Act requires that election financing reports also be prepared. My audit of any election financing reports is not the subject of this engagement letter, and would form the basis of a separate audit engagement covered by its own engagement letter.

Although an audit may not be required, I recognize the need to have an auditor registered on file with Elections BC. I understand that the *Election Act* does not require all financing reports filed with Elections BC to be audited. However, if the thresholds requiring an audit are met, or if an audit is otherwise required by the Chief Electoral Officer, I will perform the audit.

I will conduct my audit in accordance with Canadian generally accepted auditing standards and section 214 of the *Election Act*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual financial report, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial report.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

In making my risk assessments, I consider internal control relevant to the (registered political party/constituency association)'s preparation of the annual financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the (registered political party/constituency association)'s internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the annual financial report that we have identified during the audit.

My report will be addressed to your financial agent (Name) and will state whether, in my opinion, the annual financial report for (registered political party/constituency association), is prepared, in all material respects, in accordance with the accounting requirements of the *Election Act* or state that an opinion cannot be expressed. I shall also make such statements and modifications as I consider necessary in any case where, in my opinion:

- (a) I have not received from the financial agent all the information and explanations that I required
- or**
- (b) proper accounting records have not been kept by the financial agent.

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Accordingly, except for information that is in or enters the public domain, I will not provide any third party with confidential information concerning the affairs of (*registered political party/constituency association*) without (*registered political party/constituency association*)'s prior consent, unless required to do so by legal authority, or the rules of professional conduct/code of ethics of (*provincial association*).

My audit will be conducted on the basis that management and the financial agent acknowledge and understand that they have responsibility:

- (a) For the preparation of the annual financial report in accordance with the accounting requirements of the *Election Act*;
- (b) For such internal control as management and the financial agent determine is necessary to enable the preparation of an annual financial report that is free from material misstatement, whether due to fraud or error; and
- (c) To provide me with:
 - (i) Access to all information of which management and the financial agent are aware that is relevant to the preparation of the annual financial report such as records, documentation and other matters;
 - (ii) Additional information that I may request from management and the financial agent for the purpose of the audit; and
 - (iii) Unrestricted access to persons within the (*registered political party/constituency association*) from whom I determine it necessary to obtain audit evidence.

The financial agent is also responsible for:

- (a) The timely preparation and the completeness of the accounting records and the financial reports, which are to be prepared in accordance with the *Election Act*;
- (b) Providing me with, and making available, complete financial records and related data and copies of all relevant minutes;
- (c) Providing me with information relating to any known or probable instances of non-compliance with the Act, including financial reporting requirements;
- (d) Providing me with information regarding any illegal or possibly illegal acts, and all facts related thereto;
- (e) Providing me with information regarding all related parties and related party transactions;
- (f) The design and implementation of internal controls to prevent and detect fraud and error;
- (g) An assessment of risk that the financial report may be materially misstated as a result of fraud;
- (h) Providing me with information relating to fraud or suspected fraud affecting the (*registered political party/constituency association*) involving management, employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial report;
- (i) Providing me with information relating to any allegations of fraud or suspected fraud affecting the financial report communicated by employees, former employees, regulators or others;
- (j) Communicating the belief that the effects of any uncorrected annual financial report misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the annual financial report taken as a whole;
- (k) Providing me with an assessment of the reasonableness of significant assumptions underlying fair market value measurements and disclosures in the annual financial report;
- (l) Providing me with any plans or intentions that may affect the carrying value or classification of assets or liabilities;
- (m) Providing me with information relating to the measurement and disclosure of transactions with related parties;
- (n) Providing me with information relating to claims and possible claims, whether or not they have been discussed with your legal counsel;

Election Financing Reports

of Candidates, Registered Constituency Associations and Registered Political Parties

(This letter, with appropriately amended wording, may also be used to document the engagement terms of the audit of a leadership contestant.)

(Date)

(Name of candidate or Name(s) of principal officer(s) of registered constituency association/political party)
(Address)

Dear *(Name)*:

I am writing to document our mutual understanding of the terms of my engagement as auditor to report under the *Election Act* on the election financing report relating to *(your candidacy or the campaign of the registered political party/constituency association)* for the election to be held on *(date of election)*.

Although an audit may not be required, I recognize the need to have an auditor registered on file with Elections BC. I understand that the *Election Act* does not require all election financing reports filed with Elections BC to be audited. However, if the thresholds requiring an audit are met, or if an audit is otherwise required by the Chief Electoral Officer, I will perform the audit.

I will conduct my audit in accordance with Canadian generally accepted auditing standards and section 214 of the *Election Act*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the election financing report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the election financing report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the election financing report, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the election financing report.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

In making my risk assessments, I consider internal control relevant to *(your or the registered political party/constituency association)* preparation of the election financing report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of *(your or the campaign of the registered political party/constituency association)*'s internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the election financing report that we have identified during the audit.

My report will be addressed to your financial agent *(Name)* and will state whether, in my opinion, your election financing report is prepared, in all material respects, in accordance with the accounting requirements of the *Election Act* or state that an opinion cannot be expressed. I shall also make such statements and modifications as I consider necessary in any case where, in my opinion:

(a) I have not received from the financial agent all the information and explanations that I required

or

(b) proper accounting records have not been kept by the financial agent.

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Accordingly, except for information that is in or enters the public domain, I will not provide any third party with confidential information concerning the affairs of the *(candidate/registered political party/constituency association)* without *(candidate/registered political party/constituency association)*'s prior consent, unless required to do so by legal authority, or the rules of professional conduct/code of ethics of [provincial association].

My audit will be conducted on the basis that you and the financial agent acknowledge and understand your responsibility:

- (a) For the preparation of the election financing report in accordance with the accounting requirements of the *Election Act*;
- (b) For such internal control as you and the financial agent determine is necessary to enable the preparation of an election financing report that is free from material misstatement, whether due to fraud or error; and
- (c) To provide me with:
 - i. Access to all information of which you and the financial agent are aware that is relevant to the preparation of the election financing report such as records, documentation and other matters;
 - ii. Additional information that I may request from you and the financial agent for the purpose of the audit; and
 - iii. Unrestricted access to persons within the (*registered political party/constituency association*) from whom I determine it necessary to obtain audit evidence.

The financial agent is also responsible for:

- (a) The timely preparation and the completeness of the accounting records and the financial reports, which are to be prepared in accordance with the *Election Act*;
- (b) Providing me with and making available complete financial records and related data and copies of all relevant minutes;
- (c) Providing me with information relating to any known or probable instances of non-compliance with the Act, including financial reporting requirements;
- (d) Providing me with information regarding any illegal or possibly illegal acts, and all facts related thereto;
- (e) Providing me with information regarding all related parties and related party transactions;
- (f) The design and implementation of internal controls to prevent and detect fraud and error;
- (g) An assessment of risk that the financial report may be materially misstated as a result of fraud;
- (h) Providing me with information relating to fraud or suspected fraud affecting the (*candidate/registered political party/constituency association*) involving management, employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial report;
- (i) Providing me with information relating to any allegations of fraud or suspected fraud affecting the financial report communicated by employees, former employees, regulators or others;
- (j) Communicating the belief that the effects of any uncorrected financial report misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the financial report taken as a whole;
- (k) Providing me with an assessment of the reasonableness of significant assumptions underlying fair market value measurements and disclosures in the financial report;
- (l) Providing me with any plans or intentions that may affect the carrying value or classification of assets or liabilities;
- (m) Providing me with information relating to the measurement and disclosure of transactions with related parties;
- (n) Providing me with information relating to claims and possible claims, whether or not they have been discussed with your legal counsel;
- (o) Providing me with information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the entity is contingently liable;
- (p) Providing me with information on whether the (*candidate/registered political party/constituency association*) has satisfactory title to assets, liens or encumbrances on assets exist, or assets are pledged as collateral;
- (q) Providing me with information relating to compliance with aspects of contractual agreements that may affect the financial report; and
- (r) Providing me with information concerning subsequent events.

As part of my audit process, I will request from the (*candidate/registered political party/constituency association*) and the financial agent, and possibly other persons as considered necessary, written confirmation concerning representations made to me in connection with the audit.

The *Election Act* prescribes limitations on the amount of election expenses. It is not practicable for me to verify, from sources outside the accounting records, that all expenses and contributions are in accordance with the requirements with the *Election Act*, nor does the *Election Act* require me to do so. It may also not be practicable for me to determine that all financial transactions relating to the election have been included in the accounting records. In my auditor's report, I shall state these facts when applicable. Of course, were it to appear from my examination that there were any transactions not in accordance with the requirements of the *Election Act*, or that there had been a significant omission from the accounting records, it would be necessary for me to make an appropriate modification to my auditor's report.

The *Election Act* requires my audit to be completed and the election financing report to be filed with the Chief Electoral Officer within 90 days of General Voting Day. Therefore, it is essential that the accounting records and election financing report be completed in time to allow me a reasonable period to complete my audit. I anticipate that I will be able to provide my auditor's report on a timely basis if the election financing report is complete and available to me on or before (*date*). You have agreed that the completed election financing report will be provided to me by that date.

It may be necessary to conduct certain audit procedures at any time before or after General Voting Day. I understand that I will have access at all reasonable times to all records, documents, books, accounts and vouchers relating to the election.

Provided there are no circumstances preventing me from expressing an opinion without any additional modification, my report should be similar to the enclosed sample auditor's report.

Fees will be determined based on time spent on this audit at my standard rates and any out-of- pocket costs incurred in relation to this audit.

If the above terms are acceptable to you, please sign the enclosed copy of this letter in the space provided and return it to me after obtaining your financial agent's signed acknowledgement that he or she understands the terms of this letter.

Yours truly,

Signed _____
Auditor

I confirm your appointment as auditor on the terms as set out in this letter.

Signed _____
Candidate/principal officer(s) of (*registered political party/constituency association*)

Date _____

I acknowledge that I understand the above terms of your engagement which have been authorized by candidate/principal officer(s) of the (*registered political party/constituency association*)

Signed _____
Financial agent

_____ Date

Leadership Financing Reports

of Leadership Contestants

*(Date)**(Name of leadership contestant)**(Address)*Dear *(Name)*:

I am writing to document our mutual understanding of the terms of my engagement as auditor to report under the *Election Act* on the leadership contestant financing report relating to your campaign to seek the leadership of the *(registered political party name)* to be held on *(date of election)*.

Although an audit may not be required, I recognize the need to have an auditor registered on file with Elections BC. I understand that the *Election Act* does not require all leadership contestant financing reports filed with Elections BC to be audited. However, if the thresholds requiring an audit are met, or if an audit is otherwise required by the Chief Electoral Officer, I will perform the audit.

I will conduct my audit in accordance with Canadian generally accepted auditing standards and section 214 of the *Election Act*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the election financing report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the leadership contestant financing report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the leadership contestant financing report, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the leadership contestants financing report.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

In making my risk assessments, I consider internal control relevant to your preparation of the leadership contestant financing report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of your internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the leadership contestant financing report that we have identified during the audit.

My report will be addressed to your financial agent *(Name)* and will state whether, in my opinion, your leadership contestant financing report is prepared, in all material respects, in accordance with the accounting requirements of the *Election Act* or state that an opinion cannot be expressed. I shall also make such statements and modifications as I consider necessary in any case where, in my opinion:

(a) I have not received from the financial agent all the information and explanations that I required

or

(b) proper accounting records have not been kept by the financial agent.

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Accordingly, except for information that is in or enters the public domain, I will not provide any third party with confidential information concerning the affairs of the *(leadership contestant)* without *(leadership contestant's)* prior consent, unless required to do so by legal authority, or the rules of professional conduct/code of ethics of [provincial association].

My audit will be conducted on the basis that you and the financial agent acknowledge and understand your responsibility:

- (a) For the preparation of the leadership contestant financing report in accordance with the accounting requirements of the *Election Act*;
- (b) For such internal control as you and the financial agent determine is necessary to enable the preparation of a leadership contestant financing report that is free from material misstatement, whether due to fraud or error; and
- (c) To provide me with:
 - i. Access to all information of which you and the financial agent are aware that is relevant to the preparation of the leadership contestant financing report such as records, documentation and other matters;
 - ii. Additional information that I may request from you and the financial agent for the purpose of the audit; and
 - iii. Unrestricted access to persons within the (*registered political party*) from whom I determine it necessary to obtain audit evidence.

The financial agent is also responsible for:

- (a) The timely preparation and the completeness of the accounting records and the financial reports, which are to be prepared in accordance with the *Election Act*;
- (b) Providing me with and making available complete financial records and related data and copies of all relevant minutes;
- (c) Providing me with information relating to any known or probable instances of non-compliance with the Act, including financial reporting requirements;
- (d) Providing me with information regarding any illegal or possibly illegal acts, and all facts related thereto;
- (e) Providing me with information regarding all related parties and related party transactions;
- (f) The design and implementation of internal controls to prevent and detect fraud and error;
- (g) An assessment of risk that the financial report may be materially misstated as a result of fraud;
- (h) Providing me with information relating to fraud or suspected fraud affecting the (*leadership contestant*) involving management, employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial report;
- (i) Providing me with information relating to any allegations of fraud or suspected fraud affecting the financial report communicated by employees, former employees, regulators or others;
- (j) Communicating the belief that the effects of any uncorrected financial report misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the financial report taken as a whole;
- (k) Providing me with an assessment of the reasonableness of significant assumptions underlying fair market value measurements and disclosures in the financial report;
- (l) Providing me with any plans or intentions that may affect the carrying value or classification of assets or liabilities;
- (m) Providing me with information relating to the measurement and disclosure of transactions with related parties;
- (n) Providing me with information relating to claims and possible claims, whether or not they have been discussed with your legal counsel;
- (o) Providing me with information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the entity is contingently liable;
- (p) Providing me with information on whether the (*leadership contestant*) has satisfactory title to assets, liens or encumbrances on assets exist, or assets are pledged as collateral;
- (q) Providing me with information relating to compliance with aspects of contractual agreements that may affect the financial report; and
- (r) Providing me with information concerning subsequent events.

As part of my audit process, I will request from the (*leadership contestant*) and the financial agent, and possibly other persons as considered necessary, written confirmation concerning representations made to me in connection with the audit.

It is not practicable for me to verify, from sources outside the accounting records, that all expenses and contributions are in accordance with the requirements with the *Election Act*, nor does the *Election Act* require me to do so. It may also not be practicable for me to determine that all financial transactions relating to the leadership contest have been included in the accounting records. In my auditor's report, I shall state these facts when applicable. Of course, were it to appear from my examination that there were any transactions not in accordance with the requirements of the *Election Act*, or that there had been a significant omission from the accounting records, it would be necessary for me to make an appropriate modification to my auditor's report.

The *Election Act* requires my audit to be completed and the leadership contestant financing report to be filed with the Chief Electoral Officer within 90 days after the leader has been selected. Therefore, it is essential that the accounting records and leadership contestant financing report be completed in time to allow me a reasonable period to complete my audit. I anticipate that I will be able to provide my auditor's report on a timely basis if the leadership contestant financing report is complete and available to me on or before (*date*). You have agreed that the completed leadership contestant financing report will be provided to me by that date.

It may be necessary to conduct certain audit procedures at any time before or after the leader is selected. I understand that I will have access at all reasonable times to all records, documents, books, accounts and vouchers relating to the leadership contest.

Provided there are no circumstances preventing me from expressing an opinion without any additional modification, my report should be similar to the enclosed sample auditor's report.

Fees will be determined based on time spent on this audit at my standard rates and any out-of-pocket costs incurred in relation to this audit.

If the above terms are acceptable to you, please sign the enclosed copy of this letter in the space provided and return it to me after obtaining your financial agent's signed acknowledgement that he or she understands the terms of this letter.

Yours truly,

Signed _____
Auditor

I confirm your appointment as auditor on the terms as set out in this letter.

Signed _____
Leadership contestant

Date _____

I acknowledge that I understand the above terms of your engagement which have been authorized by leadership contestant.

Signed _____ Date _____
Financial agent

Appendix B - Sample representation letters

The following are sample representation letters for use in annual and election engagements. The letters should be amended as appropriate in the circumstances.

Annual Financial Reports

(Date)

(Auditor)

(Address)

Dear (Auditor):

We are providing this letter in connection with your audit of the annual financial report of (*registered political party or constituency association*) for the fiscal period beginning (*date*) and ending (*date*), for the purpose of expressing an opinion as to whether the annual financial report is prepared, in all material respects, in accordance with the *Election Act*.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated [insert date], for the preparation of the annual financial report in accordance with the accounting requirements of the *Election Act*.
2. Significant assumptions used by us in making accounting estimates, including measurements at fair market value, are reasonable.
3. All events subsequent to the date of the annual financial report that bear on the annual financial report have been adjusted as appropriate in the circumstances.
4. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the annual financial report as a whole. A list of the uncorrected misstatements is attached to this representation letter.
5. All contributions, loans, gifts, donations in kind, and other amounts received and all expenses incurred have been determined and recorded as required by the *Election Act*. In particular, all monetary contributions received have been deposited in accounts in accordance with the *Election Act*. All contributed goods and services have been valued in accordance with the *Election Act*.
6. The (*registered political party or constituency association*) has satisfactory title to all assets, and there are no liens or encumbrances on such assets.
7. Inventory on hand at the beginning of the year is appropriately valued in accordance with the *Election Act*.
8. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you, and are appropriately reflected in the annual financial report.
9. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the annual financial report.
10. We have identified to you all known related entities and related entity transactions, including guarantees, non-monetary transactions and transactions for no consideration, and all related entity transactions have been appropriately measured and disclosed in the annual financial report in accordance with the *Election Act*.

11. We have disclosed to you all claims and possible claims against the (*registered political party/constituency association*), whether or not such claims have been discussed with a lawyer.
12. We are unaware of any outstanding debts that have not been reported in the accounting records.

Information provided

1. We have provided you with:
 - i. Access to all information of which we are aware that is relevant to the preparation of the annual financial report, such as records, documentation and other matters.
 - ii. Additional information that you have requested from us for the purpose of the audit; and
 - iii. Unrestricted access to persons with the (*registered political party or constituency association*) from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been properly recorded and reported in accordance with the *Election Act*.
3. We have disclosed to you the results of our assessment of the risk that the annual financial report may be materially misstated as a result of fraud.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the (*registered political party or constituency association*) and involves:
 - i. Management;
 - ii. Employees who have significant roles in internal control; and
 - iii. Others where the fraud could have a material effect on the annual financial report.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the (*registered political party or constituency association*)'s annual financial report communicated by employees, former employees, volunteers or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations, including the *Election Act*, whose effects should be considered when preparing the annual financial report.
7. All persons making political contributions, and all persons indicated on the tax receipt forms made such contributions on their own behalf and not as nominees for other persons or organizations, except as permitted by the *Election Act*.
8. All contributions received from prohibited contributors have been returned to the contributor or remitted to the Chief Electoral Officer and are disclosed but not reflected in the annual financial report, including prohibited anonymous contributions.
9. (Other relevant representations).

Yours truly,

Signed _____
Principal officer(s) of (*registered political party or constituency association*)

Date _____

Signed _____ Date _____
Financial agent

Signed _____ Date _____
Other personnel (*if applicable*)

Election Financing Reports

(Date)

(Auditor)

(Auditor Address)

Dear (Auditor):

We are providing this letter in connection with your audit of the election financing report of (*candidate, registered political party or constituency association*) in relation to the British Columbia [by] election held on (*date*), for the purpose of expressing an opinion as to whether the election financing report is prepared, in all material respects, in accordance with the *Election Act*.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated [*insert date*], for the preparation of the election financing report in accordance with the accounting requirements of the *Election Act*.
2. Significant assumptions used by us in making accounting estimates, including measurements at fair market value, are reasonable.
3. All events subsequent to the date of the election financing report that bear on the election financing report have been adjusted as appropriate in the circumstances.
4. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the election financing report as a whole. A list of the uncorrected misstatements is attached to this representation letter.
5. Expenses incurred have been properly classified as either election expenses or non-election expenses and are within the prescribed limitations. No election expenses have been incurred which are not reflected in the election financing report.
6. All contributions, loans, gifts, donations in kind, and other amounts received and all expenses incurred have been determined and recorded as required by the *Election Act*. In particular, all monetary contributions received have been deposited in accounts in accordance with the *Election Act*. All contributed goods and services have been valued in accordance with the *Election Act*.
7. The (*candidate, registered political party or constituency association*) has satisfactory title to all assets, and there are no liens or encumbrances on such assets.
8. Inventory on hand at the beginning of the year is appropriately valued in accordance with the *Election Act*.
9. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you, and are appropriately reflected in the election financing report.
10. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the election financing report.
11. We have identified to you all known related entities and related entity transactions, including guarantees, non-monetary transactions and transactions for no consideration, and all related entity transactions have been appropriately measured and disclosed in the election financing report in accordance with the *Election Act*.
12. We have disclosed to you all claims and possible claims against the (*candidate, registered political party or*

constituency association), whether or not such claims have been discussed with a lawyer.

13. We are unaware of any outstanding debts that have not been reported in the accounting records.

Information Provided

1. We have provided you with:
 - i. Access to all information of which we are aware that is relevant to the preparation of the election financing report, such as records, documentation and other matters.
 - ii. Additional information that you have requested from us for the purpose of the audit; and
 - iii. Unrestricted access to persons with the (*candidate, registered political party or constituency association*) from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been properly recorded and reported in accordance with the *Election Act*.
3. We have disclosed to you the results of our assessment of the risk that the election financing report may be materially misstated as a result of fraud.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the (*candidate, registered political party or constituency association*) and involves:
 - i. Management;
 - ii. Employees who have significant roles in internal control; and
 - iii. Others where the fraud could have a material effect on the election financing report.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the (*candidate, registered political party or constituency association*)'s election financing report communicated by employees, former employees, volunteers or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations, including the *Election Act*, whose effects should be considered when preparing the election financing report.
7. All persons making political contributions, and all persons indicated on the tax receipt forms made such contributions on their own behalf and not as nominees for other persons or organizations, except as permitted by the *Election Act*.
8. All contributions received from prohibited contributors have been returned to the contributor or remitted to the Chief Electoral Officer and are disclosed but not reflected in the election financing report, including prohibited anonymous contributions.
9. No other person or organization has incurred election expenses with knowledge and/or consent of the financial agent.
10. (Other relevant representations).

Yours truly,

Signed _____
 Candidate or principal officer(s) of (*registered political party or constituency association*)

Date _____

Signed _____ Date _____
 Financial agent

Signed _____ Date _____
 Other personnel (*if appropriate*)

Leadership Contestant Financing Reports

(Date)

(Auditor)

(Auditor Address)

Dear (Auditor):

We are providing this letter in connection with your audit of the leadership contestant financing report of (*leadership contestant*) in relation to the leadership contest held on (*date*), for the purpose of expressing an opinion as to whether the financing report is prepared, in all material respects, in accordance with the *Election Act*.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated [*insert date*], for the preparation of the leadership contestant financing report in accordance with the accounting requirements of the *Election Act*.
2. Significant assumptions used by us in making accounting estimates, including measurements at fair market value, are reasonable
3. All events subsequent to the date of the leadership contestant financing report that bear on the leadership contestant financing report have been adjusted as appropriate in the circumstances.
4. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the leadership contestant financing report as a whole. A list of the uncorrected misstatements is attached to this representation letter.
5. No expenses have been incurred which are not reflected in the leadership contestant financing report.
6. All contributions, loans, gifts, donations in kind, and other amounts received and all expenses incurred have been determined and recorded as required by the *Election Act*. In particular, all monetary contributions received have been deposited in accounts in accordance with the *Election Act*. All contributed goods and services have been valued in accordance with the *Election Act*.
7. The (*leadership contestant*) has satisfactory title to all assets, and there are no liens or encumbrances on such assets.
8. Inventory on hand at the beginning of the year is appropriately valued in accordance with the *Election Act*.
9. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you, and are appropriately reflected in the election financing report.
10. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the election financing report.
11. We have identified to you all known related entities and related entity transactions, including guarantees, non-monetary transactions and transactions for no consideration, and all related entity transactions have been appropriately measured and disclosed in the leadership contestant financing report in accordance with the *Election Act*.
12. We have disclosed to you all claims and possible claims against the (*leadership contestant*), whether or not such claims have been discussed with a lawyer.
13. We are unaware of any outstanding debts that have not been reported in the accounting records.

Information Provided

1. We have provided you with:
 - i. Access to all information of which we are aware that is relevant to the preparation of the leadership contestant financing report, such as records, documentation and other matters.
 - ii. Additional information that you have requested from us for the purpose of the audit; and
 - iii. Unrestricted access to persons with the (*leadership contestant*) from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been properly recorded and reported in accordance with the *Election Act*.
3. We have disclosed to you the results of our assessment of the risk that the leadership contestant financing report may be materially misstated as a result of fraud.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the (*leadership contestant*) and involves:
 - i. Management;
 - ii. Employees who have significant roles in internal control; and
 - iii. Others where the fraud could have a material effect on the leadership contestant financing report.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the (*leadership contestant*)'s leadership contestant financing report communicated by employees, former employees, volunteers or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations, including the *Election Act*, whose effects should be considered when preparing the leadership contestant financing report.
7. All persons making political contributions, and all persons indicated on the tax receipt forms made such contributions on their own behalf and not as nominees for other persons or organizations, except as permitted by the *Election Act*.
8. All contributions received from prohibited contributors have been returned to the contributor or remitted to the Chief Electoral Officer and are disclosed but not reflected in the leadership contestant financing report, including prohibited anonymous contributions.
9. No other person or organization has incurred contestant expenses with knowledge and/or consent of the financial agent.
10. (Other relevant representations).

Yours truly

Signed _____
Leadership contestant

Signed _____ Date _____
Financial agent

Signed _____ Date _____
Other personnel (*if appropriate*)

Appendix C – Sample auditor's reports

The following are sample auditor's reports for annual and election engagements.

Annual Financial Report – Registered Political Party/Constituency Association

INDEPENDENT AUDITOR'S REPORT

To *(name)*, financial agent for *(registered political party/constituency association)*

I have audited the accompanying annual financial report of the *(registered political party/constituency association)* for the year ended *(date)*. The annual financial report has been prepared by the Financial Agent for *(registered political party/constituency association)* based on the financial reporting provisions of Part 10 of the *Election Act*.

Financial agent's responsibility for the annual financial report

The Financial Agent is responsible for the preparation of the annual financial report in accordance with the financial reporting provisions of Part 10 of the *Election Act*, and for such internal control as the financial agent determines is necessary to enable the preparation of annual financial reports that are free from material misstatement, whether due to error or fraud.

Auditor's responsibility

My responsibility is to express an opinion on the annual financial report based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards as required by Section 214 of the *Election Act* (British Columbia). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial report. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the annual financial report, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the financial agent's preparation of the annual financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the *(registered political party/constituency association)*'s internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by the Financial Agent, as well as evaluating the overall presentation of the annual financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Due to the nature of the transactions inherent in any (either "political party" or "constituency association"), the completeness of contributions and other revenue and expenses is not susceptible to satisfactory audit verification. Accordingly, my verification of these transactions was limited to the amounts recorded in the *(registered political party/constituency association)* records and I was not able to determine whether any adjustments might be necessary to the annual financial report.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the annual financial report of the *(registered political party/constituency association)* for the year ended *(date)* is prepared, in all material respects, in accordance with the financial reporting provisions of Part 10 of the *Election Act*.

Basis of Accounting

The annual financial report is prepared to assist (*registered political party/constituency association*) to comply with the financial reporting provisions of Part 10 of the *Election Act*. As a result, the annual financial report may not be suitable for another purpose.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Election Financing Report – Registered Political Party/Constituency Association**INDEPENDENT AUDITORS' REPORT**

To (*name*), financial agent for (*registered political party/constituency association*)

I have audited the accompanying election financing report of the (*registered political party/constituency association*) relating to the British Columbia (by) election held on (*date*). The election financing report has been prepared by the financial agent for (*registered political party/constituency association*) based on the financial reporting provisions of Part 10 of the *Election Act*.

Financial agent's responsibility for the election financing report

The financial agent is responsible for the preparation of the election financing report in accordance with the financial reporting provisions of Part 10 of the *Election Act*, and for such internal control as the financial agent determines is necessary to enable the preparation of election financing reports that are free from material misstatement, whether due to error or fraud.

Auditor's responsibility

My responsibility is to express an opinion on the election financing report based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards as required by Section 214 of the *Election Act* (British Columbia). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the election financing report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the election financing report. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the election financing report, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the financial agent's preparation of the election financing report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the (*registered political party/constituency association*)'s internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by the financial agent, as well as evaluating the overall presentation of the election financing report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Due to the nature of the transactions inherent in any (either "political party" or "constituency association"), the completeness of contributions and other revenue and expenses is not susceptible to satisfactory audit verification. Accordingly, my verification of these transactions was limited to the amounts recorded in the (*registered political party/constituency association*) records and I was not able to determine whether any adjustments might be necessary to the election financing report.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the election financing report of the (*registered political party/constituency association*) relating to the British Columbia (by) election held on (*date*) is prepared, in all material respects, in accordance with the financial reporting provisions of Part 10 of the *Election Act*.

Basis of Accounting

The election financing report is prepared to assist (*registered political party/constituency association*) to comply with the financial reporting provisions of Part 10 of the *Election Act*. As a result, the election financing report may not be suitable for another purpose.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Election Financing Report – Candidate

INDEPENDENT AUDITOR'S REPORT

To (*name*), financial agent for (*candidate*)

I have audited the accompanying election financing report of (*candidate*) relating to the British Columbia (by) election held on (*date*) in the electoral district of (*name of electoral district*). The election financing report has been prepared by the financial agent for (*candidate*) based on the financial reporting provisions of Part 10 of the *Election Act*.

Financial agent's responsibility for the election financing report

The financial agent is responsible for the preparation of the election financing report in accordance with the financial reporting provisions of Part 10 of the *Election Act*, and for such internal control as the financial agent determines is necessary to enable the preparation of election financing reports that are free from material misstatement, whether due to error or fraud.

Auditor's responsibility

My responsibility is to express an opinion on the election financing report based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards as required by Section 214 of the *Election Act* (British Columbia). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the election financing report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the election financing report. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the election financing report, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the financial agent's preparation of the election financing report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the (*candidate*)'s internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by the financial agent, as well as evaluating the overall presentation of the election financing report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Due to the nature of the transactions inherent in any election campaign, the completeness of contributions and other revenue and expenses is not susceptible to satisfactory audit verification. Accordingly, my verification of these transactions was limited to the amounts recorded in the election campaign records and I was not able to determine whether any adjustments might be necessary to the election financing report.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the election financing report of (*candidate*) for the British Columbia (by) election held on (*date*) in the electoral district of (*name of electoral district*) is prepared, in all material respects, in accordance with the financial reporting provisions of Part 10 of the *Election Act*.

Basis of Accounting

The election financing report is prepared to assist (*candidate*) to comply with the financial reporting provisions of Part 10 of the *Election Act*. As a result, the election financing report may not be suitable for another purpose.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Leadership Contest Financing Report — Leadership Contestant

INDEPENDENT AUDITOR'S REPORT

To (*name*), financial agent for (*leadership contestant*)

I have audited the accompanying leadership contestant financing report of (*leadership contestant*) relating to the (*registered political party*) leadership selection held on (*date*). The leadership contestant financing report has been prepared by the financial agent for (*leadership contestant*) based on the financial reporting provisions of Part 10 of the *Election Act*.

Financial agent's responsibility for the leadership contestant financing report

The financial agent is responsible for the preparation of the leadership contestant financing report in accordance with the financial reporting provisions of Part 10 of the *Election Act*, and for such internal control as the financial agent determines is necessary to enable the preparation of leadership contestant financing reports that are free from material misstatement, whether due to error or fraud.

Auditor's responsibility

My responsibility is to express an opinion on the leadership contestant financing report based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards as required by Section 214 of the *Election Act* (British Columbia). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the leadership contestant financing report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the leadership contestant financing report. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the leadership contestant financing report, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the financial agent's preparation of the leadership contestant financing report in order to design audit procedures that are of the (*leadership contestant*)'s internal control. An audit also includes evaluating

the appropriateness of accounting policies used and reasonableness of accounting estimates made by the financial agent, as well as evaluating the overall presentation of the leadership contestant financing report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Due to the nature of the transactions inherent in any leadership campaign, the completeness of contributions and other revenue and expenses is not susceptible to satisfactory audit verification. Accordingly, my verification of these transactions was limited to the amounts recorded in the campaign records and I was not able to determine whether any adjustments might be necessary to the leadership contestant financing report.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the leadership contestant financing report of (*leadership contestant*) for (*registered political party*) leadership selection held on (date) is prepared, in all material respects, in accordance with the financial reporting provisions of Part 10 of the *Election Act*.

Basis of Accounting

The leadership contestant financing report is prepared to assist (*leadership contestant*) to comply with the financial reporting provisions of Part 10 of the *Election Act*. As a result, the leadership contestant financing report may not be suitable for another purpose.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Appendix D - Excluded election expenses

Election expenses are defined in the *Election Act*. The *Election Act* also makes provision for certain expenses to be excluded from election expenses limits. The following are the only election expenses which are excluded from the election expenses limits (section 203 of the *Election Act*):

- the nomination deposit of a candidate;
- personal election expenses of a candidate;
- legal or accounting services provided to comply with the *Election Act*;
- services provided by a financial agent or auditor in that capacity;
- the cost of any communication that a registered political party or a registered constituency association sends exclusively to its members;
- expenses incurred in holding a fundraising function;
- expenses incurred exclusively for the day-to-day administration of a registered political party or a registered constituency association;
- interest on a loan for election expenses to a candidate, registered constituency association or registered political party;
- the cost of any communications that a candidate sends exclusively to members of his or her registered political party or registered constituency association;
- the portion of transportation costs and costs for food, refreshments and communications equipment for which a political party or its candidate is reimbursed by media representatives accompanying election tours;
- the cost of security services, if the individuals engaged in providing the services do not, while providing those services,
 - (i) carry or wear flags, badges or any other thing indicating that the individual promotes or opposes a particular candidate or registered political party, or
 - (ii) engage in any campaigning
 - (a) to promote or oppose, directly or indirectly, the election of a candidate, or
 - (b) to promote or oppose, directly or indirectly, a registered political party, including engaging in discussions of a partisan nature;
- the cost of any communication, other than a communication in relation to a fundraising function, transmitted to the public by any means for the primary purpose of raising funds for the organization or individual by whom or on whose behalf the communication was transmitted;
- expenses prescribed for the purpose of section 203 of the *Election Act* by regulation.

See page seven for more information on election expenses.

Questions?

For more information

Phone toll-free 1-800-661-8683 / TTY 1-888-456-5448

or contact

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