

Guidelines for Members Appointed as Auditors Under the *Election Finances Act*



Legislative Chamber, Queen's Park

Foreword

These *Guidelines for Members Appointed as Auditors Under the Elections Finances Act (Guidelines)* provide practical guidance to auditors reporting under the Ontario *Election Finances Act (Act)* on the relevant year-end and campaign period financial statements of candidates, constituency associations, political parties, and leadership contestants. They reflect amendments to the *Act*, as well as applicable changes to the *CICA Handbook – Assurance* in respect of the requirements of the *Canadian Auditing Standards (CAS)*.

The Institute expresses its appreciation to those members who offered their assistance in preparing these *Guidelines*. We further acknowledge the contributions of Elections Ontario and Canadian Institute of Chartered Accountant (CICA) staff who provided valuable input and assistance in reviewing the drafts of these *Guidelines* prior to its publication. The participation of all those who were involved in the preparation of previous editions of these *Guidelines* is also acknowledged.

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Disclaimer

This edition of the *Guidelines* was prepared by staff of the Institute of Chartered Accountants of Ontario (Institute). Any views expressed in these *Guidelines* are the views of those involved in its preparation, and do not constitute an official Institute position.

Members are reminded that the references to the *CICA Handbook* and *Member's handbook* in the *Guidelines* are not inclusive, and they should have an understanding of all of the applicable standards and ethical requirements.

August 2011

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Introduction – Section 1

The Ontario *Election Finances Act (Act)* requires participants in the Ontario electoral process (candidates, constituency associations, political parties and leadership contestants) to prepare financial statements and appoint auditors to report on them. Audit reporting under the *Act* significantly enhances the public's confidence in the financing of the electoral process.

Elections Ontario – Election Finances (Elections Ontario) requires information beyond the audit mandate. The forms prescribed by Elections Ontario include financial statements and supplemental schedules that require adaptation for purposes of the *Act* to meet the requirements of the Chief Electoral Officer of Ontario. These *Guidelines* contain sample auditor's reports and commentary thereon, as well as a number of practical suggestions regarding audit procedures to facilitate the audit process.

These guidelines have been updated from the 2007 version to reflect changes in the *CICA Handbook* and the *Act*. The most significant of these are:

Changes in the *Act*:

- Acceptance of contributions greater than \$25 other than by cheque, money order or credit card (for individuals), such as debit cards and other methods where the contributor and their account information can be confirmed.
- Cancellation notices for tax credit receipts can now be issued for ineligible contributions.
- A new formula has been provided for calculating Campaign Expense Limits.
- Amounts relating to audit subsidies and contribution and expenditure limits (provided in subsections 18(1), 38(2), 38(3.1), 38(3.4), and subsection 40(7) of the *Act*) have been adjusted to reflect the indexation factor, effective January 1, 2009 (as per subsection 40.1).
- Certain registered parties will be required to implement a central party electronic database for recording contributions and issuing receipts, effective June 1, 2012, with early adoption options available.

Changes in *CICA Handbook - Assurance*:

- Audit-related guidance in these Guidelines has been updated to reflect the requirements of the new CAS which came into effect for all financial statement and other historical financial information audits for periods ending on or after December 14, 2010; for instance, the wording in the auditor's reports, the engagement and representation letters has been revised.

Resources – Section 2

The *Act* and the Chief Electoral Officer's Guidelines prescribe some very specific accounting methods and disclosure requirements to be followed by chief financial officers. All members and firms who have been asked to accept an appointment as auditor under the *Act* should be knowledgeable on the specifics.

- The following publications are available through Elections Ontario*:
 - Election Finances Act*, as amended from time to time
 - Election Finances Act Guidelines*
 - CFO Handbook for Political Parties*
 - CFO Handbook for Constituency Associations*
 - CFO Handbook for Candidates*
 - CFO Handbook for Leadership Contestants*

Questions with respect to the *Act* and the publications issued by Elections Ontario should be directed to Elections Ontario and confirmed in writing.

* Elections Ontario – Election Finances
51 Rolark Drive
Toronto, Ontario, M1R 3B1
Telephone: (416) 325-9401
Toll free: 1-866-566-9066
Fax: (416) 325-9466
Website: www.elections.on.ca
E-mail: electfin@elections.on.ca

- The *Income Tax Act* and the *Corporations Tax Act* provide detailed information on deductibility of contributions from individuals and corporations, respectively.
- The original registration form and any amendments, which should be obtained from Elections Ontario, provides an important source of information, such as:
 - the name, address and telephone number of the candidate or riding association's president and chief financial officer;
 - the name, address and telephone number of the candidate or riding association's auditor;
 - signing authorities;
 - banks at which deposits are to be made; and
 - sample signatures.

Audit Considerations – Section 3

Requirements for filings

The chief financial officer of each candidate, leadership contestant, constituency association and political party registered under this *Act*, is required to prepare and file financial statements in accordance with Sections 41 and 42 of the *Act*, as described in more detail below.

- Under section 41, the chief financial officer shall file with the Chief Electoral Officer a financial statement,
 - (a) of assets and liabilities as at the end of the previous year;
 - (b) of income and expenses for the previous year, excluding, in the case of a political party, the income and expenses relating to an election received or incurred in a campaign period and, in the case of a constituency association, all income and expenses received or incurred in a campaign period; and
 - (c) setting out all the information required to be recorded under subsection 34 (1) for the previous year, excluding such information that relates to a campaign period,
of the political party or constituency association for which the chief financial officer acts, together with the auditor's report.

- Under section 42, the chief financial officer shall, within six months after polling day, file with the Chief Electoral Officer a financial statement,
 - (a) in the case of a political party, of the income and expenses relating to the election received or incurred in the campaign period and in the case of a constituency association or candidate, of all income and expenses received or incurred in the campaign period;
 - (b) of all campaign expenses, paid and outstanding, incurred in a campaign period and a statement of all disputed claims; and
 - (c) setting out all the information required to be recorded under subsection 34 (1) that relates to the campaign period,
of the political party, constituency association or candidate for which the chief financial officer acts, together with the auditor's report.

Relevant filing dates

The filing requirements for campaigns and leadership contests, as well as annual requirements, are as follows:

Campaign (Candidates, Parties and Associations)

Candidate's date of registration	As stated in the Elections Ontario acknowledgement letter (see Note)
Start of campaign period	Date writ for an election issued

Polling day	As named in the writ
End of election campaign period	3 months after polling day
Election campaign return (CR-1, CR-3, CR-4)	6 months after polling date

Note: No contributions can be accepted (that is, deposited), or expenses incurred, by a candidate's campaign prior to the effective date of his or her registration with Elections Ontario; the acknowledgement letter to the chief financial officer provides confirmation of such date.

Leadership Contest (Leadership Contestants)

Contestant's date of registration	As stated in the Elections Ontario acknowledgement letter
Start of contest period	Date contest is called
Vote	As determined by party
End of leadership contest period	14 months after leadership vote
First filing of leadership contestant return (CR-5)	6 months after date of leadership vote
Final filing for leadership contestant returns, for the 12-month period beginning two months after the date of the leadership vote	20 months after the date of the leadership vote

Annual requirements (Parties and Associations)

Party and Association's date of registration	As stated in the Elections Ontario acknowledgement letter
Annual filings deadline for constituency associations and political parties (AR-1, AR-10)	May 31

Audit requirement and appointment of auditor

Under Section 40(1) of the *Act*, every candidate and leadership contestant at the time of appointment of his or her chief financial officer, and every political party and constituency association, within 30 days after becoming registered under the *Act*, shall appoint an auditor (or audit firm) licensed under the *Public Accountancy Act, 2004*.

Under section 40(4) of the *Act*, the auditor shall make a report to the chief financial officer of the candidate, leadership contestant, political party or constituency association that appointed the auditor in respect of the financial statements, as required by sections 41 and 42 and shall make such examination of the financial statements and supporting documentation as is necessary to enable the auditor to report thereon in accordance with generally accepted auditing standards.

Audit independence

Auditors should carefully review the requirements for an auditor's independence, which are outlined in the *Act* and the *Rules of Professional Conduct 204* (the Independence Rule) of the Institute in the *Member's handbook*, to ensure independence has not been impaired. The Council Interpretation (CI) 204A for the Independence Rule (see Appendix A) sets out in more detail the additional requirements to be met in accordance with Section 40(3) of the *Act*.

Requirements for auditors to communicate their independence are outlined in paragraphs 48 and 49 of the CI to the Independence Rule, as well as CAS 260 "Communications with those Charged with Governance" (CAS 260). The auditor is not required to provide a written annual communication regarding independence matters; however, this may be prudent in some circumstances – such as when there has been a change in a relationship within the firm, or when there is a wide range of stakeholders, with management less directly involved with those charged with governance.

Audit subsidy

The *Act* provides for subsidy, by the Chief Electoral Officer, of the cost of audit services, such subsidy being the lesser of the auditor's billing, and set amounts multiplied by the indexation factors set out in Section 40.1(1) of the *Act*. This subsidy applies only to audit services; it does not cover other services. Billings should clearly distinguish between audit costs and costs for other services such as bookkeeping. Copies of billings are to be sent to the Chief Electoral Officer with the financial statements.

For the period from January 1, 2009 to December 31, 2013, the maximum audit subsidies are as follows with respect to:

- Constituency associations, \$744;
- Candidates, \$1,240;
- Leadership contestants, \$992; and
- Political parties, \$1,488.

Engagement letter

There should be a clear understanding between the auditor and those charged with governance of the candidate, constituency association, party or leadership contestant, as to the nature and extent of the auditor's services.

For candidates, it is important for the auditor to arrange an immediate meeting with the candidate's chief financial officer upon accepting the appointment as auditor. This may include the campaign manager and the candidate. The purpose of the meeting is to discuss the engagement and ensure that the accounting and reporting functions are organized and controlled in a manner conducive to the fulfillment of the auditor's responsibilities. The auditor should determine whether the prospective candidate is familiar with the *Act*, its requirements and constraints. For instance, it is important that prospective candidates understand that their campaigns do not exist until the election writ is issued and their candidacy is registered with Elections Ontario, and as such they may not accept contributions or incur expenses. All activity prior to this date instead must be conducted by the constituency association which endorsed the candidate.

For constituency associations and political parties, the auditor's engagement is usually one of an ongoing nature, which is different than for election campaigns, where the relationship may only be for the term of the campaign.

In terms of the engagement letter, the auditor generally enters into contractual arrangements as follows:

- Constituency association - The contractual arrangement is entered into with the chief financial officer of the constituency association, who should sign the engagement letter.
- Political party - The contractual arrangement is entered into by the chief financial officer and another of the principal officers of the political party.
- Candidates - The contractual understanding is with the candidate, who should sign the engagement letter. While the chief financial officer is not party to the contractual relationship, he or she has major responsibilities relating to the records, and the auditor's report will be addressed to the chief financial officer. It is important that the chief financial officer acknowledge that he or she understands the terms of engagement by also signing the engagement letter.

Examples of wording for engagement letters are provided in Appendix B. Also, requirements to communicate with those charged with governance are discussed in more detail further below.

Financial reporting frameworks

Before accepting and finalizing the terms of the engagement, the auditor is required to establish whether the preconditions for an audit are present (see CAS 210 "Agreeing the Terms of Audit Engagements" (CAS 210). This includes making a determination regarding whether the financial reporting framework to be applied in the preparation of the financial statements is acceptable.

Elections Ontario requires information beyond the audit mandate. The forms prescribed by Elections Ontario include financial statements that require adaptation for purposes of the *Act* to meet the financial information needs of specific users, in this case, the Chief Electoral Officer of Ontario. Under the CASs, when a financial reporting framework is designed to meet the financial information needs of specific users, it is determined to be a special purpose financial reporting framework.

In addition, the auditor must determine whether the special purpose framework is a "fair presentation" or a "compliance" framework.

CAS 200 "Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with Canadian Auditing Standards" (CAS 200) outlines the two financial reporting frameworks: the fair presentation framework and the compliance framework. Both frameworks are represented in the forms of reporting required by the *Act*, as explained below.

- Fair presentation framework
A fair presentation framework is a financial reporting framework that requires compliance with the requirements of the framework and:
 1. acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
 2. acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.

Given the nature of and extent of disclosure in the financial statements required under the *Act*, the statements of assets and liabilities and income and expenses should be prepared under a fair presentation framework.

- **Compliance framework**

A compliance framework is a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgments in (1) and (2) above.

Given the nature of and extent of disclosure in the supplemental schedules required under the *Act*, the financial information in the supplemental schedules should be prepared under a compliance framework.

Members should refer to additional guidance prepared by CICA, such as “*Reporting Implications of New auditing and Accounting Standards*” for additional guidance on the different financial reporting frameworks.

Scope of examination

Section 40(4) of the *Act* states that: “The auditor appointed under subsection (1) or (2) shall make a report to the chief financial officer of the candidate, leadership contestant, political party or constituency association that appointed the auditor in respect of the financial statements, as required by Sections 41 and 42, and shall make such examination of the financial statements and supporting documentation as is necessary to enable the auditor to report thereon in accordance with generally accepted auditing standards.”

Qualification regarding contributions and expenses

Conducting an audit in accordance with generally accepted auditing standards requires the auditor to verify that all transactions have been included in the records and valued appropriately. It is generally impractical for the auditor to verify the identity of all contributors or the total amounts contributed or expensed. Accordingly, the scope of the examination has been limited, and a qualified Independent auditor’s report is appropriate. Further details are provided in the *Independent Auditor’s report* section below.

Materiality

CAS 320 “Materiality in Planning and Performing an Audit” (CAS 320) discusses the determination and documentation of three levels of materiality: materiality for the financial statements as a whole; the materiality level or levels for particular classes of transactions, account balances or disclosures; and performance materiality.

Consideration of compliance with laws and regulations

The auditor should be familiar with the requirements of the *Act*, which, if violated, could reasonably be expected to result in a material misstatement of the financial statements. CAS 250 “The Auditor’s Responsibilities Relating to Laws and Regulations in an Audit of Financial Statements” (CAS 250) provides guidance on the auditor’s consideration of compliance with laws and regulations, audit procedures when non-compliance is identified or suspected and the reporting of identified or suspected non-compliance.

The auditor should make enquiries, as appropriate, to determine whether management has knowledge of any instances of non-compliance and review correspondences, if any, with Elections Ontario. During the course of the examination, it may come to the auditor's attention that a particular transaction appears to constitute a contravention of a specific provision of the *Act*. In such circumstances the auditor should ask the chief financial officer, candidate or principal officer(s) how the particular item is justified. The chief financial officer should be asked to remedy the situation and make any necessary corrections to the financial statements.

Section 40(5) of the *Act* requires the auditor to include in the audit report statements that the auditor considers necessary in any case where the chief financial officer has not provided the auditor with all the information and explanations requested or has not maintained proper accounting records. If the auditor determines that the records have not been properly kept, the auditor would include a statement in the auditor's report in accordance with the requirements in CAS 700. This statement must be included in a separate section at the end of the Independent Auditor's Report with a subtitle "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content of the section. In addition, the auditor shall add a subtitle "Report on the Financial Statements" before the "Introductory" paragraph to clearly distinguish the responsibility to report on the financial statements from the responsibility to report on other legal and regulatory requirements.

If the auditor has not received from the chief financial officer all the information and explanation that he or she has requested, CAS 580 requires the auditor to discuss the matter with management, reevaluate the integrity of management, and evaluate the effect that this may have on the reliability of representations and audit evidence in general. If management refuses to provide any representation requested by the auditor, the auditor should consider issuing either a qualified opinion or a disclaimer of opinion on the basis that this would constitute a scope limitation.

Finally, because an attitude of professional skepticism should be maintained when performing an audit, the auditor will need to consider whether the misstatements or contraventions of the *Act* discovered indicate the possibility of other material misstatements existing in the financial statements. The auditor should also consider whether such a misstatement may be indicative of fraud and, if so, what the implications of the misstatement are in respect to other aspects of the audit, particularly the reliability of management representations.

Risk

Risk of material misstatement at the assertion level needs to be assessed in order to determine the nature, timing and extent of further audit procedures necessary to obtain sufficient appropriate audit evidence. For instance, as the *Act* places almost the entire responsibility for financial activities on the chief financial officer, this often results in a lack of segregation of duties regarding financial matters – and high control risk. Also, inherent risk may be high in a number of areas, such as in respect of donations as previously noted.

Some of the CAS relating to risk that the auditor should be familiar with, in addition to some of the CAS already noted, include:

- CAS 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements" (CAS 240), which deals with the auditor's responsibility to detect material misstatements arising from fraud and error in the audit of financial statements or other financial information;
- CAS 315 "Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment" (CAS 315);

- CAS 330 “The Auditor’s Responses to Assessed Risks” (CAS 330), which deals with the responsibility of the auditor to design and implement responses to the risks of material misstatement identified and assessed during the audit;
- CAS 450 “Evaluation of Misstatements Identified During the Audit” (CAS 450), which deals with the auditor’s responsibility to evaluate the effect of identified misstatements on the audit.

Audit procedures

The characteristics of each engagement should be taken into account in designing an effective audit program. Appendix C is a compilation of common procedures.

Communications with those charged with governance

CAS 250 requires the auditor to communicate to those charged with governance matters involving non-compliance with laws and regulations that come to the auditor’s attention during the course of the audit, unless they are clearly inconsequential. As well, the auditor should communicate as soon as practicable to those charged with governance instances of non-compliance that the auditor believes to be intentional and material. If the auditor suspects that management or those charged with governance are involved in non-compliance, the auditor should communicate the matter to the next higher level of authority, if that exists, and consider the need to obtain legal advice. Finally, the auditor should determine whether he/she has a responsibility to report the identified or suspected non-compliance to Elections Ontario.

There should be a clear understanding between the auditor and those charged with governance of the candidate, leadership contestant, constituency association or party, as to the nature and extent of the auditor’s services. CAS 260 requires the auditor to:

- Determine who the appropriate person(s) with whom to communicate; it also requires the auditor to agree with the engaging party on the relevant person(s) with whom to communicate if the appropriate person(s) are not clearly identifiable from the engagement circumstances.
- Consider whether communicating with a sub-group of those charged with governance adequately fulfills the auditor’s communication responsibilities.
- Consider whether communications with those with management responsibilities adequately informs all those charged with governance with whom the auditor would ordinarily communicate when all of those charged with governance are involved in managing the entity.

While the *Act* clearly puts the responsibility of all financial reporting matters on the chief financial officer, the auditor should consider including other executive members of the constituency association/ political party (such as constituency association president, party president and other officers) in the communication process.

Representation letter

The auditor is entitled by Section 40(6) of the *Act* “...to require from the chief financial officer such information and explanation as in the auditor’s opinion may be necessary to enable the auditor to report as required by subsection (4)”. Accordingly, the auditor should obtain from the chief financial officer those representations considered of significance in the forming of the audit opinion. Similar assurance should be obtained from the candidate, leadership contestant, and chief financial officer of the constituency association or the chief financial officer and other principal officers of the constituency association or political party. Such assurance should take the

form of a representation letter addressed to the auditor. In certain instances, the auditor might consider it desirable to obtain written assurance of specific items from other personnel, particularly those named in the registration with Elections Ontario (e.g. constituency association president, persons authorized to accept contributions or the campaign manager). The date of the written representations shall be as near as practicable to, but not after, the date of the auditor's report on the financial statements.

CAS 580 "Written Representations" (CAS 580) outlines the minimum requirements to be included in the representation letter. Appendix D provides examples of representation letters for the annual and campaign period audits. Appropriate amendments should be made, as appropriate, to take into account particular circumstances of a specific engagement.

Independent Auditor's Reports

Addressee of Independent Auditor's Reports

Although the *Act* requires the audit report to be addressed to the chief financial officer, the financial statements must be submitted to the Chief Electoral Officer; therefore, in order to maintain the appropriate accountability relationship, the audit report should be addressed to both the chief financial officer of the registered constituency association/political party/candidate, as well as the Chief Electoral Officer of Ontario.

Report on financial statements

Basis of Accounting

When forming an opinion and reporting on special purpose financial statements such as those under the *Act*, CAS 800 "Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks" (CAS 800) requires the auditor to apply the standards and guidance in CAS 700. CAS 800 outlines the additional requirement for the auditor's report to include a "Basis of Accounting" paragraph that refers to the note describing the financial reporting framework used in preparation of the financial statements. This "Basis of Accounting" paragraph is required to alert users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose.

Basis for Qualification of Opinion

As indicated previously, contributions are made on a voluntary and unpredictable basis, and the auditor's knowledge of contributions and expenses will be limited to that obtained from the accounting records, as well as from his or her general knowledge of the affairs of the constituency association, political party and election campaign. Although the auditor should verify whenever possible the amounts and propriety of recorded contributions, the auditor may not have complete evidence available to determine whether, by error or intent, contributions or expenses have been omitted from the accounting records. Accordingly, the auditor will be unable to verify that all contributions and expenses were recorded in accordance with the *Act*. As there is an inability to do this, the scope of the examination has been limited, and a qualified auditor's opinion is appropriate. Members should refer to CAS 705 "Modifications to the Opinion in the Independent Auditor's Report" (CAS 705) regarding the reporting of the scope limitation, which requires the inclusion of both a "Basis for Qualified Opinion" paragraph to explain the modified opinion, as well as a "Qualified Opinion" paragraph, which provides the modified opinion.

Report on Financial Information on Supplemental Schedules

Under CAS 805 "Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement" (CAS 805), when the auditor undertakes

an engagement to report on financial information such as those in supplemental schedules in conjunction with an engagement audit of the entity's complete set of financial statements, the auditor must express separate opinions for each.

Basis of Accounting

When forming an opinion and reporting on the supplemental schedules, CAS 805 requires the auditor to apply the requirements of CAS 700 adapted as necessary in the circumstances of the engagement. As noted above, the auditor's report should include a "Basis of Accounting" paragraph that must refer to the note describing the financial report framework used in preparation of the schedules. This "Basis of Accounting" paragraph is required to alert users of the auditor's report that the financial information on the supplemental schedules are prepared in accordance with a special purpose framework and that, as a result, the supplemental schedules may not be suitable for another purpose.

Basis for Qualification of Opinion

There will also be a qualification of opinion in respect of the inability to verify completeness of the various categories of income and expenses, as noted above.

Dating of Audit Reports

CAS 700 requires that the auditor's report be dated no earlier than the date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion on the financial statements. Sufficient appropriate audit evidence is defined to include evidence that the entity's complete set of financial statements has been prepared and those with the recognized authority have asserted that they have taken responsibilities for them.

In practical terms, this means that the date of the auditor's report will be no earlier than the date of approval of the financial statements in final form by the chief financial officer. In most cases, this will be after the chief financial officer has signed the financial statements.

Examples of the audit reports are set out in Appendix E and examples of the notes to the Financial Statements and Schedules are set out in Appendix F.

Act and Chief Electoral Officer's Guidelines

Considerations - Section 4

Contributions

The *Act* has imposed limits on contributions by individuals, corporations and trade unions, and on campaign expenses. In particular, auditors should be aware of the types of eligible contributors and limits on amounts of contributions.

Some of the relevant considerations of the *Act* for auditors in respect of contributions are as follows:

- Eligible contributors are defined in the *Act* and are limited to individuals normally resident in Ontario, corporations (other than registered charities as defined in paragraph 248(1) *Income Tax Act* [Canada]) carrying on active business in Ontario, and trade unions with bargaining rights in Ontario.
- Sections 16(2) and 37.11 of the *Act* allow contributions greater than \$25 to be accepted using methods other than cheque, money order or credit card. While the requirement remains that cash cannot be accepted for contributions greater than \$25, it now allows for modern banking practices such as debit cards and other methods where the contributor and their account information can be confirmed.

Section 16(2) states:

Money contributed to political parties, constituency associations, candidates or leadership contestants registered under this *Act* in amounts in excess of \$25,

- (a) shall not be contributed in the form of cash; and
- (b) shall be contributed,
 - (i) in a manner that associates the contributor's name and account with the payment, or
 - (ii) by a money order signed by the contributor.

Corporate credit cards can also be used. The chief financial officer will need to verify that the contributor is the corporation, and make the receipt out to the entity whose funds have been contributed.

- Subsection 34(1) requires the recording of all single contributions in excess of \$100 and contributions from a single source that in the aggregate exceed \$100 for the calendar year.
- Contributions to candidates, leadership contestants, constituency associations and parties, which may take the form of money or "goods and services", are discussed in Sections 16 to 22 of the *Act*.
- Contributors are restricted in Section 18(1) of the *Act* to maximum contributions determined by multiplying the amounts indicated below by the indexation factor determined in Section 40.1 of the *Act* and rounding to the nearest dollar. For the period from January 1, 2009 to December 31, 2013, in any year, the maximum contribution is:
 - \$9,300 to each registered party, and
 - \$1,240 to any registered constituency association to an aggregate of \$6,300 to registered constituency associations of any one registered party.

In any campaign period, in addition to contributions authorized above, the maximum contribution is:

- \$9,300 to each registered party, and
 - \$1,240 to any registered candidate to an aggregate of \$6,300 to registered candidates of any one registered party.
-
- Contributions to Leadership Contestants and Third Party Advertisers are not eligible for tax credit receipts

Tax receipts

- Tax receipts issued for corporations must bear the full legal name (generally ending in “Inc” or “Ltd”).
- Tax receipts for unincorporated businesses or partnerships (including Limited Liability Partnerships “LLP”) must be issued in the name of the individual owner or partners.
- The original (pink) copy of all cancelled receipts must be retained and remitted to Elections Ontario.
- Tax receipts for fundraising events are for the net contribution (after deducting cost of conspicuous consumption for the event). A separate Schedule 3 must be filed for each fundraising event.
- Contributions collected and receipted by the political party on behalf of the constituency association or candidate and then turned over to such association or candidate are “Agency” contributions and must be disclosed in the recipient association or candidate’s filing. The limit on contributions applies to those received and receipted directly by the association or candidate and to “Agency” contributions. Particular care should be taken with contributions deposited just after year end to ensure that they are recorded or accrued in the correct fiscal year.

Excessive and ineligible contributions

A chief financial officer is allowed to issue a cancellation notice and provide a refund to a contributor, within thirty days of being made aware of receiving an ineligible contribution, pursuant to subsection 17 (1) of the *Act*, which states that:

Where the chief financial officer learns that any contribution received by or on behalf of the political party, constituency association, candidate or leadership contestant for whom he or she acts was made or received in contravention of any provision of this *Act*, the chief financial officer shall, within thirty days after learning that the contribution was made contrary to this *Act* and upon obtaining the contributor's copy of the receipt issued under this *Act*, or cancelling the receipt and giving the contributor notice of the cancellation, return the contribution or an amount equal to the sum contributed.

Cancellation notices may be used to cancel hard copy tax credit receipts and for e-receipts (after parties begin to issue receipts electronically). Note that the practice of retrieving the contributor’s copy of a tax credit receipt and then issuing a refund is still available.

The cancellation notice cannot be used to resolve existing receipting / compliance matters for which the chief financial officer has already had thirty days to take corrective action.

In the case where the excessive or ineligible contributions cannot be returned to the contributor or, if the official receipt for the excess is not recovered or cancelled, the excessive or ineligible amount must be paid over to Elections Ontario.

General collections and anonymous donations

Cash contributions of up to \$10, in response to a general collection solicited at a meeting, may be made anonymously by individuals without being considered a contribution under the *Act*; details of such contributions must be reported on the Schedule 4 with a separate schedule prepared for each event at which the collection was made.

Anonymous donations other than those of \$10 or less received in response to a general collection solicited at a meeting, must be remitted to Elections Ontario.

Donations of goods and services

Donor must determine the fair value of the goods or services donated. The donation will result in a corresponding expense. Donation of goods and services of amounts less than \$100 may, at the discretion of the donor, be considered not a contribution.

Transfers

All transfers of funds, good 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. Care must be taken to distinguish between a Transfer and an Agency Contribution. They are not interchangeable. It is advisable for the auditor to positively confirm the amounts received and paid out as transfers to or from other registered political entities.

Transfers are not considered to be contributions to the transferee or contributions from the transferor. Refer to Sections 27 and 29 of the *Act* for further information regarding transfers.

Commercial value of goods and services

The *Act* requires that goods and services provided be recorded at their commercial value. Reference should be made to Section 21 of the *Act* and Chief Electoral Officer's *Guidelines* for guidance on the treatment of any shortfall between that value and the amount (if any) charged. The engagement letter should provide for the chief financial officer to obtain certifications from suppliers as to the commercial value of goods and services provided; where obtained, the auditor has a reasonable basis to place reliance on such certifications in the absence of unusual circumstances. Where certification has not been obtained, the auditor should employ alternative procedures, such as requesting the certification directly; otherwise, consideration would be given whether a modification of opinion is required in the auditor's report. Attention is drawn to the Chief Electoral Officer's *Guideline* which discusses contributions of goods and services.

The scope of the auditor's examination should include consideration of whether recorded commercial values have been determined as required by the *Act* and the Chief Electoral Officer's guidelines. It is important that the auditor bear in mind the possibility that commercial value may be misstated. Any such misstatement would be of importance where the amount thereof is obvious, or considered material.

Inventory

The *Act*, and Chief Electoral Officer's guidelines, require that any inventory of campaign supplies at the beginning of the campaign period be valued and accounted for in determining the candidate's campaign expenses. The value of inventory is to be the fair value, which may be higher or lower than actual acquisition cost. It is recognized that the materiality of inventory will vary from engagement to engagement, and the auditor should use professional judgment in

determining the extent of his or her verification; some suggested procedures are included in Appendix C.

Campaign expenses

Campaign expenses are defined in the *Act* and Chief Electoral Officer's guidelines. Section 38 of the *Act* places limits on total campaign expenses.

Campaign expense (spending) limit

The formula for determining the campaign expense (spending) limit is based on eligible voters in a riding. In calculating the limit, the elector count to be used is the higher of the preliminary or the final elector count. This allows campaigns to budget with greater accuracy based on the preliminary elector count provided, without risk of overspending due to a final elector count being lower than the preliminary count.

For the purpose of determining adherence to the limits on campaign expenses, such expenses consist of: the total campaign expenses incurred by the candidate, the constituency association supporting the candidate, the party supporting the candidate and any other person incurring expenses with the knowledge and consent of the candidate or chief financial officer.

The *Act* provides severe penalties for noncompliance. Excessive spending may result in a candidate forfeiting his or her seat in the Legislature.

Expenses excluded from campaign expense limits

The *Act* allows for certain expenses to be excluded from campaign expense limits; these are:

- Expenses incurred by a candidate in seeking nomination in accordance with the Ontario Election Act.
- Auditor's and accounting fees.
- Interest on loans authorized under Section 35 of the Ontario Elections Finance Act (the *Act*).
- Expenses incurred in holding a fund-raising activity referred to in Section 23 of the *Act*.
- Expenses incurred for "victory parties" held and "thank you" advertising published after polling day.
- Expenses incurred in relation to the administration of the political party or constituency association.
- Transfers authorized under Section 27 of the *Act*.
- Fees paid in respect of maintaining a credit card facility.
- Expenses relating to a recount in respect of the election.
- Child care expenses of a candidate and other expenses not of partisan value that are set out in guidelines provided by the Chief Electoral Officer under clause 2(1)(j) of the *Act*.
- Expenses relating to research and polling.
- Travel expenses.
- Expenses that are incurred by a candidate with disabilities and that are directly related to the candidate's disabilities.

Requirement for electronic database for contributions and receipts

Section 25.1 of the *Act* makes it mandatory by June 1, 2012 for some political parties to electronically record contributions and generate tax credit receipts from an electronic database for the party, its constituency associations and candidates. Subsection 25.3 allows registered parties to early adopt starting on June 1, 2011.

The requirement to have an electronic database is mandatory for:

1. a party that fielded candidates in more than 50% of the electoral districts in 2007; or,
2. a party that fields candidates in more than 50% of the electoral districts in a future general election; or
3. a party that has been required to, or opted to, use an electronic database but fields candidates in fewer than 50% of the electoral districts in a future general election.

Subsection 25.4 allows those registered parties that did not have candidates in 50 percent or more of Ontario's provincial electoral districts in the 2007 general election or in any subsequent general election to opt out of these requirements.

This effectively results in issuance of all constituency association and candidate contribution receipts at the central party level rather than the riding association and campaign level.

The Chief Electoral Officer has issued detailed guidelines to assist those registered political parties that are required to, or opt to, maintain an electronic database for recording contributions and issuing tax receipts. As each registered party will develop its own protocols for this process, auditors should review these guidelines carefully, and obtain an understanding of the client's process and assess its potential impact on the audit.

Council Interpretation 204A - Audit Appointments under the *Ontario Election Finances Act* – Appendix A

1. *Introduction:* The *Act* requires the filing, with the Chief Electoral Officer, of certain financial statements of registered candidates, leadership contestants, constituency associations and political parties; these statements are to be reported on by an auditor licensed under the *Public Accountancy Act* (Ontario) or a firm of auditors whose partners are so licensed.
2. *Ineligibility provisions – statutory:* The *Act* (Section 40(3)) lists a number of persons who cannot act as auditor. Section 40(3) states: No returning officer, deputy returning officer or election clerk and no candidate, or leadership contestant, or chief financial officer of a candidate or leadership contestant, or chief financial officer of a registered party or constituency association shall act as the auditor for the candidate, leadership contestant, registered party or constituency association, but nothing in this subsection makes ineligible the partners or firm with which such a person is associated from acting as an auditor for a candidate or registered party or constituency association or leadership contestant.
3. *Council extension of ineligibility provisions:* Without wishing to extend the statutory prohibitions unduly, the Council considers that there are additional relationships to those spelled out in the *Act*, which would impair, or appear to impair, an auditor's objectivity. This interpretation, therefore, sets out the Council's views on unacceptable relationships, in respect of audits under the *Act*, encompassing both those prohibited by the statute and those unacceptable professionally.
4. The Council recognizes that too detailed a proscription, coupled with the widespread involvement of members, as citizens, in the political process, could make it almost impossible for the audit provisions of the *Act* to be given practical effect. Accordingly, this interpretation seeks to cover only the more obvious relationships, which the profession would consider unacceptable. Too narrow an interpretation could, in view of the many conceivable conflicts of interest, make it almost impossible for members to serve the community's needs.
5. *Definitions:* As used in this interpretation: "candidate", "leadership contestant", "constituency association", "registered party" and "campaign period" have the meanings given to them in Section 1(1) of the *Act*, and "candidate" includes "registered candidate", "leadership contestant" includes "registered leadership contestant", and "constituency association" includes "registered constituency association", as defined in Section 1(1) of the *Act*; "immediate family" has the meaning given to it in the definitions to Council Interpretation 204.
6. *Audit of a candidate:* The Council believes that a member would not be complying with the objectivity rule (Rule 204) if he or she were to act as auditor of a candidate if he or she is:
 - (i)
 - a candidate, a leadership contestant, a returning officer, a deputy returning officer or an election clerk;
 - the chief financial officer of a candidate, a leadership contestant, constituency association or a registered party;
 - an officer of the constituency association or of the related registered party of the candidate;
 - a paid worker during a campaign period for any candidate, any constituency association or any registered party at the provincial level;

- a volunteer worker during a campaign period for that candidate, or for the registered party of that candidate at the provincial level, where
 - he or she exercises any function of leadership or direction in that candidate's or that party's campaign organization, or
 - he or she carries on any significant function involving the raising, spending or custody of that candidate's or that registered party's campaign funds;
- or if
- (ii)
- a member of his or her immediate family, or his or her partner in a public accounting practice is:
 - the candidate;
 - the returning officer for the constituency of the candidate;
 - the chief financial officer of that candidate, the constituency association of that candidate, or the related registered party of that candidate;
 - an officer of the constituency association or the related registered party of that candidate;
 - a paid worker during a campaign period for that candidate, the constituency association of that candidate, or the registered party of that candidate at the provincial level;
 - a volunteer worker as described in (i) above.

For greater certainty, the Council believes that where a member who is a partner in a firm holds any of the positions in (i) above with respect to the audit of a particular candidate, the firm of which that member is a partner may not act as auditor of that candidate. This problem would not prevent a firm from accepting the audit appointment for other candidates.

7. *Audit of a leadership contestant:* Any disabling relationship as described in paragraph six above, which would prohibit a member from acting as auditor for a candidate, would similarly prohibit his or her acting as auditor of a leadership contestant.
8. *Audit of a constituency association:* Any disabling relationship as described in paragraph six above, which would prohibit a member from acting as auditor for a candidate, would similarly prohibit his or her acting as auditor of that candidate's constituency association.
9. *Audit of a registered party:* Any disabling relationship as described in paragraph six above, which would prohibit a member from acting as auditor for any candidate or any constituency association, would similarly prohibit his or her acting as auditor of the registered party concerned.'
10. *Firms:* A firm as well as an individual may, in certain circumstances, properly act as auditor in respect of audits under the *Act*. Council is of the view that a firm may act as auditor of a registered party, even if one of the partners has one of the disabling relationships described in paragraph 6(i) or 6(ii), provided:
 - (a) the partner with the disabling relationship is not a candidate, leadership contestant, chief financial officer or paid worker of that registered party, or a volunteer worker of that registered party where he or she exercises any function of leadership therein or works on any significant function involving the raising, spending or custody of campaign funds;
 - (b) the member of the immediate family who creates the disabling relationship for that partner is not a chief financial officer, an officer, or a paid worker of that registered party, or a volunteer worker of that registered party exercising any function of leadership therein or works on any significant function involving the raising, spending or custody of campaign funds; and

- (c) any partner who carries the responsibility for the audit concerned does not himself or herself have a disabling relationship under paragraph 6(i) or 6(ii).

Council is of the view that a firm may not act as auditor of a *candidate, leadership contestant or constituency association*, if a partner of that firm is prevented from acting as auditor because he or she has one of the disabling relationships described in paragraph 6(i) or 6(ii).

11. *Conclusion*: Generally, members contemplating acting as auditors for registered parties, constituency associations, candidates or leadership contestants must be alert to any circumstances, not described in this interpretation, which may place them in the position of impairment of objectivity or where a strong appearance of impairment might be presented. This type of question tends to arise, for example, where a donation of cash or professional services is made. Members of the Institute, as citizens, have the same responsibility to be involved in the political process as other citizens; such involvement may include financial support of a registered party, constituency association, candidate, or leadership contestant by a member, or his or her immediate family or partner in a public accountancy practice. The Council believes that the making of a financial contribution or the donation of professional services does not, of itself, necessarily create an impairment of objectivity, in these particular circumstances. Members should recognize, however, the need to apply judgement to the question of the amount of any such contribution and must be satisfied that any such contribution does not in fact impair their audit objectivity or strongly appear to impair it.

Questions considered by Council in drafting CI 204A

12. *Chief financial officer of a candidate or leadership contestant*

- (i) Can a firm accept an audit appointment from a candidate or leadership contestant if one of the partners is acting as the chief financial officer of that candidate or leadership contestant?
The answer is no.
- (ii) Suppose a staff member – not a partner – accepts the position of chief financial officer for a candidate or leadership contestant; can his or her firm act as auditor for that candidate or leadership contestant?
The firm is not prohibited by the statute from accepting such an audit appointment, nor does the Council prohibit such an appointment. It would clearly be wise for a firm to decline such an audit appointment to avoid the appearance of a conflict of interest.
- (iii) If a partner or a staff member acts as a chief financial officer for a candidate or leadership contestant, can the firm accept an audit appointment for another candidate or leadership contestant?
The answer is yes. This is the clear intention of Section 40(3) of the *Election Finances Act*. The firm would want to ensure that both sides were aware of the relationships that would exist to avoid embarrassment or misunderstandings. Also, the firm would be advised to ensure that the partner or staff member who is acting as a chief financial officer avoids any association with the audit work carried out by the firm on the returns of any other candidate(s) or leadership contestant(s).
- (iv) If a partner is the chief financial officer of a candidate, can the firm accept the audit appointment for an opposing candidate in the same constituency?
The answer is yes. The firm would want to ensure that both sides were aware of the relationships that would exist to avoid embarrassment or misunderstandings. Also, the firm would be advised to ensure that the partner who is acting as a chief financial officer

avoids any association with the audit work carried out by the firm on the returns of other candidates.

13. More than one audit in the same constituency

If the firm has agreed to act as the auditor of a candidate, can the firm accept the audit appointment for an opposing candidate in the same constituency?

The answer is yes. The firm would want to ensure that both sides were aware of the relationships that would exist to avoid embarrassment or misunderstandings.

14. Spouse involvement

(i) If the spouse of a member is an officer of the constituency association or the related registered party of a candidate can the member or his or her firm accept an appointment as auditor of that candidate?

The answer is no, as the member and the firm have an association with a volunteer worker with significant leadership responsibilities.

(ii) If the spouse of a member is acting as a deputy returning officer in one of the polls on election day, can the member or his or her firm accept an appointment as auditor of a candidate in that constituency?

There is no prohibition under the Council interpretation affecting the member or firm. It would be advisable if the member personally did not accept an audit appointment from any candidate in that constituency. Also, the firm would be advised to ensure that the partner whose spouse is so acting avoids any association with the audit work carried out by the firm with respect to the returns of candidates in that constituency.

15. Firm appointed auditor of a registered party

If a firm has accepted the appointment as auditor of a registered party, can a partner of the firm act as:

a) an officer, including chief financial officer, of the registered party?

The answer is no.

b) an officer, including chief financial officer, of another registered party?

The answer is yes, but the possibility of misunderstanding or embarrassment is very high if both sides are not informed in advance of the proposed relationship.

c) an officer, including chief financial officer, of a constituency association?

Generally yes, but ensure that the position does not involve an ex-officio position at the party level.

d) a chief financial officer of a candidate?

The answer is yes, but the partner concerned should avoid any association with the audit with the audit work.

Sample Engagement Letters – Appendix B

The following sample letters are for engagements with political parties, constituency associations, candidates and leadership contestants, and may be amended as appropriate. They are for illustrative purpose only. Members should refer to CAS 210 to ensure that all requirements for the engagement letter have been included.

Example 1- Annual financial statements and financial information

[Date]

[Name(s) of Principal Officer(s) of Registered Constituency Association/Political Party]
[Address]

Dear [Name]:

Objective and Scope

You have requested that I [we] audit and report under the Ontario *Election Finances Act (Act)* on the annual financial statements of [registered constituency association/political party], which comprise the statement of assets and liabilities as at [date], the statement of income and expenses for the year then ended, the financial information set out in Schedules [insert Schedule numbers as applicable] (the “Schedules”), and a summary of significant accounting policies and other explanatory information. I [We] are pleased to confirm my (our) acceptance and my (our) understanding of this audit engagement by means of this letter. My [Our] audit will be conducted with the objective of expressing an opinion on the financial statements.

In the event an election is called during the year, the *Act* requires that financial statements be prepared for the campaign period. This would form the basis of a separate engagement, covered by a separate engagement letter.

My (Our) Responsibilities

I [we] will conduct my [our] audit in accordance with Canadian generally accepted auditing standards. Those standards require that I [we] comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements.

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 [our] risk assessments, I [we] will consider [the registered constituency association/political party]’s relevant internal controls in order to design the nature, timing and extent of audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness the entity’s internal controls. However, I [we] will

communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

Canadian generally accepted auditing standards require me [us] to comply with ethical requirements, including a duty of confidentiality with respect to client affairs. Accordingly, I [we] will not provide any third party with confidential information concerning the affairs of [registered political party/constituency association] without [registered constituency association/political party]'s prior consent, unless required to do so by legal authority, or the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

Content of Audit Reports

My [our] reports, which will be addressed to your chief financial officer [name] and the Chief Electoral Officer of Ontario, will have two components:

- For the financial statements prepared under the fair presentation financial reporting framework, I [we] will state, whether in my [our] opinion, the statement of assets and liabilities and statement of income and expenses referred to above present fairly, in all material respects, the financial position of [registered constituency association/political party] as at December 31, 20XX and its income and expenses for the year then ended in accordance with the financial reporting provisions of Section 41 of the *Act* and the guidelines issued by the Chief Electoral Officer.
- For the financial information set out in the Schedules prepared under the compliance financial reporting framework, I [we] will express an opinion on whether the financial information contained in the Schedules is prepared, in all material respects, in accordance with the financial reporting provisions of Section 41 of the *Act* and the guidelines issued by the Chief Electoral Officer.

It should be noted that the *Act* prescribes limitations on the amount and sources of contributions. However, it is not practicable for me [us] to verify, from sources outside the accounting records, that all contributions are in accordance with the requirements of the *Act*, nor does the *Act* require me [us] to do so. It is also not practicable for me [us] to determine that all financial transactions relating to the [registered constituency association/political party] have been included in the accounting records. In my [our] reports, I [we] shall state these facts.

As required by the *Act*, in [our] my reports I [we] shall make such statements as I [we] consider necessary in any case where, in my [our] opinion:

- I [We] have not received from the chief financial officer all of the information and explanations that I [we] required; or
- Proper accounting records do not appear to have been kept by the chief financial officer based on my [our] examination.

Unless unanticipated difficulties are encountered, my [our] report will be substantially in the following form:

[Insert content of audit report (See APPENDIX E – Example 1)]

If I [we] conclude that a modification of my [our] opinion on the financial statements is necessary, I [we] will discuss the reasons with you in advance.

My [Our] responsibility as auditor does not extend beyond the reporting function outlined above, and accordingly does not include ensuring that your [registered constituency association/political party] and its officers, including your chief financial officer, comply with all the requirements of the *Act*.

Use and Distribution of my [our] Reports

The examination of the financial statements and the issuance of my [our] audit opinions is [are] solely for the use of [registered constituency association/political party] and those to whom my [our] reports are specifically addressed by me [us]. I [We] make no representation of any kind or

to any third party in respect to these financial statements and I [we] accept no responsibility for their use by any third party.

I [We] ask that my [our] name be used only with my [our] consent and that any information to which I [we] have attached a communication be issued with that communication unless otherwise agreed to me [us].

Reproduction of Audit Reports

If reproduction or publication of my [our] audit reports (or reference to my [our] reports) are planned in an annual report or other document, including electronic filings or posting of the report on the website, a copy of the entire document should be submitted to us in sufficient time for our review before the publication or posting process begins.

Management is responsible for the accurate reproduction of the financial statements, the auditor's report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either full or summarized financial statements that I [we] have audited.

I [We] am [are] not required to read the information contained in your website, or to consider the consistency of other information on the electronic site with the original document.

Communication Waiver

In connection with this engagement, I [we] may communicate with you or others via telephone, facsimile, post, courier and email transmission. As all communications can be intercepted or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, I [we] cannot guarantee or warrant that communications from me [us] will be properly delivered only to the addressee. Therefore, I [we] specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by [me] us in connection with the performance of this engagement. In that regard, you agree that I [we] shall have no liability for any loss or damage to any person or entity resulting from the communications, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

Chief Financial Officer's responsibilities

My [our] audit will be conducted on the basis that chief financial officer acknowledges and understands that he/she has the responsibility for:

1. The preparation of [registered constituency association/political party]'s financial statements under the fair presentation financial reporting framework for the statement of assets and liabilities and the statement of income and expenses and the compliance financial reporting framework for the Schedules and in accordance with the *Act* and the Chief Electoral Officer's guidelines.
2. For such internal controls as the chief financial officer determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and
3. To provide me [us] with:
 - Access to all information of which the chief financial officer is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that we may request from the chief financial officer for the purpose of the audit;
 - Unrestricted access to persons within the organization from whom I [we] determine is necessary to obtain audit evidence.

As part of my [our] audit process, I [we] will request from the chief financial officer [and, where appropriate, those charged with governance] written confirmation concerning representations made to me [us] in connection with the audit.

Preparation of Schedules

The *Act* requires filing of the annual financial statements by May 31 of each year. I [We] anticipate that I [we] will be able to report in time to permit a filing of your financial statements by the date required by the *Act* if financial statements are completed and available for audit on or before [date]. You have agreed that you will provide me [us] with the completed financial statements by the dates indicated.

You have also agreed that your chief financial officer will make various invoices and other documents available to our staff and will arrange with suppliers that they will certify as to the commercial value of goods and services provided.

Working Papers

The working papers, files, other materials, report and work created, developed or performed by us during the course of the engagement are the property of my [our] firm, constitute confidential information and will be retained by me [us] in accordance with my [our] firm's policies and procedures.

File Inspections

In accordance with professional regulations (and by my [our] firm's policy), my [our] client files may periodically be reviewed by practice inspectors, and by other file quality reviewers to ensure that I [we] am [are] adhering to our professional and my [our] firm's standards. File reviewers are required to maintain confidentiality of client information.

Governing Legislation

This engagement letter is subject to and governed by the laws of the Province of Ontario. The Province of Ontario will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inappropriate forum, or to claim that those courts do not have jurisdiction.

Dispute Resolution

You agree that:

- Any dispute that may arise regarding the meaning, performance or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation; and
- You will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement.

Any mediation initiated as a result of this engagement shall be administered within the Province of Ontario by [insert name of mediator or a mediator to be appointed that is acceptable to both parties] according to mediation rules, and any ensuing litigation shall be conducted within such province, according to provincial law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The cost of any mediation proceeding shall be shared equally by the participating parties.

Indemnity

[Note: Members may want to obtain legal advice regarding the wording]

[Name of registered constituency association/political party] hereby agrees to indemnify, defend (by counsel retained and instructed by me [us]) and hold harmless my [our] firm and its partners, agents or employees, from and against any and all losses, cost (including solicitors' fees), damages, expenses, claims, demands, or liabilities arising out of or in consequence of:

- The breach by [name of registered constituency association/political party], or its directors, officers, agents or employees, of any of the covenants made by [name of registered constituency association/political party] herein, including, without restricting the generality of the foregoing, the misuse, or the unauthorized dissemination of, my [our] engagement report or the financial statements in reference to which the engagement report is issued, or any other work product made available to you by my [our] firm; and
- The services performed by us pursuant to this engagement, unless, and to the extent that, such losses, costs, damages and expenses are found by a court of competent jurisdiction to have been due to the negligence of my [our] firm. In the event that the matter is settled out of court, we will mutually agree on the extent of the indemnification to be provided by [name of registered constituency association/political party].

Time Frames

I [We] will use all reasonable efforts to complete the engagement as described in this letter within the agreed upon time frame. However, I [we] shall not be liable for failures or delays in performance that arise from causes beyond my [our] control, including the untimely performance by [name of registered constituency association/political party] of its obligations.

Fees

Fees will be determined on the basis of time spent on this engagement at my [our] standard rates plus direct out-of-pocket expenses and applicable HST. As Elections Ontario provides a subsidy for the audit fee, [registered constituency association/political party] is responsible for all fees in excess of the subsidy, if any.

Costs of Responding to Government or Legal Processes

In the event I [we] are required to respond to a subpoena, court order, government agency or other legal process for the production of documents and/or testimony relative to information I [we] obtained and/or prepared during the course of this engagement, you agree to compensate me [us] at my [our] normal hourly rates for the time I [we] expend in connection with such response, and to reimburse me [us] for all of [my] our out-of-pocket costs (including applicable HST) incurred.

Use of Information

It is acknowledged that I [we] will have access to all personal information in your custody that I [we] require to complete my [our] engagement. My [our] services are provided on the basis that:

- You represent to me [us] that management has obtained any required consents for collection, use and disclosure to me [us] of personal information required under the applicable privacy legislation; and
- I [we] will hold all personal information in compliance with my [our] firm's privacy statement.

The above terms of the engagement will be effective from year to year until amended or terminated in writing.

If you have any questions about the content of this letter, please raise them with us. 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 chief financial officer's signed acknowledgement that he or she understands the terms.

Yours truly,

Signed _____
Accountant [included prescribed wording for licensed public accountants]

I confirm my understanding of your appointment as auditor as set out in this letter.

Signed _____

Principal Officer(s) of [Registered Constituency Association/Political Party]

Date

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

Signed _____

Chief Financial Officer

Date

Example 2 - Campaign period financial statements and financial

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

[Date]

To [Name], Chief Financial Officer
[Registered Constituency Association/ Political Party/Candidate]
Address

Dear [Name]:

Objective and Scope

You have requested that I [we] audit and report under the Ontario *Election Finances Act (Act)* on the campaign financial statements of [registered constituency association/political party/candidate] in the Electoral District of [name] at the election to be held on [date], which comprise the statement of assets and liabilities (as applicable) as at [date], the statement of income and expenses for the election period from [date] to [date], the financial information set out in Schedules [insert Schedule numbers as applicable] (the “Schedules”), and a summary of significant accounting policies and other explanatory information. I [We] are pleased to confirm my [our] acceptance and my [our] understanding of this audit engagement by means of this letter. My [Our] audit will be conducted with the objective of expressing an opinion on the financial statements.

My (Our) Responsibilities

I [we] will conduct my [our] audit in accordance with Canadian generally accepted auditing standards. Those standards require that I [we] comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements.

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 [our] risk assessments, I [we] will consider [the registered constituency association/political party/candidate]’s relevant internal controls in order to design the nature, timing and extent of audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness the entity’s internal controls. However, I [we] will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

Canadian generally accepted auditing standards require me [us] to comply with ethical requirements, including a duty of confidentiality with respect to client affairs. Accordingly, I [we] will not provide any third party with confidential information concerning the affairs of [registered political party/constituency association/candidate] without [registered constituency association/political party/candidate]’s prior consent, unless required to do so by legal authority, or the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

Content of Audit Reports

My [our] reports, which will be addressed to your chief financial officer [name] and the Chief Electoral Officer of Ontario, will have two components:

- For the financial statements prepared under the fair presentation financial reporting framework, I [we] will state, whether in my [our] opinion, the statement of assets and liabilities (if applicable) and statement of income and expenses referred to above present fairly, in all material respects, the financial position of [registered constituency association/political party/candidate] as at [date] and its income and expenses for the campaign period from [date] to [date] in accordance with the financial reporting provisions of Section 42 of the *Act* and the guidelines issued by the Chief Electoral Officer.
- For the financial information set out in the Schedules prepared under the compliance financial reporting framework, I [we] will express an opinion on whether the financial information contained in the Schedules is prepared, in all material respects, in accordance with the financial reporting provisions of Section 42 of the *Act* and the guidelines issued by the Chief Electoral Officer.

It should be noted that the *Act* prescribes limitations on the amount and sources of contributions. However, it is not practicable for me [us] to verify, from sources outside the accounting records, that all contributions are in accordance with the requirements of the *Act*, nor does the *Act* require me [us] to do so. It is also not practicable for me [us] to determine that all financial transactions relating to the [registered constituency association/political party/candidate] have been included in the accounting records. In my [our] reports, I [we] shall state these facts.

As required by the *Act*, in [our] my reports I [we] shall make such statements as I [we] consider necessary in any case where, in my [our] opinion:

- I [We] have not received from the chief financial officer all of the information and explanations that I [we] required; or
- Proper accounting records do not appear to have been kept by the chief financial officer based on my [our] examination.

Unless unanticipated difficulties are encountered, my [our] report will be substantially in the following form:

[Insert content of audit report (See APPENDIX E – Example 2 or 3)]

If I [we] conclude that a modification of my [our] opinion on the financial statements is necessary, I [we] will discuss the reasons with you in advance.

My [Our] responsibility as auditor does not extend beyond the reporting function outlined above, and accordingly does not include ensuring that your [registered constituency association/political party/candidate] and its officers, including your chief financial officer, comply with all the requirements of the *Act*.

Use and Distribution of my [our] Reports

The examination of the financial statements and the issuance of my [our] audit opinions is [are] solely for the use of [registered constituency association/political party] and those to whom my [our] report is specifically addressed by me [us]. I [We] make no representation of any kind or to any third party in respect to these financial statements and I [we] accept no responsibility for their use by any third party.

[I]We ask that my [our] name be used only with my [our] consent and that any information to which [I] we have attached a communication be issued with that communication unless otherwise agreed to me [us].

Reproduction of Audit Reports

If reproduction or publication of my [our] audit reports (or reference to my [our] reports) are planned in an annual report or other document, including electronic filings or posting of the report on the website, a copy of the entire document should be submitted to us in sufficient time for our review before the publication or posting process begins.

Management is responsible for the accurate reproduction of the financial statements, the auditor's report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either full or summarized financial statements that I [we] have audited.

I [We] am [are] not required to read the information contained in your website, or to consider the consistency of other information on the electronic site with the original document.

Communication Waiver

In connection with this engagement, I [we] may communicate with you or others via telephone, facsimile, post, courier and email transmission. As all communications can be intercepted or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, I [we] cannot guarantee or warrant that communications from me [us] will be properly delivered only to the addressee. Therefore, I [we] specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by [me] us in connection with the performance of this engagement. In that regard, you agree that I [we] shall have no liability for any loss or damage to any person or entity resulting from the communications, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

Chief Financial Officer's responsibilities

My [our] audit will be conducted on the basis that chief financial officer acknowledges and understands that he/she has the responsibility for:

1. The preparation of [registered constituency association/political party/candidate]'s financial statements under the fair presentation financial reporting framework for the statement of assets and liabilities (if applicable) and the statement of income and expenses and the compliance financial reporting framework for the Schedules and in accordance with the *Act* and the Chief Electoral Officer's guidelines.
2. For such internal controls as the chief financial officer determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and
3. To provide me [us] with:
 - Access to all information of which the chief financial officer is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that we may request from the chief financial officer for the purpose of the audit
 - Unrestricted access to persons within the organization from whom I [we] determine is necessary to obtain audit evidence.

As part of my [our] audit process, I [we] will request from the chief financial officer [and, where appropriate, those charged with governance] written confirmation concerning representations made to me [us] in connection with the audit.

Preparation of Schedules

The *Act* requires filing of the campaign period financial statements within six months after election day. I [We] anticipate that I [we] will be able to report in time to permit a filing of your financial statements by the date required by the *Act* if financial statements are completed and available for

audit on or before [date]. You have agreed that you will provide me [us] with the completed financial statements by the dates indicated.

You have also agreed that your chief financial officer will make various invoices and other documents available to our staff and will arrange with suppliers that they will certify as to the commercial value of goods and services provided.

Working Papers

The working papers, files, other materials, report and work created, developed or performed by us during the course of the engagement are the property of my [our] firm, constitute confidential information and will be retained by me [us] in accordance with my [our] firm's policies and procedures.

File Inspections

In accordance with professional regulations (and by my [our] firm's policy), my [our] client files may periodically be reviewed by practice inspectors, and by other file quality reviewers to ensure that I [we] am [are] adhering to our professional and my [our] firm's standards. File reviewers are required to maintain confidentiality of client information.

Governing Legislation

This engagement letter is subject to and governed by the laws of the Province of Ontario. The Province of Ontario will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inappropriate forum, or to claim that those courts do not have jurisdiction.

Dispute Resolution

You agree that:

- Any dispute that may arise regarding the meaning, performance or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation; and
- You will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement.

Any mediation initiated as a result of this engagement shall be administered within the Province of Ontario by [insert name of mediator or a mediator to be appointed that is acceptable to both parties] according to mediation rules, and any ensuing litigation shall be conducted within such province, according to provincial law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The cost of any mediation proceeding shall be shared equally by the participating parties.

Indemnity

[Note: Members may want to obtain legal advice regarding the wording]

[Name of registered constituency association/political party/candidate] hereby agrees to indemnify, defend (by counsel retained and instructed by me [us]) and hold harmless my [our] firm and its partners, agents or employees, from and against any and all losses, cost (including solicitors' fees), damages, expenses, claims, demands, or liabilities arising out of or in consequence of:

- The breach by [name of registered constituency association/political party/candidate], or its directors, officers, agents or employees, of any of the covenants made by [name of registered constituency association/political party/candidate] herein, including, without restricting the generality of the foregoing, the misuse, or the unauthorized dissemination of, my [our] engagement report or the financial statements in reference to which the engagement report is issued, or any other work product made available to you by my [our] firm; and

- The services performed by us pursuant to this engagement, unless, and to the extent that, such losses, costs, damages and expenses are found by a court of competent jurisdiction to have been due to the negligence of my [our] firm. In the event that the matter is settled out of court, we will mutually agree on the extent of the indemnification to be provided by [name of registered constituency association/political party/candidate].

Time Frames

I [We] will use all reasonable efforts to complete the engagement as described in this letter within the agreed upon time frame. However, I [we] shall not be liable for failures or delays in performance that arise from causes beyond my [our] control, including the untimely performance by [name of registered constituency association/political party/candidate] of its obligations.

Fees

Fees will be determined on the basis of time spent on this engagement at my [our] standard rates plus direct out-of-pocket expenses and applicable HST. As Elections Ontario provides a subsidy for the audit fee, [registered constituency association/political party/candidate] is responsible for all fees in excess of the subsidy, if any.

Costs of Responding to Government or Legal Processes

In the event I [we] are required to respond to a subpoena, court order, government agency or other legal process for the production of documents and/or testimony relative to information I [we] obtained and/or prepared during the course of this engagement, you agree to compensate me [us] at my [our] normal hourly rates for the time I [we] expend in connection with such response, and to reimburse me [us] for all of [my] our out-of-pocket costs (including applicable HST) incurred.

Use of Information

It is acknowledged that I [we] will have access to all personal information in your custody that I [we] require to complete my [our] engagement. My [our] services are provided on the basis that:

- You represent to me [us] that management has obtained any required consents for collection, use and disclosure to me [us] of personal information required under the applicable privacy legislation; and
- I [we] will hold all personal information in compliance with my [our] firm's privacy statement.

The above terms of the engagement will be effective from year to year until amended or terminated in writing.

If you have any questions about the content of this letter, please raise them with us. 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 chief financial officer's signed acknowledgement that he or she understands the terms.

Yours truly,

Signed _____
Accountant [included prescribed wording for licensed public accountants]

I confirm my understanding of your appointment as auditor as set out in this letter.

Signed _____

Principal Officer(s) of [Registered Constituency Association/Political Party/Candidate]
Date

SAMPLE AUDIT PROCEDURES – APPENDIX C

The following is not meant to be either a minimum or all-inclusive list of procedures for the audits. The circumstances in each appointment must be taken into account. As with any audit engagement, the auditor should document the audit planning process, including the assessments of internal controls, materiality, and the components of audit risk (including the risk of material misstatement in the financial statements resulting from fraud and error), and their impact on the nature, extent and timing of audit procedures. Members should refer to all applicable CASs in their entirety.

General

Obtain directly from Elections Ontario a copy of the most recently filed Registration and Change Notice Form which details signing officers, bank accounts, and persons eligible to accept contributions, etc. Retain copy.

For the audit of a candidate, ensure that you obtain directly from Elections Ontario a confirmation of the following:

- Number of valid votes cast in the electoral district;
- Number of votes received by the candidate;
- Number of voters on revised list of voters for the electoral district; and
- Subsidy and spending limits of the candidate or party.

Attend the campaign headquarters at least once during the campaign.

Assets and liabilities

1. Cash:

- All bank accounts, including any bank loans, should be confirmed.
- Ensure all bank accounts have been reconciled. Review reconciliations for unusual items.

2. Accounts receivable:

- Any amount receivable should be positively confirmed and reported.

3. Inventory:

Count the inventory on hand (as applicable)

- At the end of the year (or period).
- At the date the election writ is issued and
- As at the end of the campaign period.

Valuation:

- Review Chief Electoral Officer's guidelines relating to inventory valuation.
- Test to ensure goods are valued at fair market value.
- Agree values recorded to supplier certification.

Donation of Goods:

- Ensure donated items are valued at their fair market value as certified by the donor.
- Ensure the goods were properly recorded as a donation and that any goods used have been expensed at the appropriate value.

4. Fixed assets:
 - Obtain a listing of fixed assets:
 - Agree additions to supporting documents.
(Note: Chief Electoral Officer's guidelines recommend expensing fixed assets in the year of acquisition).
5. Accounts payable and accrued liabilities:
 - Obtain a listing of all unpaid accounts and ensure they are properly accrued and reported.
 - Review the days outstanding of the individual payable accounts for possible violation of the *Act* (long outstanding payables may be considered contributions or loans).
 - Check to ensure all liabilities relating to the year or campaign are accrued. Elections Ontario requires a listing of all disputed amounts payable.
6. Surplus:
 - Check continuity of opening and closing balances.
 - Ensure that all adjustments are properly disclosed.
 - For annual filing, agree the opening surplus to that reported at the prior year-end. A separate statement must be filed providing details of any variance.

Contributions

1. Review internal controls over recording of contributions accepted including goods and services donated.
2. Agree cash received to bank statement and clear cashbook and bank statement.
3. Review the list of contributors to ensure donation limits and residency requirements appear to have been adhered to.
4. For contributions of goods and services, ensure correspondence is on file from the contributor that indicates the fair value for contribution purposes. In those cases where a contributor has elected that his or her contribution of goods or services (valued at less than \$100) should not be considered a contribution (and recorded as other income), ensure correspondence in support of the declaration is reviewed.
5. From knowledge of the election campaign in the riding, discussion with the candidate and the chief financial officer, and a review of the candidate's calendar, the auditor should be able to identify the events or activities where funds were collected. On a test basis, ensure funds were deposited in the bank.
6. Reconcile the value of receipts issued to records of cash receipts and donations of goods and services.
7. Ensure that value of receipts issued (both by the association or candidate directly and Agency contributions issued on their behalf by the Party) equals the amount reported as contributions on Schedule 2 and the Income Statement.
8. Verify serial continuity of receipts issued and on hand. Obtain from Elections Ontario confirmation of the number series of receipts issued to the candidate or constituency association. Ensure all receipts are accounted for.
9. Where a party accepts contributions on behalf of a candidate, leadership contestant or constituency association, the chief financial officer should have a copy of, and the auditor should examine, the necessary bank account authorization and documentation submitted to Elections Ontario. It is advisable for the auditor to positively confirm the amounts accepted as

donations in an agency relationship.

10. For fundraising activities:

- Review the policy established for allocating ticket revenue between contributions and expenses for the event. Ensure that the policy is consistent with Chief Electoral Officer's guidelines.
- Ensure that official receipts are issued for that part of the ticket price deemed to be a contribution.
- The total of the receipted and non-receiptable portion of fundraising revenues should be reconciled to bank deposits.
- Ensure that the Income Statement and supporting schedules properly reflect the split between contributions (the receipted portion) and fund raising income (the non-receipted portion).

11. Cashbook:

- Check adding,
- Agree totals to the appropriate reporting form; and
- Scrutinize for unusual items.

12. Ensure that the Agency contributions and transfers received and paid from the confirmations obtained have been properly reflected in the income statement and schedules.

13. Ensure that all schedules and reporting forms add and agree to supporting documentation.

Expenditures

1. Campaign expenditures are dealt with specifically under the *Act*. Ensure that the nature, timing, valuation and allocation of these expenses are in compliance with the *Act* and the guidelines issued by the Chief Electoral Officer.
2. Scrutinize cash disbursements book for unusual items.
3. Examine issued cheques for unusual items or apparent irregularities:
 - Authorized signing officers
 - Types of expenditures
 - Endorsements to third parties
4. Check adding of the cash disbursements book.
5. Consider positive confirmation with suppliers for year end payables. Complete details should be obtained in all instances where a supplier's invoice is being disputed.
6. Review accruals for reasonability and completeness.
7. Obtain confirmation from the chief financial officer that no other person or organization has incurred campaign expenses without his or her knowledge and/or consent. This should also be included in the letter of representation.

Sample Representation Letters – Appendix D

The following are sample representation letters for use in annual and campaign period engagements. The letters should be amended as appropriate for other types of filings.

Example 1 - Annual financial statements and financial information

[Date (same date as Auditor's Report)]

To [the Auditor]

Dear _____:

This representation letter is provided in connection with your audit of the annual financial statements of [registered constituency association/political party] which comprise the statement of assets and liabilities as at [date], the statement of income and expenses for the year then ended, the financial information set out in Schedules [insert Schedule numbers as applicable] (“the Schedules”) and a summary of significant accounting policies and other explanatory information for the purpose of expressing an opinion on whether the statement of assets and liabilities and statement of income and expenses present fairly, in material respects, in accordance with the financial reporting provisions of Section 41 of the *Ontario Election Finances Act (Act)* and the guidelines issued by the Chief Electoral Officer. You will also express an opinion on whether the financial information set out in the Schedules prepared under the compliance financial reporting framework is prepared, in all material respects, in accordance with the financial reporting provisions of Section 41 of the *Act* and the guidelines issued by the Chief Electoral Officer.

We confirm that 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

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated [Date] for the preparation of [registered constituency association/political party]’s financial statements under the [appropriate financial accounting framework] and in accordance with the *Act* and the guidelines of the Chief Electoral Officer.
- The chief financial officer (or other person on record with Elections Ontario as authorized to accept contributions) has received, recorded and deposited all contributions, loans and other amounts and all expenses incurred have been determined and recorded as required by the *Act* and in accordance with the guidelines issued by the Chief Electoral Officer. In particular, all contributions received have been deposited only in accounts on record with Elections Ontario and have been within the prescribed limitations as to source and amount, and goods, services and advertising contributed have been valued in accordance with the *Act* and Chief Electoral Officer’s guidelines.
- All individuals, corporations and trade unions indicated on the receipt forms made such contributions on their own behalf and not as nominees for other persons or organizations.
- We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
- The [registered constituency association/political party] has satisfactory title to all assets, and there are no liens or encumbrances on the [registered constituency association/political party] assets.
- We have provided you with information relating to claims and possible claims, whether or not they have been discussed with your legal counsel.

- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A schedule of uncorrected misstatements is attached to the representation letter.
- All events subsequent to the date of the financial statements that would require disclosure or disclosure in the financial statements have been adjusted or disclosed.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We acknowledge that Inventory on hand at the beginning and end of the year is appropriately valued in accordance with the *Act* and the Chief Electoral Officer's guidelines.

Information Provided

We have provided you with

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and related data and copies of all relevant minutes.
- Information relating to any known or probable instances of non-compliance with the *Act*, including financial reporting requirements whose effects should be considered when preparing the financial statements.
- Information regarding the identity of all related parties, and all the related party relationships and transactions of which we are aware.
- Arrangements with suppliers so that they can certify as to the commercial value of goods and services provided.
- All known instances of non-compliance or suspect non-compliance with laws and regulations whose effect should be considered when preparing financial statements.
- Any additional information that you may request from management for the purpose of this audit.
- Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.

We have disclosed to you all information in relation to fraud or suspect fraud that we are aware of that affects the entity and involves:

- Management;
- Employees who have significant roles in internal controls; or
- Others where the fraud could have a material effect on the financial statements.

We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the [registered constituency association/political party]'s financial statements communicated by employees, former employees or others.

[Any other written representations considered necessary]

Yours truly,

Signed _____
Principal Officer(s) of [Registered Constituency Association/Political Party]

Signed _____
Chief Financial Officer

Signed _____
Other Personnel (if appropriate)

Date

Example 2 - Campaign period financial statements and financial information

This report, with appropriately amended wording, may also be used with respect to the audit of a leadership contestant.

[Date (same date as Auditor's Report)]

To [the Auditor]
[address] _____

Dear _____:

This representation letter is provided in connection with your audit of the campaign financial statements of [registered constituency association/political party/candidate] in the Electoral District of [name] at the election held on [date] which comprise the statement of assets and liabilities (if required) as at [date], the statement of income and expenses for the election period from [date] to [date], the financial information set out in Schedules [insert Schedule numbers as applicable] ("the Schedules") and a summary of significant accounting policies and other explanatory information for the purpose of expressing an opinion on whether the statement of assets and liabilities (if required) and the statement of income and expenses present fairly, in all material respects, in accordance with the financial reporting provisions of Section 42 of the *Ontario Election Finances Act (Act)* and the guidelines issued by the Chief Electoral Officer. You will also express an opinion on whether the financial information set out in the Schedules prepared under the compliance financial reporting framework is prepared, in all material respects, in accordance with the financial reporting provisions of Section 42 of the *Act* and the guidelines issued by the Chief Electoral Officer.

We confirm that 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

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated [Date] for the preparation of [registered constituency association/political party/candidate]'s financial statements under the appropriate financial accounting framework and in accordance with the *Act* and the guidelines of the Chief Electoral Officer.
- The chief financial officer (or other person on record with Elections Ontario as authorized to accept contributions) has received, recorded and deposited all contributions, loans and other amounts and all expenses incurred have been determined and recorded as required by the *Act* and in accordance with the guidelines issued by the Chief Electoral Officer. In particular, all contributions received have been deposited only in accounts on record with Elections Ontario and have been within the prescribed limitations as to source and amount, and goods, services and advertising contributed have been valued in accordance with the *Act* and Chief Electoral Officer's guidelines.
- All individuals, corporations and trade unions indicated on the receipt forms made such contributions on their own behalf and not as nominees for other persons or organizations.
- We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
- The [registered constituency association/political party/candidate] has satisfactory title to all assets, and there are no liens or encumbrances on the [registered constituency association/political party/candidate] assets.
- We have provided you with information relating to claims and possible claims, whether or not they have been discussed with your legal counsel.

- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. (A schedule of uncorrected misstatements should be attached to the representation letter).
- All events subsequent to the date of the financial statements that would require disclosure or disclosure in the financial statements have been adjusted or disclosed.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We acknowledge that Inventory on hand at the beginning and end of the year is appropriately valued in accordance with the *Act* and the Chief Electoral Officer's guidelines.

Information Provided

We have provided you with

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and related data and copies of all relevant minutes.
- Information relating to any known or probable instances of non-compliance with the *Act*, including financial reporting requirements whose effects should be considered when preparing the financial statements.
- Information regarding the identity of all related parties, and all the related party relationships and transactions of which we are aware.
- Arrangements with suppliers so that they can certify as to the commercial value of goods and services provided.
- All known instances of non-compliance or suspect non-compliance with laws and regulations whose effect should be considered when preparing financial statements.
- Any additional information that you may request from management for the purpose of this audit.
- With unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.

We have disclosed to you all information in relation to fraud or suspect fraud that we are aware of that affects the entity and involves:

- Management;
- Employees who have significant roles in internal controls; or
- Others where the fraud could have a material effect on the financial statements.

We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the [registered constituency association/political party/candidate]'s financial statements communicated by employees, former employees or others.

[Any other written representations considered necessary]

Yours truly,

Signed _____
Principal Officer(s) of [Registered Constituency Association/Political Party/Candidate]

Signed _____
Chief Financial Officer

Signed _____
Other Personnel (if appropriate)

Date

Sample Independent Auditor's Reports – Appendix E

The following are sample auditor's reports for use in annual and campaign period engagements.

Example 1: Constituency associations/political party annual reporting

1) Annual financial statements

INDEPENDENT AUDITOR'S REPORT

To [Name], Chief Financial Officer

Of the [Registered Constituency Association/Political Party] and the Chief Electoral Officer of Ontario

I [We] have audited the accompanying financial statements of the [registered constituency association/political party], which comprise the statement of assets and liabilities as at December 31, 20X1, the income and expenses for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by the chief financial officer of the [registered constituency association/political party] based on the financial reporting provisions of Section 41 of the Ontario *Election Finances Act* and guidelines issued by the Chief Electoral Officer.

Management's Responsibility for the Financial Statements

The chief financial officer of the [registered constituency association/political party] is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 41 of the Ontario *Election Finances Act* and guidelines issued by the Chief Electoral Officer and for such internal controls as the chief financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My [Our] responsibility is to express an opinion on these financial statements based on my [our] audit. I [We] conducted my [our] audit in accordance with Canadian generally accepted auditing standards. Those standards require that I (we) comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. 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 financial statements.

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

Basis for Qualified Opinion

Due to the inherent nature of the transactions of organizations of this type, the completeness of the various categories of income and expenses is not susceptible to satisfactory audit verification. Accordingly, my [our] verification of income and expenses was limited to the

amounts recorded in the records of the [registered constituency association/political party] and I [we] was [were] not able to determine whether any adjustments might be necessary to income, expenses and period surplus/deficit for the period ended December 31, 20X1 and assets and liabilities as at December 31, 20X1.

Qualified Opinion

In my [our] opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of [registered constituency association/political party] as at December 31, 20X1 and its income and expenses for the year then ended in accordance with the financial reporting provisions of Section 41 of the Ontario *Election Finances Act* and the guidelines issued by the Chief Electoral Officer.

Basis of Accounting

Without modifying my [our] opinion, I [we] draw attention to the Notes to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the chief financial officer of the constituency association to meet the requirements of the Ontario *Election Finances Act* and the guidelines issued by the Chief Electoral Officer. As a result, the financial statements may not be suitable for another purpose.

[Auditor's signature, including prescribed disclosure for licensed public accountants]
[Date of the auditor's report]
[Auditor's address]

2) Annual financial information – Schedules of Form AR-1/AR-10

INDEPENDENT AUDITOR'S REPORT

To [Name], Chief Financial Officer
Of the [Registered Constituency Association/Political Party] and the Chief Electoral Officer of Ontario

I [We] have audited the accompanying financial information in the accompanying Schedules of Form AR-1/AR-10 (the "Schedules") of the [registered constituency association/political party] for the year ended December 31, 20X1:

- Schedule 1: Borrowings and Overdraft
- Schedule 2: Contributions and Official Tax Credit Receipt Form Reconciliation
- Schedule 3: Fundraising Activities
- Schedule 4: Social Functions and General Collections at Meetings
- Schedule 5: Transfers
- Schedule 6: List of Suppliers Where Current Year's Expenditure Exceeds \$100
- Schedule 7: Inventory and Prepaid Expenses
- Schedule 8: Campaign Period Income Statement
- Schedule 9: List of Accounts Receivable
- Schedule 10: List of Accounts Payable

These Schedules have been prepared by the chief financial officer of the [registered constituency association/political party] based on the financial reporting provisions of Section 41 of the *Ontario Election Finances Act* and guidelines issued by the Chief Electoral Officer.

Management's Responsibility for the Schedules

The chief financial officer of the [registered constituency association/political party] is responsible for the preparation of the Schedules in accordance with the financial reporting provisions of the Section 41 of the Ontario *Election Finances Act* and guidelines issued by the Chief Electoral Officer, and for such internal controls as the chief financial officer determines is necessary to enable the preparation of the Schedules that are free from

material misstatement, whether due to fraud or error.

Auditors' responsibility

My [our] responsibility is to express an opinion on the Schedules based on my [our] audit. I [we] conducted my [our] audit in accordance with Canadian generally accepted auditing standards. Those standards require that I [we] comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the schedule 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 entity's internal controls. 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 Schedules.

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

Basis for Qualified Opinion

Due to the inherent nature of the transactions of organizations of this type, the completeness of the various categories of income and expenses is not susceptible to satisfactory audit verification. Accordingly, my [our] verification of income and expenses was limited to the amounts recorded in the records of the [registered constituency association/political party] and I [we] was [were] not able to determine whether any adjustments might be necessary to income and expenses for the period ended December 31, 20X1 and assets and liabilities as at December 31, 20X1.

Qualified Opinion

In my [our] opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial information in the Schedules of Form AR-1/AR-10 of [registered constituency association/political party] for the year ended December 31, 20X1 is prepared, in all material respects, in accordance with the financial reporting provisions of the Section 41 of the Ontario *Election Finances Act* and guidelines issued by the Chief Electoral Officer.

Basis of Accounting

Without modifying my [our] opinion, I [we] draw attention to the Notes to the Schedules, which describes the basis of accounting. The Schedules are prepared to assist the chief financial officer of the [registered constituency association/political party] to meet the requirements of the Ontario *Election Finances Act* and the guidelines issued by the Chief Electoral Officer.

As a result, the Schedules may not be suitable for another purpose.

[Auditor's signature, including prescribed disclosure for licensed public accountants]

[Date of the auditor's report]

[Auditor's address]

Example 2: Constituency association/political party campaign period

1) Financial statement

INDEPENDENT AUDITOR'S REPORT

To [Name], Chief Financial Officer

Of the [Registered Constituency Association/Political Party] and the Chief Electoral Officer of Ontario

I [We] have audited the accompanying campaign period statement of income and expenses of the [registered constituency association/political party], for the campaign period from [date] to [date] and a summary of significant accounting policies and other explanatory information (together "the financial statement"). The financial statement has been prepared by the chief financial officer of the [registered constituency association/political party] based on the financial reporting provisions of Section 42 of the Ontario *Election Finances Act* and guidelines issued by the Chief Electoral Officer.

Management's Responsibility for the Financial Statements

The chief financial officer of the [registered constituency association/political party] is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting provisions of Section 42 of the Ontario *Election Finances Act* and guidelines issued by the Chief Electoral Officer and for such internal controls as the chief financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My [Our] responsibility is to express an opinion on the financial statements based on my [our] audit. I [We] conducted my [our] audit in accordance with Canadian generally accepted auditing standards. Those standards require that I [we] comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal controls. 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 financial statements.

I [We] believe that the audit evidence I [we] have obtained is sufficient and appropriate to provide a basis for my (our) qualified audit opinion.

Basis for Qualified Opinion

Due to the inherent nature of the transactions of organizations of this type, the completeness of the various categories of income and expenses is not susceptible to satisfactory audit verification. Accordingly, my [our] verification of income and expenses was limited to the amounts recorded in the records of the [registered constituency association/political party] and I [we] was [were] not able to determine whether any adjustments might be necessary to income, expenses and period surplus/deficit for the campaign period from [date] to [date].

Qualified Opinion

In my [our] opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, this financial statement present fairly, in all material respects, the income and expenses of [registered constituency association/political party) for the campaign period from [date] to [date] in accordance with the financial reporting provisions of Section 42 of the Ontario *Election Finances Act* and the guidelines issued by the Chief Electoral Officer.

Basis of Accounting

Without modifying my [our] opinion, I (we) draw attention to the Notes to the financial statement, which describes the basis of accounting. The financial statement is prepared to assist the chief financial officer of the [registered constituency association/political party] to meet the requirements of the Ontario *Election Finances Act* and the guidelines issued by the Chief Electoral Officer. As a result, the financial statement may not be suitable for another purpose.

[Auditor's signature, including prescribed disclosure for licensed public accountants]

[Date of the auditor's report]

[Auditor's address]

2) Financial information – Schedules of Form CR-3/CR-4

INDEPENDENT AUDITOR'S REPORT

To [Name], Chief Financial Officer

Of the [Registered Constituency Association/Political Party] and the Chief Electoral Officer of Ontario

I [We] have audited the accompanying financial information in the accompanying Schedules of Form CR-3/CR-4 (the "Schedules") of the [registered constituency association/political party] for the campaign period from [date] to [date]:

- Schedule 1: Borrowings and Overdraft
- Schedule 2: Contributions and Official Tax Credit Receipt Form Reconciliation
- Schedule 3: Fundraising Activities
- Schedule 4: Social Functions and General Collections at Meetings
- Schedule 5: Transfers
- Schedule 6: Campaign Period Expenses
- Schedule 7: Inventory and Prepaid Expenses
- Schedule 10: List of Accounts Payable
- Schedule 11: Calculation of Political Party Campaign Expense Limitation and Subsidy Entitlement (CR-4 only)

These Schedules have been prepared by the chief financial officer of the [registered constituency association/political party] based on the financial reporting provisions of Section 42 of the Ontario *Election Finances Act* and guidelines issued by the Chief Electoral Officer.

Management's Responsibility for the Schedules

The chief financial officer of the [registered constituency association/political party] is responsible for the preparation of the Schedules in accordance with the financial reporting provisions of the Section 42 of the Ontario *Election Finances Act* and guidelines issued by the Chief Electoral Officer, and for such internal controls as the chief financial officer determines is necessary to enable the preparation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

My [our] responsibility is to express an opinion on the Schedules based on my [our] audit. I [we] conducted my [our] audit in accordance with Canadian generally accepted auditing standards. Those standards require that I [we] comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the schedule 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 entity's internal controls. 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 Schedules.

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

Basis for Qualified Opinion

Due to the inherent nature of the transactions of organizations of this type, the completeness of the various categories of income and expenses is not susceptible to satisfactory audit verification. Accordingly, my [our] verification of income and expenses was limited to the amounts recorded in the records of the [registered constituency association/political party] and I [we] was [were] not able to determine whether any adjustments might be necessary to income, expenses and period surplus/deficit for the campaign period from [date] to [date].

Qualified Opinion

In my [our] opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial information in the Schedules of Form CR-3/CR-4 of [registered constituency association/political party] for the campaign period from [date] to [date] is prepared, in all material respects, in accordance with the financial reporting provisions of Section 42 of the Ontario *Election Finances Act* and the guidelines issued by the Chief Electoral Officer.

Basis of Accounting

Without modifying my (our) opinion, I [we] draw attention to the Notes to the Schedules, which describes the basis of accounting. The Schedules are prepared to assist the chief financial officer of the [registered constituency association/political party] to meet the requirements of the Ontario *Election Finances Act* and the guidelines issued by the Chief Electoral Officer. As a result, the Schedules may not be suitable for another purpose.

[Auditor's signature, including prescribed disclosure for licensed public accountants]
[Date of the auditor's report]
[Auditor's address]

Example 3: Candidate campaign period

1) Financial statements

INDEPENDENT AUDITOR'S REPORT

To [Name], Chief Financial Officer

Of [name of candidate] and the Chief Electoral Officer of Ontario

I [We] have audited the accompanying campaign period financial statements of the candidacy of [name of candidate], which comprise the statement of assets and liabilities as at [date], the income and expenses for the campaign period from [date] to [date] and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by the chief financial officer of the [name of candidate] based on the financial reporting provisions of Section 42 of the Ontario *Election Finances Act* and guidelines issued by the Chief Electoral Officer.

Management's Responsibility for the Financial Statements

The chief financial officer of [name of candidate] is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 42 of the Ontario *Election Finances Act* and guidelines issued by the Chief Electoral Officer and for such internal controls as the chief financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My [Our] responsibility is to express an opinion on these financial statements based on my (our) audit. I [We] conducted my [our] audit in accordance with Canadian generally accepted auditing standards. Those standards require that I [we] comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. 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 financial statements.

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

Basis for Qualified Opinion

Due to the inherent nature of the transactions of organizations of this type, the completeness of the various categories of income and expenses is not susceptible to satisfactory audit verification. Accordingly, my [our] verification of income and expenses was limited to the amounts recorded in the records of [candidate] and I [we] was [were] not able to determine whether any adjustments might be necessary to income, expenses and period surplus/deficit for the campaign period from [date] to [date] and assets and liabilities as at [date].

Qualified Opinion

In my [our] opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the assets and liabilities as at [date] and the income and expenses of [name of candidate] for the campaign period from [date] to [date] in accordance with the financial reporting provisions of Section 42 of the Ontario *Election Finances Act* and the guidelines issued by the Chief Electoral Officer.

Basis of Accounting

Without modifying my [our] opinion, I [we] draw attention to the Notes to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the chief financial officer of [name of candidate] to meet the requirements of the Ontario *Election Finances Act* and the guidelines issued by the Chief Electoral Officer. As a result, the financial statements may not be suitable for another purpose.

[Auditor's signature, including prescribed disclosure for licensed public accountants]

[Date of the auditor's report]

[Auditor's address]

2) Financial information – Schedules of Form CR-1

INDEPENDENT AUDITOR'S REPORT

To [Name], Chief Financial Officer

Of [name of candidate] and the Chief Electoral Officer of Ontario

I [We] have audited the financial information in the accompanying Schedules of Form CR-1 (the "Schedules") of [name of candidate] for the campaign period from [date] to [date]:

Schedule 1: Borrowings and Overdraft

Schedule 2: Contributions and Official Tax Credit Receipt Form Reconciliation

Schedule 3: Fundraising Activities

Schedule 4: Social Functions and General Collections at Meetings

Schedule 5: Transfers

Schedule 6: Campaign Period Expenses

Schedule 7: Inventory and Prepaid Expenses

Schedule 9: List of Accounts Receivable

Schedule 10: List of Accounts Payable

Schedule 11: Calculation Candidate's Campaign Expense Limitation and Subsidy Entitlement

These Schedules have been prepared by the chief financial officer of [name of candidate] based on the financial reporting provisions of Section 42 of the Ontario *Election Finances Act* and guidelines issued by the Chief Electoral Officer.

Management's Responsibility for the Schedules

The chief financial officer of [name of candidate] is responsible for the preparation of the Schedules in accordance with the financial reporting provisions of the Section 42 of the Ontario *Election Finances Act* and guidelines issued by the Chief Electoral Officer, and for such internal controls as the chief financial officer determines is necessary to enable the preparation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

My [our] responsibility is to express an opinion on the Schedules based on my [our] audit. I [we] conducted my [our] audit in accordance with Canadian generally accepted auditing standards. Those standards require that I [we] comply with ethical requirements and plan and

perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the schedule 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 entity's internal controls. 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 Schedules.

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

Basis for Qualified Opinion

Due to the inherent nature of the transactions of organizations of this type, the completeness of the various categories of income and expenses is not susceptible to satisfactory audit verification. Accordingly, my [our] verification of income and expenses was limited to the amounts recorded in the records of [candidate] and I [we] was [were] not able to determine whether any adjustments might be necessary to income and expenses for the campaign period from [date] to [date] and assets and liabilities as at [date].

Qualified Opinion

In my [our] opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial information in the Schedules of Form CR-1 of the [name of candidate] for the campaign period from [date] to [date] is prepared, in all material respects, in accordance with the financial reporting provisions of Section 42 of the Ontario *Election Finances Act* and the guidelines issued by the Chief Electoral Officer.

Basis of Accounting

Without modifying my (our) opinion, I (we) draw attention to the Notes to the Schedules, which describes the basis of accounting. The Schedules are prepared to assist the chief financial officer of [candidate] to meet the requirements of the Ontario *Election Finances Act* and the guidelines issued by the Chief Electoral Officer. As a result, the Schedules may not be suitable for another purpose.

[Auditor's signature, including prescribed disclosure for licensed public accountants]

[Date of the auditor's report]

[Auditor's address]

SAMPLE NOTES TO FINANCIAL STATEMENTS AND SCHEDULES– APPENDIX F

The basis of accounting is described in the notes to the financial statements, or in the notes to the schedules (the Notes), as appropriate. The Basis of Accounting section of the Independent Auditor’s Report refers to these Notes. These notes are prepared by the Chief Electoral Officer.

Examples of the wording for annual financial statements are provided below; this wording should be modified as appropriate for campaign period financial statements.

Notes to Financial Statements

These financial statements have been prepared in accordance with the financial reporting provisions of section 41 of the Ontario *Election Finances Act* and the guidelines issued by the Chief Electoral Officer.

The most significant accounting policies are as follows:

Contributions

Contributions of goods and services are recorded at their fair commercial value. Contributions are considered accepted when deposited.

Expenses

All expenses are recorded at their fair commercial value.
Inventory of campaign materials is valued at fair commercial value.
Inventory other than campaign materials is valued at cost.
Capital Assets are expensed in the year of acquisition and are included in the statement of assets and liabilities at a nominal amount.

Notes to Schedules

The financial information in these Schedules has been prepared in accordance with the financial reporting provisions of section 41 of the Ontario *Election Finances Act* and the guidelines issued by the Chief Electoral Officer.

The most significant accounting policies are as follows:

Contributions

Contributions of goods and services are recorded at their fair commercial value. Contributions are considered accepted when deposited.

Expenses

All expenses are recorded at their fair commercial value.
Inventory of campaign materials is valued at fair commercial value.
Inventory other than campaign materials is valued at cost.