

Audit Guide

AUDITING FOR PURPOSES OF
THE ELECTION FINANCING ACT

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SECTION 100 - INTRODUCTION

- .01 *The Election Financing Act (EFA)* is the legislation that governs financial matters of registered parties, constituency associations, candidates, leadership contestants and other participants in the electoral process. The EFA requires these participants to file various forms, financial statements, and returns that report financial balances or financial transactions to the Chief Electoral Officer (CEO). Forms, financial statements, and returns filed with the CEO are available for public inspection.
- .02 Specifically, the EFA requires that an audit report accompany the following forms, financial statements, and returns to be filed with the CEO:
- a) Annual Financial Statement of a Registered Party (Form 920);
 - b) Statement of Income, Transfers and Election Expenses of a Registered Party for a Campaign Period (Form 921); and,
 - c) Candidate's Financial Statements and Supporting Schedules (Form 922).
 - d) Leadership Contestant's Financial Statements and Supporting Schedules (Form 947).
- .03 The Office of the CEO, called Elections Manitoba, is an independent and non- partisan office of the Manitoba Legislative Assembly and has prescribed the forms referred in paragraph .02.

.04 The term "financial statement" is used throughout the remainder of this document to describe the forms prescribed in paragraph .02.

PURPOSE OF AUDIT GUIDE – AUDITING FOR PURPOSES OF THE EFA

.05 This Audit Guide is designed to complement the *CPA Canada Handbook – Assurance* by providing additional guidance concerning the unique audit environment and requirements of the EFA, and should be adopted with this in mind. This Guide is not intended to replace the *CPA Canada Handbook – Assurance*.

.06 General guidelines cannot be worded to suit all circumstances that may arise and, therefore, professional judgment should be exercised in conjunction with the guiding principles when making decisions that have audit significance.

OTHER REFERENCE MATERIAL

.07 *In addition to this Guide, the auditor should review and be familiar with:*

- a) The EFA;
- b) Accounting Guide - Accounting For Purposes of The Election Financing Act;
- c) *The Election Financing Act*;
- d) Legislative Reference Guide For Auditors;
- e) Advisory opinions from Elections Manitoba, if any are specific to the entity, and
- f) The Income Tax Act (Manitoba) (*the tax treatment of contributions*).

.08 Auditors are encouraged to contact Elections Manitoba when in doubt or when requiring clarification as many times as necessary to ensure that their responsibilities are met. Written requests will receive a written response.

THIS AUDIT GUIDE DOES NOT TAKE PRECEDENCE OVER THE EFA

.09 *This Audit Guide must be interpreted in conjunction with the EFA.*

FORMAT

.10 All of the recommendations have been set in italics to highlight them from the remainder of the text. Additional commentary has been provided to illustrate the context within which the recommendations have been presented.

REVIEW BY ACCOUNTING BODIES

.11 *Audit Guide – Auditing For Purposes of The EFA* has been reviewed by CPA Manitoba. CPA Manitoba has noted that the guide is a limited purpose document intended to provide assistance to entities and persons governed by the EFA and their auditors. As such it does not include all of the standards of the *CPA Canada Handbook - Assurance*.

Users of the guide are cautioned that it should be used in conjunction with the CPA Canada Handbook - Assurance and the CPA Manitoba Code of Professional Conduct.

.12 Certain sections of this document are reproduced, with minor changes in wording, from A Guide For the Auditor of a Candidate in a Federal Election with permission from the Chartered Professional Accountants of Canada, and have been denoted as such with an asterisk. It must be noted that the *Federal Election* guide is only applicable to elections under the Canada Elections Act and so the included sections have been provided strictly as a source of additional guidance.

SECTION 200 - AUDITOR'S ROLE AND ENVIRONMENT

.01 The role of the auditor in the electoral process is an important one.

The auditor adds value to the reporting process by providing:

- 1) Independence,
- 2) Objectivity, and
- 3) Credibility.

Consequently, the reliability of information that is disclosed publicly is enhanced, and compliance with the EFA is improved, thereby resulting in a democratic process that is more equitable.

.02 However, the environment within which the auditor conducts the audit is unique and complex. The following provides the auditor with a broad overview of the unique characteristics of an audit conducted in accordance with the EFA:

- a) **Timing** – for a candidate's campaign or a leadership contestant, on a relative basis, the period under audit is short and the auditor is not usually engaged until the candidacy period begins;
- b) **Planning** – the auditor must plan immediately upon being engaged, due to the short-term nature of a candidate's campaign and the required level of knowledge of the EFA and other documents outlined in the Introduction to this guide;
- c) **Complexity** – the requirements of the EFA are complex; appropriate time must be committed by the participants in the electoral process to understand these requirements;
- d) **Going concern** – a candidate's campaign and a leadership contestant's campaign are not going concerns, rather they are entities with a sole purpose that conducts activities using short-term resources over a defined beginning and ending period of time;
- e) **Volunteers** – many of the participants in the electoral process are volunteers, rather than full-time resources. The inherent difficulties of a volunteer base, such as commitment, time and limited accounting knowledge, must not be taken lightly;
- f) **Experience** – the official agent for a candidate's campaign or a leadership contestant, who is similar to a controller in a corporation or union, is not required to possess accounting or bookkeeping experience. In many instances, the official agent is limited in these skills;

- g) **Internal control** – in some cases, for reasons outlined above, internal control is not well-understood or practically applied;
 - h) **Reporting** – the reporting process is complex as responsibility exists to report on the fair presentation of the financial statements, as well as each uncovered incidence of non-compliance with the EFA;
 - i) **Materiality** – the concept of materiality is difficult to apply to the audit of financial statements that are used by the CEO to determine:
 - a) reimbursement of election expenses with public funds;
 - b) whether election expenses exceed election expense limits;
 - c) whether advertising expenses exceed advertising expense limits;
 - d) that provisions governing contributions are not violated.
 - j) **Public disclosure** – the financial statements, along with the Auditor's Report, are public information.
- .03 In addition, the obvious goal of an election campaign is to win. The combination of volunteers, loose controls, and a strong desire to win the election may conflict with the financial control objective (i.e., many of the provisions of the EFA) of the official agent or financial officer. This does not differ dramatically from the competing interests that one may find in a corporation between the sales team and the controller, however, a corporation is a going concern, is staffed with full-time resources, has a corporate infrastructure in place, and usually has a strong system of internal control to protect corporate resources. This differs significantly from that of an election campaign.
- .04 The registered party or candidate is ultimately responsible if overspending of the limit on election or advertising expenses occurs.
- .05 The purpose of this section is meant to raise awareness, before the audit begins, of the overall audit environment because the audit will be much less difficult and complex if the environment is understood earlier, rather than later. Planning early is a prerequisite for success in any environment; but it is especially crucial in this environment.

SECTION 300 - PRELIMINARY PLANNING AND OTHER CONSIDERATIONS

ELIGIBILITY TO ACT AS AUDITOR

- .01 Under the EFA, audits may only be performed by:
- 1) A registered member in good standing of CPA Manitoba; and
 - 2) Be permitted to perform audits by CPA Manitoba.
- .02 *Although not a stipulation of the EFA, CPA Manitoba should recognize and support the auditor's ability to perform an audit in accordance with Canadian generally accepted auditing standards.*
- .03 *The following persons are not eligible to act as auditor:*
- a) *Election officers or enumerators;*
 - b) *Candidates;*
 - c) *Official agents of candidates;*
 - d) *Financial officers of registered parties, or*
 - e) *Persons involved in the raising or spending of money or the custody of property of a candidate or registered party.*

INDEPENDENCE OF AUDITOR

- .04 An auditor must be independent of the registered party, candidate or leadership contestant and be free from any influence, interest, or relationship with the affairs of the party, candidate or leadership contestant that would, or would be seen to, impair the auditor's professional judgment or objectivity. An auditor must communicate matters related to their independence as specified in *CPA Canada Handbook - Assurance – CAS 260, Communication with Those Charged with Governance*. Also upon becoming aware of an impairment of objectivity, an auditor must resign immediately. These requirements are in addition to the auditor's responsibility to comply with the professional standards of the professional organization to which they are affiliated.
- .05 It is necessary for the auditor to refer to the requirements of *CAS 220, Quality Control for an Audit of Financial Statements* and the CPA Manitoba Code of Professional Conduct when accepting an engagement of this type. Specifically, the auditor should fully analyze the extent to which they, their staff, or firm are involved in partisan political activity and document their conclusions on objectivity and independence, where applicable.

- .06 Rule 204.20 Audits under elections legislation of the CPA Manitoba Code of Professional Conduct has been provided in Appendix A to offer guidance with respect to independence and objectivity for auditors appointed in Manitoba. Given that the Ontario Election Finances Act and the rules and regulations of CPA Ontario differ from those of Manitoba, these supplemental questions may assist the auditor in working through the issues, but are not meant to be a definitive reference.

ENGAGING THE AUDITOR

- .07 Each registered party and every candidate nominated or declared a candidate in a provincial election must appoint an auditor. For candidates, auditors are appointed on Form 908 *Notice of Appointment of Auditor for a Candidate* and for registered parties on Form 927 *Notice of Appointment/Consent of Auditor for a Registered Party*. Each form includes the auditor's name, address, telephone number, and signed consent.
- .08 *For a candidate's campaign, the auditor is engaged contractually by the candidate; however the auditor's report should be addressed to the official agent. For this reason, the official agent should be aware of the terms of the engagement. It is recommended that an engagement letter, signed by both the candidate and official agent, document the terms of engagement. An example of an engagement letter for the audit of a candidate's campaign, which may be amended where the auditor feels appropriate, is included in Appendix B. It is the same for a leadership contestant. The auditor is engaged contractually by the leadership contestant; however the auditor's report should be addressed to the official agent of the leadership contestant. Additional reference may be obtained from the CPA Canada Handbook - Assurance – CAS 210, Agreeing the Terms of Audit Engagements.*
- .09 *For the audit of a registered party, it is also desirable that the auditor document the terms of the contract including the objective, scope and limitations of the engagement in an engagement letter, signed by both the principal officer and the financial officer. An example of an engagement letter for the audit of a financial statement of a registered party is included in Appendix B. Additional reference may be obtained from the CPA Canada Handbook - Assurance - CAS 210, Agreeing the Terms of Audit Engagements. CAS 210 requires the agreed terms of the audit engagement be recorded in an audit engagement letter or other suitable form of written agreement.*
- .10 It may be appropriate for the engagement letter to refer to partisan political activity of the auditor, staff, or firm as concluded in paragraph .05 of this section.

GENERAL NATURE OF THE ENGAGEMENT

- .11 When expressing an opinion on financial information, the auditor should comply with the general and examination standards as set out in *CPA Canada Handbook – Assurance - CAS 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Canadian Auditing Standards*.
- .12 *The audit of financial statements required under the EFA should be conducted in accordance with Canadian generally accepted auditing standards. Specifically, the auditing standards relating to this engagement are detailed in CPA Canada Handbook – Assurance - CAS 805, Audits of Single Financial Statements and Special Elements, Accounts or Items of a Financial Statement. As outlined in CAS 805.01 the Canadian Auditing Standards (CASs) in the 100-700 series apply to an audit of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This CAS deals with special considerations in the application of those CASs to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, CAS 800, Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks also applies to the audit.*
- .13 *Planning for the audit of financial statements of a registered party or candidate under the EFA should consider, **amongst other things**, risks that arise as a result of the following constraints imposed by the EFA:*
- a) *Election expense limit;*
 - b) *Advertising expense limit;*
 - c) *Reimbursement of election expense provisions; and,*
 - d) *Contribution provisions (source, amount limits, eligibility to collect).*
- .14 *The auditor's examination and report, in each particular circumstance, encompasses all of the schedules of the Annual Financial Statement of a Registered Party (Form 920), Statement of Income, Transfers and Election Expenses of a Registered Party for a Campaign Period (Form 921), Candidate's Financial Statements and Supporting Schedules (Form 922), Leadership Contestant's Financial Statements and Supporting Schedules (Form 947).*

ACCESS TO RECORDS

- .15 *The auditor has access at all reasonable times to the records of the candidate, registered party or a leadership contestant and must be provided with any information and explanations that the auditor considers necessary to enable the auditor to report.*

OTHER PLANNING CONSIDERATIONS

- .16 The audit of a candidate involves a very short time frame between the point at which the auditor consents to act as auditor and the filing of the audit report. However, it is still important that auditors seek and obtain an understanding of client's campaign and consider any internal controls that are in place.

CPA Canada Handbook – Assurance References:

- a) CAS 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management.*
 - b) CAS 300, *Planning an Audit of Financial Statements.*
 - c) CAS 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding of the Entity and its Environment.*
 - d) CAS 330, *The Auditor's Responses to Assessed Risks.*
- .17 *Due to the short-term nature of a candidate's campaign and a leadership contestant's campaign and the volunteer aspect of many of the individuals involved in a campaign, especially the official agent, the auditor should plan the audit early, keeping in mind that it is less likely that the participants in this process have the same degree of financial expertise as those in similar positions in an ongoing entity such as a business enterprise.*
- .18 For a candidate's campaign, auditors should meet with the official agent shortly after being engaged to discuss and plan the manner in which books and records should be maintained throughout the campaign. It is imperative that official agents establish an adequate system of accounting to enhance compliance with the EFA and to ensure a more effective and efficient audit.

TIMING

- .19 *The audit report is due to be filed with the financial statements to which it relates, as follows:*
- a) *Annual Financial Statement of a Registered Party (Form 920) – three months after the end of the year;*

- b) *Statement of Income, Transfers and Election Expenses of a Registered Party for a Campaign Period (Form 921) – no later than 4 months after election day;*
- c) *Candidate’s Financial Statements and Supporting Schedules (Form 922) – no later than 4 months after election day, and*
- d) *Leadership Contestant’s Financial Statements and Supporting Schedules (Form 947) – no later than 30 days after the end of the leadership contest period.*

AUDIT FEE PAYMENTS

- .20 The responsibility for payment of the auditor’s fees ultimately resides with the candidate, the registered party or the leadership contestant, however, the EFA authorizes public treasury payments to auditors up to specified maximums.
- .21 The maximum amount (before taxes) paid to auditors by the Province of Manitoba for the audit of various statements required to be filed under the EFA is as follows:
- To audit a party’s annual financial statement under s.62(1) - \$16,000 or such lesser sum as deemed reasonable by the Chief Electoral Officer.
 - To audit a party’s election financial statement under s.62(2) - \$30,000 or such lesser sum as deemed reasonable by the Chief Electoral Officer.
 - To audit a candidate’s election financial statement under s.63 - \$1,500 or such lesser sum as deemed reasonable by the Chief Electoral Officer.
 - To audit a leadership contestant’s financial statement under s.65 - \$1,500 or such lesser sum as deemed reasonable by the Chief Electoral Officer.

An auditor will be paid from the public treasury for the fair value of services provided (and invoiced) up to the above maximums (i.e. an auditor could receive less than the maximum amount) as well as the taxes on these amounts. Auditors will be paid after submitting an invoice for the full amount of the fair value of audit services provided, if the audit meets the requirements of the EFA. No payment will be considered until the required financial statement, an auditor’s report, and an auditor’s invoice have been submitted to Elections Manitoba. Note that Elections Manitoba has the discretion to pay less than the maximum amounts where warranted.

- .22 The amount of the audit fee payment received from the public treasury should not be reported on Form 920, 921, 922 or 947.
- .23 The invoice should be addressed to Elections Manitoba and the amount stated before taxes should not exceed the maximum amounts specified in the EFA.

The audit fee payment from the public treasury **may not be** sufficient to cover the entire cost of an external audit conducted in accordance with generally accepted auditing standards.

MATERIALITY

- .24 An item of information is considered to be material if it is probable that the decisions made by those using the information would be changed or influenced by a misstatement of that information. CAS 320 Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
- .25 *CPA Canada Handbook – Assurance References:*
 - a) *CAS 320, Materiality in Planning and Performing an Audit*
- .26 Materiality determination is a matter of professional judgment. In making this determination, the public exposure and sensitivity of the Return should be borne in mind. Due to the nature of this engagement, all misstatements discovered by the auditor could be of interest to those inspecting the Return.*
- .27 Given the public and political environment in which the audit is conducted, and the expectations of Elections Manitoba, an assessment of materiality based on qualitative factors will generally be low.
- .28 Materiality in a particular instance would depend not only on the amount of the misstatement, but also* on whether an item is in compliance with or in apparent contravention of the EFA. For example, where a candidate's campaign spends an amount that is in excess of the applicable election expense limit, the amount in excess of the limit will likely be material, regardless of the dollar amount.

RISK*

- .29 The objective of the auditor is to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement, through designing and implementing appropriate responses to those risks.

CPA Handbook - Assurance References:

- a) *CAS 230, Audit Documentation*
- b) *CAS 300, Planning an Audit of Financial Statements*
- c) *CAS 315, Identifying and Assessing the Risks of Material Misstatements through Understanding the Entity and Its Environment*
- d) *CAS 330, The Auditor's Responses to Assessed Risks*
- e) *CAS 500, Audit Evidence*

.30 Because of the potential for certain expenses, such as contributed property, not to be recorded, the inherent risk of error might often be high.

Similarly, control risk will usually be assessed at high, since many internal control features will not be in place.

Due to assessments for inherent and control risk, the risk of material misstatement is high. Therefore, for the audit of a candidate's campaign and for a leadership candidate's campaign, it is appropriate that an examination using tests of details should be performed. The auditor should make similar assessments of inherent and control risk for the annual audit of a registered party. The auditor is required to assess the risks of material misstatement at the assertion level and to evaluate the design of the entity's control, including relevant control activities, over such risks and determine whether they have been implemented. This is required regardless of whether there is an expectation that controls will be relied upon in the audit. The auditor is also required to assess the risks of fraud and discuss with management and those charged with governance to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.

LETTER OF REPRESENTATION

- .31 *For a candidate's campaign, the auditor should obtain written assurance from the candidate and the official agent as to representations that the auditor considers of significance in forming an opinion, and this should form part of the audit evidence.*
- .32 Representations that are particularly relevant, and should be highlighted by the auditor, may include written assurance that the candidate and official agent (or the leadership contestant and the official agent) are not aware of any violations or possible violations of the EFA. In addition, the candidate and official agent (or the leadership contestant and the official agent) should represent that to the best of their knowledge and belief, all transactions have been processed through the bank account, have been recorded

in the accounting records, and ultimately reflected in the financial statement for the reporting period. An example of a representation letter, before taking into consideration amendments that the auditor may have as a result of the particular circumstances of the engagement, is included in Appendix C.

- .33 *For an audit of an annual financial statement of a registered party, the auditor should obtain similar assurances as in paragraphs .30 and .31 from the principal officer and financial officer. An example of a representation letter for this type of engagement is included in Appendix C and should be amended, as appropriate.*
- .34 The auditor should keep in mind *CPA Canada Handbook – Assurance* paragraphs CAS 250.17 and CAS 240.40 which require written representations from the client with respect to claims and possible claims, and fraud and suspected fraud, respectively, as well as the other requirements contained within CAS 240, CAS 250 and CAS 501.

QUALIFIED PRIVILEGE (DEFAMATION)

- .35 *An oral or written statement or report made under the EFA by an auditor of a candidate, leadership contestant or a registered party has qualified privilege.*

CONSIDERATIONS WHEN DESIGNING THE AUDIT PROGRAM FOR A CANDIDATE

- .36 Appendix D provides a non-exhaustive list of possible audit procedures that an auditor may include in his or her audit program for an audit of a candidate's campaign. This is not meant to form a complete audit program and the auditor should apply professional judgment in the determination of an appropriate audit program in each particular case. These audit procedures may be adapted for the audit of a leadership contestant.
- .37 An auditor should maintain complete documentation that provides evidence of the basis for a conclusion about the achievement of the overall audit objectives and that the audit work was planned and performed in accordance with Canadian auditing standards and applicable legal and regulatory requirements as required by the *CPA Handbook - Assurance – CAS- 230, Audit Documentation*.

SECTION 400 - DETECTING & COMMUNICATING MISSTATEMENTS

- .01 The auditor should refer to the following *CPA Canada Handbook – Assurance* Sections:
- CAS 240, which deals with the auditor’s responsibilities relating to fraud in an audit of financial statements of candidates, leadership contestants and registered parties and to communicate such matters;
 - CAS 250, which deals with the auditor’s responsibility to consider laws and regulations; and
 - CAS 450, which deals with the auditor’s responsibility to evaluate the effect of identified misstatements on the audit and of any uncorrected misstatements;
- .02 The auditor should be familiar with the requirements of the EFA which, if violated, could reasonably be expected to result in a material misstatement of the financial statement. The auditor should refer to *The Election Financing Act* and the *Legislative Reference Guide For Auditors* for relevant provisions of the EFA that an auditor must be aware in order to conduct an effective audit.
- .03 Violations of the EFA that the auditor could uncover during the normal course of the audit, amongst others, are as follows:
- All transactions of the party or campaign did not flow through the bank account;
 - Proper books and records were not maintained nor completely accessible;
 - Expenses were in excess of either the election expense or advertising election expense limits;
 - Prohibited contributions were accepted;
 - Contributions in excess of \$5,000 for an individual was accepted;
 - Tax receipts were issued for invalid contributions, non-monetary contributions, or where the party or campaign was not registered;
 - Election expenses that are not valid.
- .04 *In no manner does this section or guide broaden the auditor’s responsibility to detect fraud. An audit performed in accordance with Canadian generally accepted auditing standards may not detect error or fraud, including illegal acts and other irregularities, particularly if such items are concealed.*

If any misstatements or apparent contraventions of the EFA are discovered, the official agent or financial officer should be informed and asked to remedy the situation and make any necessary corrections to the financial statement (*CPA Canada Handbook - Assurance: CAS 450, Evaluation of Misstatements Identified during an Audit, CAS 265, Communicating Deficiencies in Internal Control to Those Charged with Governance* and

Management, and CAS 260, Communications with Those Charged with Governance). In addition, because an attitude of professional skepticism should be maintained when performing the audit, the auditor will need to consider whether the misstatements or contraventions of the EFA discovered indicate the possibility of other material misstatements existing in the financial statement. Because of the wide public exposure, any misstatements in the financial statement that come to the attention of the auditor should be corrected to avoid potential embarrassment to the candidate or party and the auditor. If such corrections are not made, it must be determined whether the misstatements are material; if they are not considered material, the auditor should still accumulate these items and obtain representation that the uncorrected misstatements in the aggregate are not material. In addition, the auditor shall obtain an understanding of management's reasons for not making the corrections and shall take that understanding into account when evaluation whether the financial statements as a whole are free from material misstatement. If the misstatements are considered material, or the situation is not remedied, however, the auditor should refer to Section 600, Reporting, for additional guidance.*

- .05 Certain circumstances which may indicate a greater risk of misstatement, and where the auditor may decide to expand the scope of their procedures, are as follows:
- a) Proximity to the election or advertising expense limits. A campaign that is close to its expense limit may have a greater risk of unrecorded expenses;
 - b) Total campaign expenses and ratio of election expenses to non-election expenses. A high percentage of non-election expenses as compared to election expenses may indicate allocation issues, with a corresponding impact on compliance with the expense limits. In addition, where the total campaign expenses (i.e., total of election and non-election) are less than either of the expense limits, there is less risk of misstatement;
 - c) Type and amount of liabilities recorded. Unusual or excessive liabilities could be indicative of unreported contributions;
 - d) Type and amount of assets recorded. Unusual or excessive assets could be indicative of unreported expenses.
- .06 Other examples of circumstances which, either individually or in combination, may cause the auditor to suspect that a misstatement may exist are:
- a) A significant amount of anonymous contributions;
 - b) Seriously incomplete or inadequate accounting records;
 - c) Expenses greatly exceeding income;
 - d) Other expenses appear disproportionately high;
 - e) Other income appears disproportionately high;

- f) Fundraising income is high but little fundraising expenses reported;
- g) Missing income tax receipts;
- h) Income tax receipts issued exceed monetary contributions;
- i) Few contributions of \$250 or more in relation to the total amount of contributions, and
- j) The political entity's financial account has not been used for all transactions.

SECTION 500 - SPECIFIC AUDIT & RISK ISSUES

ELECTION AND ADVERTISING EXPENSE LIMITS

- .01 *The EFA imposes certain restrictions on amounts that may be spent during an election by registered parties and candidates. Significant fines and penalties may be imposed as a result of spending in excess of these limits, in addition to public scrutiny and disclosure. Therefore, the auditor should be thoroughly familiar with the applicable sections of the EFA, and should design audit procedures that consider the risks inherent in these limits.*
- .02 *The auditor must be knowledgeable with respect to the maximum election and advertising expense limits placed upon a registered party or candidate. These amounts should be confirmed with Elections Manitoba.*

REIMBURSEMENT OF ELECTION EXPENSES

- .03 *Where certain criteria are satisfied, the EFA provides for partial reimbursement of "election expenses" incurred during an election as defined under the EFA, from public funds. The auditor should be thoroughly familiar with the applicable sections of the EFA, and should design audit procedures that consider the risks inherent in this area.*
- .04 *The categorization by the official agent or financial officer of an expense as either an election or non-election expense directly impacts the amount of public money that may be disbursed to a candidate or registered party after an election. It is therefore imperative that audit procedures be designed to provide the auditor with the appropriate level of assurance that election and non-election expenses have been categorized in accordance with the EFA.*

CONTRIBUTION PROVISIONS

- .05 *Contributions received to finance the activities of a registered party, a candidate's campaign, or a leadership contestant's campaign are restricted as to source, amount of contribution and method of collection. In addition, specific provisions exist with respect to non-monetary contributions, fundraising functions and the sale of merchandise. The auditor should be thoroughly familiar with the applicable sections of the EFA and the Income Tax Act with respect to political contributions, and should design audit procedures that consider the risks inherent in these provisions.*

COMPLETENESS

- .06 As with most organizations that receive contributed funds, it is normally not possible to determine the extent, if any, of unrecorded contributions. Contributions are made on a voluntary and unpredictable basis, and the auditor's knowledge of contributions will be limited to that obtained from the accounting records, as well as from their general knowledge of the affairs of the registered party or campaign. Furthermore, since non-monetary items are both contributions and expenses, it is generally not possible to determine that all non-monetary expenses have been recorded.
- .07 Nevertheless, the auditor should be alert for specific circumstances arousing suspicion that the information in the financial statement is not complete. Such circumstances would include situations where campaign expenses were significantly in excess of receipts or the reconciliation of the bank account was not properly done. In such a situation, it is possible that some cash receipts (through contributions, loans) have not been recorded. The auditor should question how the expenses were made and follow up responses with professional skepticism. In the absence of suspicious circumstances, and where responses are reasonable, however, the auditor has no obligation to carry out additional procedures in excess of the regular audit program directed at a determination of the completeness of the accounting records with respect to the particular account.*
- .08 However, paragraph .07 does not in any way mitigate the auditor's responsibility to perform audit procedures to evaluate the completeness of the remaining types of income and expenses where sufficient appropriate audit evidence is available.
- .09 *In the event that the auditor finds that the scope of the examination is limited with respect to completeness of particular revenue and/or expense item, the following procedures are recommended:*
- a) *The auditor should document in the audit file the specific factors that determined the scope limitation and prevented the auditor from obtaining sufficient and appropriate audit evidence;*
 - b) *The auditor should advise Elections Manitoba, in writing, of the specific reasons documented in (a) above. This would normally be included in the auditor's report.*
- .10 It is the responsibility of the CEO to examine, or cause to be examined, all financial statements that are filed with the CEO. Should the attached audit report be qualified with respect to completeness of a particular revenue and/or expense item, then the CEO is not able to rely on the audit process in relation to the completeness of the item. To arrive

at an acceptable level of assurance, the CEO may elect to take further independent steps aimed at assessing the completeness of the financial statements filed.

INVENTORY

- .11 The EFA and *Accounting Guide – Accounting For Purposes of The EFA* requires inventory to be counted and valued at various times throughout the electoral process as the value of inventory has a direct impact on the determination of election expenses, and subsequently, on amounts reimbursed from public funds. As materiality of inventory will vary from engagement to engagement, the auditor should apply professional judgment when determining the extent of audit procedures necessary to reasonably verify this item.
- .12 *Audit procedures to verify the existence and valuation of inventory that exists prior to writ day (beginning inventory) and on Election Day (ending inventory) should be planned as the existence and valuation of beginning and ending inventory directly impacts the amount of election expenses reported. An audit of a candidate's campaign, where beginning and ending inventory do exist, but audit procedures have not been planned in advance to verify these inventories, may result in a scope limitation to the auditor which, if material, should be reported.*

MARKET VALUE*

- .13 Election expenses include the market value of non-monetary items contributed to a registered party or candidate and used during the election period. To permit an audit of the amounts recorded in the accounts, it is suggested that, through the engagement letter, the auditor obtain agreement that the financial officer of a registered party, or the candidate and the official agent, will obtain statements of market value where the auditor deems it appropriate. When this has not been done and the auditor believes that the market value may differ substantially from the recorded market value, it will be necessary for the auditor to obtain such statements.
- .14 The market value of non-monetary contributions may be misstated, either by error or intent. The auditor should therefore question the amount of any voucher that appears to be entered in the financial statement at less than a reasonable value. Any such misstatement would be of importance when the correct amount is obvious, or its effect, or the cumulative effect of such misstatements, may be material.

SECTION 600 - REPORTING

- .01 Guidance is provided to the auditor reporting under the EFA within *CPA Canada Handbook – Assurance* sections dealing with reports on financial statements, and specifically CAS 800 & 805, Audits of Single Financial Statements and Special Elements, Accounts or Items of a Financial Statement.
- .02 Where a modification of an opinion is required, reference should be made to the *CPA Canada Handbook – Assurance* CAS 705, Modifications to the Opinion in the Independent Auditor's Report. Where an emphasis of matter paragraph or other matter paragraph is added to the report, reference should be made to CAS 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report. Where a statement that describes an uncorrected material misstatement of the other information, reference should be made to CAS 720, The Auditor's Responsibilities Relating to Other Information. Where communication of key audit matters that is required by law or regulation or when the auditor decides to do so, reference should be made to CAS 701, Communicating Key Audit Matters in the Independent Auditor's Report.
- .03 *The auditor's report covers the financial statements filed with the CEO, including all supporting schedules. The auditor's report must be filed with the candidate's or registered party's financial statement and should be addressed to the official agent or financial officer, as applicable.*
- .04 The expectation of the CEO is that the auditor will modify the auditor's report to explain every contravention to the EFA, if any, that is uncovered by the auditor while performing regular audit procedures in accordance with generally accepted auditing standards. The auditor should also refer to *Section 400 Detecting and Communicating Misstatements* and *Section 500 Specific Audit and Risk Issues*.
- .05 *In addition, to the extent that the auditor considers necessary, the auditor's report shall include statements that:*
- a) *The financial statement to which the report relates does not present fairly the financial transactions contained in the records of the registered party or candidate's campaign;*
 - b) *The auditor has not received all the information and explanations required from the financial officer or official agent; or,*
 - c) *The financial officer or official agent has not kept proper accounting records.*

- .06 Where possible, the additional statements of the auditor should be specific and detailed when describing events reported under paragraph .04 and .05 of this section.*
- .07 The examination of, and report pertaining to, these statements and the supporting documentation must be made in accordance with generally accepted auditing standards. Appendix E contains examples of reports for use by the auditor in drafting the report for a candidate's campaign, and should be amended as the auditor considers appropriate. Appendix E does not provide an exhaustive list of reports; the results of the audit should dictate the type of report.
- .08 For the purpose of enhancing compliance and public disclosure, Elections Manitoba reviews the financial statements of registered parties and candidates. These reviews sometimes result in changes to the financial statements filed with the CEO. Although the financial officer or official agent is responsible for making and filing any changes to the financial statements, all changes must be reviewed and approved by the auditor. Elections Manitoba requires either a statement from the auditor confirming whether the previously issued audit is still valid or a newly issued audit opinion.
- .09 It is not the responsibility of the auditor to file the financial statements with the CEO. It is the responsibility of the official agent to perform this filing, with Auditor's Report attached.*

REPORTING WHERE AUDITOR CEASES TO ACT

- .10 Where the auditor resigns or ceases to hold that position for any reason, the official agent or financial officer must appoint a new auditor without delay. The new appointment must be made in writing to the CEO and include the name, address, telephone number, and signed consent of the auditor.
- .11 The previous auditor must provide the CEO and the new auditor with a written statement providing the reasons for resigning or ceasing to act.*

APPENDIX A—INDEPENDENCE: EXCERPTS FROM CPA MANITOBA CODE OF PROFESSIONAL CONDUCT

IMPORTANT NOTE:

The following is an excerpt from the CPA Manitoba Code of Professional Conduct Rule 204.20 Audits under election legislation. The excerpt has been provided with permission.

CPA MANITOBA CODE OF PROFESSIONAL CONDUCT

204 Independence

204.20 Audits under elections legislation

DEFINITIONS:

For purposes of Rule 204.20 and its related Guidance:

"the Act" means the Canada Elections Act or the relevant provincial or territorial legislation.

"electoral candidate" means a candidate as defined by the Act.

"registered agent", "registered party", "official agent", "registered association", "leadership contestant", "nomination contestant" and "election period" have the meaning given to them in the Act.

RULE:

A member or firm who performs an audit under federal, provincial, territorial or other legislation in relation to an electoral candidate, registered agent, registered party, official agent, registered association, leadership contestant, or a nomination contestant shall comply with the provisions of Rules 204.1 and 204.3.

GUIDANCE - Rule 204.20

Introduction

- 1 The Act requires the filing of audited returns by the chief agents of registered parties, the official agents of electoral candidates and, in some cases, the financial agents of registered associations, leadership contestants and nomination contestants. Each return is to be reported on by an auditor who is a member in good standing of a corporation, an association or a body of professional accountants and includes a firm.

Ineligibility Provision - Statutory

- 2 The Act lists a number of persons (hereinafter referred to as “ineligible persons”) who cannot act as auditors for a registered party, electoral candidate, registered association, leadership contestant or nomination contestant. These are:
 - an election officer or a member of the staff of a returning officer;
 - an electoral candidate;
 - an official agent of an electoral candidate;
 - a chief agent of a registered party or an eligible party;
 - a registered agent of a registered party;
 - electoral district agents of registered associations;
 - leadership contestants and their leadership campaign agents;
 - nomination contestants and their financial agents, and
 - financial agents of registered third parties.
- 3 The Act prohibits an ineligible person from participating in the audit examination of the records or in the preparation of the audit report of an electoral candidate, a leadership contestant or a nomination contestant (except to respond to the auditor’s request for information). There is no similar restriction placed on the auditor of a registered party or a registered association. An eligible person may be appointed as auditor for an electoral candidate notwithstanding that the person is a member of a firm that has been appointed as an auditor for a registered party or for an electoral candidate in another electoral district.

Extension of Ineligibility Provisions

- 4 Without wishing to extend the statutory prohibitions unduly, CPA Manitoba considers that there are additional interests or relationships to those spelled out in the Act, which could impair, or appear to impair, an auditor’s objectivity. This Guidance, therefore, sets out the profession’s views on unacceptable interests or relationships, in respect of audits under the Act, encompassing both those prohibited by the statute and those unacceptable professionally.

- 5 Requirements that are too restrictive, coupled with the widespread involvement of registrants, 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 Guidance seeks to cover only the more obvious interests and relationships which might be considered unacceptable. Too narrow an interpretation could, in view of the many conceivable conflicts of interest, make it almost impossible for registrants to serve the community's needs.

Audit of a Candidate

- 6 A registrant may not be complying with Rule 204.1 if the registrant were to act as auditor of an electoral candidate as well as being:
- a paid worker during an election period for any electoral candidate or any registered party;
 - a volunteer worker during an election period for that electoral candidate or the registered party of that electoral candidate where:
 - the registrant exercises any function of leadership or direction in that electoral candidate's or that party's campaign organization, or
 - the registrant carried on any significant function involving the raising, spending or custody of that electoral candidate's or that party's campaign funds;
- or if a registrant's immediate family member, or another person in the firm is:
- a returning officer, deputy returning officer, assistant returning officer or election clerk in the electoral district of that electoral candidate or is the electoral candidate, official agent of that electoral candidate or a registered agent of that electoral candidate's registered party;
 - a paid worker during an election period for that electoral candidate or that electoral candidate's registered party;
 - a volunteer worker as described above, during an election period, for that electoral candidate or the registered party of that electoral candidate.
- 7 Where a registrant is an "ineligible person" in respect of a particular electoral candidate, the application of Rule 204.1 means that the firm with which that registrant is associated may not act as auditor of that electoral candidate.

As noted in paragraph 3, the ineligible persons described in the Act may not participate in the audit examination of any electoral candidate's return. As an extension of this, a registrant who could not act as auditor for an electoral candidate because of any of the relationships detailed in paragraph 6 above, should also not participate in the audit examination of a candidate's return.

Audit of a Registered Party, Registered Association, Leadership Contestant or Nomination Contestant

- 8 In addition to the statutory prohibitions set out in the Act, a registrant may not be complying with Rule 204.1 if the registrant were to act as auditor of a registered party, registered association, leadership contestant or nomination contestant and the registrant, or an immediate family member, or another person in the firm is a paid worker or volunteer worker who exercises any function of leadership or direction or carried on any significant function involving the raising, spending or custody of funds belonging to the party, association or contestant, as the case may be.

Other considerations

- 9 Generally, registrants contemplating acting as auditors for registered parties, electoral candidates, associations or contestants should be alert to any circumstances, not described in this Guidance, which may place them in the position of impairment of objectivity or where an appearance of impairment might be presented. This type of question tends to arise, for example, where a donation of cash or of professional services is made. Registrants, 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, candidate association or contestant by a registrant, the registrant's immediate family or other persons in the firm. 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.

Registrants should recognize, however, the need to apply judgment to the question of the amount of any such contribution and must be satisfied that any such contribution does not in fact impair their objectivity or independence.

It is of paramount importance that a registrant accepting an appointment under the Act makes such acceptance known to all other persons in the firm so as to avoid any conflict arising within the provisions of the Act concerning ineligible persons.

APPENDIX B – SAMPLE ENGAGEMENT LETTERS

ANNUAL FINANCIAL STATEMENT OF A REGISTERED PARTY

(Date)

(Name(s) of principal officer(s) of registered party)

(Address)

Dear (Name):

I am writing to summarize my understanding of the terms of my engagement as auditor to report to your financial officer under *The Election Financing Act* of Manitoba (EFA) on the Annual Financial Statement of a Registered Party, or Form 920, of (registered party). In the event of an election called during the year, the EFA requires that the Statement of Income, Transfers and Election Expenses of a Registered Party for a Campaign Period, or Form 921, be prepared for the campaign period. This would form the basis of a separate engagement covered by its own engagement letter.

As required by the EFA, my report will be addressed to your financial officer (name) and will state whether, in my opinion, Form 920, Annual Financial Statement of a Registered party, is presented fairly, in all material respects, in accordance with the accounting requirements of the EFA and *Accounting Guide – Accounting For Purposes of The Election Financing Act* or state that an opinion cannot be expressed. A draft of an unmodified opinion is included in Appendix 1 to this engagement letter (to insert draft letter). As required by the EFA, in my report I shall make such statements through Emphasis of Matter or Other Matters paragraphs and modifications as I consider necessary in any case where, in my opinion:

- a) Form 920 does not present fairly the financial transactions contained in the records of the registered party;
- b) I have not received from the financial officer all the information and explanations that I required; or
- c) Proper accounting records do not appear to have been kept by the financial officer based on my examination.

To report, I will be responsible for performing an audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance whether Form 920 is free of material misstatement. The audit will include examining, on a test basis, evidence supporting the amounts and disclosures in Form

920, assessing the accounting principles used and significant estimates made by the financial officer for the registered party, and evaluating the overall presentation of Form 920.

An audit provides reasonable assurance that Form 920 is fairly presented; absolute assurance is not possible to obtain. Absolute assurance is not obtainable because of factors such as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the evidence available is persuasive, rather than conclusive in nature. An audit done in accordance with generally accepted auditing standards may not detect error or fraud, including illegal acts and other irregularities, particularly if such items are concealed. The discovery of irregularities may still result from my examination and, if so, I will report them to you. An audit will include an examination of accounting systems and related data to the extent I consider necessary. The objective of an audit is to obtain reasonable assurance that the financial statements are fairly presented. Financial statements make no assertions about internal control. Internal control over financial reporting is considered solely for the purpose of determining the nature, extent and timing of the auditing procedures necessary for expressing an opinion on Form 920 as described above. Although I cannot express an opinion on the operation of any systems of internal control, I will report to you any weaknesses in those systems which are identified during the audit.

I am required to communicate to you all relationships between the party and myself that, in my professional judgment, may reasonably be thought to bear on my independence.

In determining which relationships to report, the standards require me to consider relevant rules and related interpretations prescribed by the Chartered Professional Accountants of Manitoba and applicable legislation, covering such matters as:

- a) Holding a financial interest, either directly or indirectly, in a client;
- b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- d) Provision of services in addition to the audit engagement.

I have prepared the following comments to facilitate my discussion with you regarding independence matters arising since [the Date of my last letter].

I am aware of the following relationships between the party and myself that, in my professional judgment, may reasonably be thought to bear on my independence.

The following relationships represent matters that have occurred from [date] to [date]:

[Describe any significant relationships or matters bearing on the accountant's independence, and also discuss the appropriate safeguards in place.]

[OR]

I am not aware of any relationships between the party and myself that, in my professional judgment, may reasonably be thought to bear on my independence, that have occurred from [date] to [date].

You have indicated your understanding that my examination will be such as to enable me to report as required under the EFA. The timely preparation, and the completeness of the accounting records and Form 920, which are to be prepared in accordance with the accounting requirements of the EFA and *Accounting Guide – Accounting For Purposes of The Election Financing Act*, are the responsibility of your financial officer. My responsibility as auditor does not extend beyond the reporting function outlined above, and accordingly does not include ensuring that your party and its officers, including your financial officer, comply with all the requirements of the EFA.

The EFA requires that inventory be accounted for in accordance with policies prescribed in *Accounting Guide – Accounting For Purposes of The Election Financing Act*. It is the responsibility of the party and the financial officer to ensure that inventory is counted on a timely basis and appropriately valued in accordance with *Accounting Guide – Accounting For Purposes of The Election Financing Act*.

You have agreed that your financial officer will arrange for necessary documentation to be available to support or certify the market value of donations in kind, where applicable.

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

Management is responsible to maintain such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I understand that I will have access at all reasonable times to all records, documents, books, accounts, and vouchers relating to your party and Form 920. Before the issuance of my report, I shall require that certain assurances which I consider of significance when forming my opinion be provided in writing by you and your financial officer, and possibly other members of your staff.

The EFA requires my examination to be completed and Form 920 to be filed with the Chief Electoral Officer within three months after the end of the year. Therefore, it is essential that the accounting records and Form 920 be completed in time to allow me a reasonable period to complete my examination. I anticipate that I will be able to complete my report on a timely basis if Form 920 is complete and available to me on or before (date). You have agreed that the completed Form 920 will be provided to me by that date.

Fees will be determined based on time spent on this engagement at my standard rates. My invoice for services rendered will include out-of-pocket costs.

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

Yours truly,
(signed)
Auditor

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

(Principal Officer) of (Registered Party)

(Date)

I acknowledge that I understand the above terms of your engagement, which the (principal officer) has authorized.

(Financial officer)

(Date)

CANDIDATE'S FINANCIAL STATEMENTS AND SUPPORTING SCHEDULES

(Date)

(Name of Candidate)

(Address)

Dear (Name):

I am writing to summarize my understanding of the terms of my engagement as auditor to report to your official agent under *The Election Financing Act* of Manitoba (the EFA) on the Candidate's Financial Statements and Supporting Schedules, or Form 922, for your candidacy period from (date candidacy period commenced) to (date candidacy period ends), relating to the election to be held on (date of election).

As required by the EFA, my report will be addressed to your official agent (name) and will state whether, in my opinion, Form 922, Candidate's Financial Statements and Supporting Schedules, is presented fairly, in all material respects, in accordance with the accounting requirements of the *EFA and Accounting Guide – Accounting For Purposes of The Election Financing Act* or state that an opinion cannot be expressed. A draft of an unmodified opinion is included in Appendix 1 to this engagement letter (to insert draft letter). As required by the EFA, in my report I shall make such statements through Emphasis of Matter or Other Matters paragraphs and modifications as I consider necessary in any case where, in my opinion:

- a) Form 922 does not present fairly the financial transactions contained in the records of the candidate's campaign;
- b) I have not received from the official agent all the information and explanations that I required; or
- c) Proper accounting records do not appear to have been kept by the official agent based on my examination.

To report, I will be responsible for performing an audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance whether Form 922 is free of material misstatement. The audit will include examining, on a test basis, evidence supporting the amounts and disclosures in Form 922, assessing the accounting principles used and significant estimates made by the official agent for the candidate, and evaluating the overall presentation of Form 922.

An audit provides reasonable assurance that Form 922 is fairly presented; absolute assurance is not possible to obtain. Absolute assurance is not obtainable because of factors such as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the evidence available is persuasive, rather than conclusive in nature. An audit done in accordance with generally accepted auditing standards may not detect error or fraud, including illegal acts and other irregularities, particularly if such items are concealed. The discovery of irregularities may still result from my examination and, if so, I will report them to you. An audit will include an examination of accounting systems and related data to the extent I consider necessary. The objective of an audit is to obtain reasonable assurance that the financial statements are fairly presented. Financial statements make no assertions about internal control. Internal control over financial reporting is considered solely for the purpose of determining the nature, extent and timing of the auditing procedures necessary for expressing an opinion on Form 922 as described above. Although I cannot express an opinion on the operation of any systems of internal control, I will report to you any weaknesses in those systems which are identified during the audit.

You have indicated your understanding that my examination will be such as to enable me to report as required under the EFA. The timely preparation, and the completeness of the accounting records and Form 922, which are to be prepared in accordance with the accounting requirements of the EFA and *Accounting Guide – Accounting For Purposes of The Election Financing Act*, are the responsibility of you and your official agent. My responsibility as auditor does not extend beyond the reporting function outlined above, and accordingly does not include ensuring that your campaign and its officers, including your official agent, comply with all the requirements of the EFA.

I am required to communicate to you all relationships between the candidate and myself that, in my professional judgment, may reasonably be thought to bear on my independence.

In determining which relationships to report, the standards require me to consider relevant rules and related interpretations prescribed by the Chartered Professional Accountants of Manitoba and applicable legislation, covering such matters as:

- a) Holding a financial interest, either directly or indirectly, in a client;
- b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- d) Economic dependence on a client, and
- e) Provision of services in addition to the audit engagement.

I have prepared the following comments to facilitate my discussion with you regarding independence matters arising since [the Date of my last letter].

I am aware of the following relationships between the candidate and myself that, in my professional judgment, may reasonably be thought to bear on my independence.

The following relationships represent matters that have occurred from [date] to [date]:

[Describe any significant relationships or matters bearing on the accountant's independence, and also discuss the appropriate safeguards in place.]

[OR]

I am not aware of any relationships between the candidate and myself that, in my professional judgment, may reasonably be thought to bear on my independence, that have occurred from [date] to [date].

The EFA requires that inventory be accounted for in accordance with policies prescribed in *Accounting Guide – Accounting For Purposes of The Election Financing Act*. It is the responsibility of the candidate and the official agent to ensure that inventory is counted on a timely basis and appropriately valued in accordance with *Accounting Guide – Accounting For Purposes of The Election Financing Act*. In a candidacy period, relevant dates for counting and valuing inventory are:

- The day a writ for an election is issued,
- Election day;
- Last day of candidacy period.

You have agreed that your official agent will arrange for necessary documentation to be available to support or certify the market value of donations in kind, where applicable.

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

Management is responsible to maintain such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I understand that I will have access at all reasonable times to all records, documents, books, accounts, and vouchers relating to your campaign and Form 922. Before the issuance of my report, I shall require that certain assurances which I consider of significance when forming my opinion be provided in writing by you and your official agent, and possibly other members of your campaign.

The EFA requires my examination to be completed and Form 922 to be filed with the Chief Electoral Officer within 4 months of Election Day. Therefore, it is essential that the accounting records and Form 922 be completed in time to allow me a reasonable period to complete my examination. I anticipate that I will be able to complete my report on a timely basis if Form 922 is complete and available to me on or before (date). You have agreed that the completed Form 922 will be provided to me by that date.

Fees will be determined based on time spent on this engagement at my standard rates. My invoice for services rendered will include out-of-pocket costs.

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 official agent's signed acknowledgement that they understand the terms of this letter.

Yours truly,
(signed)
Auditor

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

(Candidate)

(Date)

I acknowledge that I understand the above terms of your engagement, which the candidate has authorized.

(Official Agent)

(Date)

APPENDIX C – SAMPLE LETTERS OF REPRESENTATION

ANNUAL FINANCIAL STATEMENT OF A REGISTERED PARTY

(Date)

(Auditor)

(Address)

Dear (Auditor):

In connection with your examination of the Annual Financial Statement of a Registered Party, or Form 920, of (registered party) for the year ended (date), we assure you that to the best of our knowledge and belief:

1. Form 920 includes all information required for fair presentation in accordance with the accounting requirements of *The Election Financing Act of Manitoba and Accounting Guide – Accounting For Purposes of The Election Financing Act* and we acknowledge our responsibility for such fair presentation.
2. Management is responsible to maintain such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
3. All financial and accounting records, documents, books, accounts, vouchers, and related data have been made available to you relating to the activities of the party. All accounts and transactions have been appropriately described and properly recorded in the financial and accounting records underlying Form 920.
4. All material transactions have been properly reflected in Form 920.
5. All contributions, loans, donations in kind, and other amounts received and all expenses incurred have been determined and recorded as required by *The Election Financing Act of Manitoba and Accounting Guide – Accounting For Purposes of The Election Financing Act*. In particular, all contributions received have been deposited only in accounts on record and have been within the prescribed limitations as to source and amount, and contributed goods and services have been valued in accordance with *The Election Financing Act* of Manitoba.

6. The financial officer has received, recorded, and deposited, in an account on record, all the amounts contributed during the year.
7. All persons indicated on the tax receipt forms made such contributions on their own behalf and not as nominees for other persons or organizations.
8. All contributions received from prohibited contributors have been returned to the contributor and are not reflected in Form 920.
9. The party has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged except as disclosed in Form 920.
10. All liabilities are included in Form 920 at the end of the year. There are no unrecorded liabilities, contingent liabilities, or claims or possible claims against the party that have not been disclosed to you.
11. Inventory on hand at the beginning and end of the year is appropriately valued, and was determined by actual count, in accordance with *The Election Financing Act of Manitoba and Accounting Guide – Accounting For Purposes of The Election Financing Act*.
12. We are not aware of any illegal or possibly illegal acts, including, but not limited to, any possible violations of *The Election Financing Act of Manitoba*.
13. There has been no:
 - Fraud or irregularities involving the financial officer, other management, or employees or volunteers who have significant roles in internal control, whether or not they are perceived to have a material effect on the financial statements;
 - Fraud involving others that could have a material effect on the financial statements;
 - Cases of suspected fraud or allegations of fraud communicated by employees, former employees or others, and
 - Violations or possible violations of laws or regulations (including the failure to file reports required by regulatory bodies) whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
14. No events have occurred subsequent to (date) that would require adjustment to, or disclosure in, Form 920 that has not been adjusted for or disclosed.

15. (other relevant representations).

Yours truly,

(Principal Officer) of (Registered party)

(Date)

(Financial officer)

(Date)

CANDIDATE'S FINANCIAL STATEMENTS AND SUPPORTING SCHEDULES

(Date)

(Auditor)

(Address)

Dear (Auditor):

In connection with your examination of the Candidate's Financial Statements and Supporting Schedules, or Form 922, for my candidacy period from (date candidacy period commenced) to (date candidacy period ends), relating to the election held on (date of election), we assure you that to the best of our knowledge and belief:

1. Form 922 includes all information required for fair presentation in accordance with the accounting requirements of *The Election Financing Act* of Manitoba and *Accounting Guide – Accounting For Purposes of The Election Financing Act* and we acknowledge our responsibility for such fair presentation.
2. Management is responsible to maintain such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
3. All financial and accounting records, documents, books, accounts, vouchers, and related data have been made available to you relating to the activities of the campaign. All accounts and transactions have been appropriately described and properly recorded in the financial and accounting records underlying Form 922.
4. All material transactions have been properly reflected in Form 922.
5. All contributions, loans, donations in kind, and other amounts received and all expenses incurred have been determined and recorded as required by *The Election Financing Act* of Manitoba and *Accounting Guide – Accounting For Purposes of The Election Financing Act*. In particular, all contributions received have been deposited only in accounts on record and have been within the prescribed limitations as to source and amount, and contributed goods and services have been valued in accordance with *The Election Financing Act* of Manitoba.

6. The official agent has received, recorded, and deposited, in an account on record, all the amounts contributed during the period.
7. All persons indicated on the tax receipt forms made such contributions on their own behalf and not as nominees for other persons or organizations.
8. All contributions received from prohibited contributors have been returned to the contributor and are not reflected in Form 922.
9. The campaign has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged except as disclosed in Form 922.
10. All liabilities are included in Form 922 at the end of the period. There are no unrecorded liabilities, contingent liabilities, or claims or possible claims against the campaign that have not been disclosed to you.
11. Inventory on hand at the beginning and end of the period is appropriately valued, and was determined by actual count, in accordance with *The Election Financing Act* of Manitoba and *Accounting Guide – Accounting For Purposes of The Election Financing Act*.
12. We are not aware of any illegal or possibly illegal acts, including, but not limited to, any possible violations of *The Election Financing Act* of Manitoba.
13. There has been no:
 - Fraud or irregularities involving the financial officer, other management, or employees or volunteers who have significant roles in internal control, whether or not they are perceived to have a material effect on the financial statements;
 - Fraud involving others that could have a material effect on the financial statements;
 - Cases of suspected fraud or allegations of fraud communicated by employees, former employees or others, and
 - Violations or possible violations of laws or regulations (including the failure to file reports required by regulatory bodies) whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
14. No events have occurred subsequent to (date) that would require adjustment to, or disclosure in, Form 922 that has not been adjusted for or disclosed.

15. (other relevant representations).

Yours truly,

(Candidate)

(Date)

(Official Agent)

(Date)

APPENDIX D - SAMPLE AUDIT PROCEDURES FOR THE AUDIT OF A CANDIDATE'S CAMPAIGN

The following is a list of possible audit procedures that an auditor may include in their audit program. The auditor will have to determine which of these steps is appropriate or applicable, and it may be that additional procedures will be required. It is not an exhaustive list and is not meant to meet the minimum requirements of an audit under the EFA. An auditor must consider the uniqueness of each candidate's campaign. The auditor will apply professional judgment in making this determination.

INITIAL CONSIDERATIONS

- Assess threats to independence for the assurance engagement.
- Establish the overall audit strategy for the engagement and developing an audit plan.
- Consent to appointment as auditor by signing appointment form (Form 908).
- Send engagement letter for signature by client.
- Review the EFA, *Accounting Guide – Accounting For Purposes of The EFA*, *Audit Guide – Auditing For Purposes of The EFA*, *The EFA – Legislative Reference Guide For Auditors*, and Advisory Opinions issued by Elections Manitoba to become familiar with the legislative, accounting, and auditing environment.
- Obtain from the official agent, a detailed campaign budget and discuss what controls the official agent will establish to ensure the election expense limit is not exceeded.
- Inquire at what point the preparations for the election began (prior to writ) and learn about the activities and communication between the candidate, campaign manager, and official agent to date.
- Discuss the general nature of expenses that occurred prior to the election date (prior to writ).
- Review the accounting records and bank transactions for the months prior to the election date to determine the general nature of transactions.
- Visit the campaign office during the election period to observe the operations of the office, keeping in mind the types of expenses that should be ultimately reported by the end of the campaign (e.g., rent, labor, office expense).

ASSETS

- Obtain a bank confirmation that includes loans and lines of credit. Because of the short reporting deadline, it may be necessary to use auditing procedures other than a bank confirmation.
- Examine the bank reconciliation, bank statements, and review the reconciling items; review also for unusual transactions.
- Confirm or otherwise examine any accounts receivable.
- Review deposits subsequent to the candidacy period to determine the extent of the deposits, if any, related to recorded or unrecorded accounts receivable.
- Observe candidate's count of closing inventory at the end of the candidacy period.
- Agree valuation of inventories, including donated goods, to supporting documentation.
- Inquire as to the accounting treatment of fixed assets. Examine any fixed assets and agree values to supporting documentation.

LIABILITIES

- Obtain a listing of accounts payable and agree to supporting documentation.
- Agree accounts payable to supplier invoices or other supporting documentation.
- Perform procedures to search for unrecorded liabilities, such as examining expenses and supporting documentation subsequent to the end of the candidacy period.
- Assess the likelihood that all liabilities will be paid. If the resources are not sufficient to pay all liabilities, assess the plan to settle the liabilities.
- Determine the extent, if any, of liabilities that have been forgiven at the end of, or after, the candidacy period.
- Agree loans payable to bank confirmation or other supporting documentation.

EXPENSES

- Confirm expense limits for election expenses and advertising expenses from Elections Manitoba.
- Review the definition of election expenses and evaluate whether expenses have been properly allocated between election expenses and non-election expenses.
- Review expenses in the pre-election period and assess when the party consumed or used the property or services. If the property or services were used during the election period, ensure that the expenses are included as election expenses on the campaign return.

- Review payments made pursuant to contracted services. Ensure that any allocation of the contracted fee to the election period is based on the party or candidate's use or consumption of the service during the election period.
- Evaluate whether election expenses have been recorded and reported appropriately.
- Agree non-monetary contributions to support to verify valuation; verify appropriateness of reporting on form, financial statement, or return.
- If necessary, confirm or otherwise verify expenses with major suppliers.

INCOME

Transfers

- Obtain evidence supporting, or confirm, transfers received or provided.
- Verify the valuation of transfers of property or services.
- For transfers of \$250 or more from a constituency association, verify that the statement of contributors to the constituency association is provided.
- Verify that transfers are reported properly.

Contributions

- Agree contributions of money received to the bank statement.
- Review listing of contributions for any contributor who made one or more contributions which total \$250 or more to determine that all such contributors are appropriately disclosed.
- From your knowledge of the campaign and from discussions with the party and the official agent, ascertain when fundraising events were held. Check that ticket revenue was correctly allocated between contributions and fundraising income and that all funds reported as raised were correctly deposited and recorded properly.
- Further from your knowledge of the campaign and discussions with the party and the official agent, determine whether any merchandise items were sold in order to raise funds. Check that sales proceeds were correctly allocated between contributions and other income and that all funds reported as raised were correctly deposited and recorded properly.
- Verify valuation of non-monetary contributions by agreeing such items to supporting documentation.
- Check that a tax receipt was issued for every contribution of money in excess of \$10.
- Reconcile tax receipts, and test continuity of serial numbers of receipts used. Ensure all receipts are accounted for.
- Ensure that all contributions were deposited.

- Enquire if any workers, who provided services during their normal working hours, continued to receive payment from their employer. Such services are contributions and election expenses with a value equal to the salary or wages of the employee.

COMPLETENESS OF INCOME AND EXPENSES

- Identify specific types of income or expenses, if any, where the auditor may be prevented from obtaining sufficient and appropriate audit evidence to determine that all the income or expenses have been included in Form 922.
- If the auditor is prevented from obtaining sufficient and appropriate audit evidence for the completeness of income and/or expenses, review *CPA Canada Handbook – Assurance CAS 705, Modifications to the Opinion in the Independent Auditor’s Report* for guidance on reporting.
- Document the specific factors that determined the scope limitation and prevented the auditor from obtaining sufficient and appropriate audit evidence.
- Advise Elections Manitoba, in writing, of the specific reasons documented above. Consider appropriate wording for inclusion in the auditor’s report.

FINAL CONSIDERATIONS

- Perform a subsequent events review up to the date of the report.
- Obtain a letter of representation signed by the candidate and official agent (when auditing a candidate) or by the financial officer of a registered party (when auditing a party).

APPENDIX E – SAMPLE AUDIT REPORTS

UNMODIFIED

INDEPENDENT AUDITOR'S REPORT ON FORM 922, CANDIDATE'S FINANCIAL STATEMENTS AND SUPPORTING SCHEDULES

To (name of official agent), official agent for (name of candidate),

Opinion

We have audited Form 922, Candidate's Financial Statements and Supporting Schedules, prepared in accordance with the accounting requirements of *The Election Financing Act* of Manitoba and *Accounting Guide – Accounting For Purposes of The Election Financing Act* issued by the Chief Electoral Officer, for the candidacy of (name of candidate) for the candidacy period from (date candidacy period commenced) to (date candidacy period ended) relating to the election held on (date of election) in the electoral division of (name of division).

In our opinion, Form 922, Candidate's Financial Statements and Supporting Schedules for (name of candidate) are presented fairly, in all material respects, in accordance with the accounting requirements of *The Election Financing Act* of Manitoba and *Accounting Guide – Accounting For Purposes of The Election Financing Act* issued by the Chief Electoral Officer.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the *Audit of the Form 922, Candidate's Financial Statements and Supporting Schedules* section of our report. We are independent of the Candidate in accordance with the ethical requirements that are relevant to our audit of the financial statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note X to the Form 922, Candidate's Financial Statements and Supporting Schedules, which describes the basis of accounting. The Form 922, Candidate's Financial Statements and Supporting Schedules are prepared to assist the candidacy of (name of candidate) to meet the requirements of The Election Financing Act of Manitoba. As a result, the Form 922, Candidate's Financial Statements and Supporting Schedules may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Form 922, Candidate's Financial Statements and Supporting Schedules

The Official Agent and the Candidate are responsible for the preparation and fair presentation of the Form 922, Candidate's Financial Statements and Supporting Schedules in accordance with The Election Financing Act of Manitoba and the Accounting Guide – Accounting for Purposes of the Election Financing Act, and for such internal control they determine is necessary to enable the preparation of the Form 922, Candidate's Financial Statements and Supporting Schedules that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Form 922, Candidate's Financial Statements and Supporting Schedules

Our objectives are to obtain reasonable assurance about whether the Form 922, Candidate's Financial Statements and Supporting Schedules as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Form 922, Candidate's Financial Statements and Supporting Schedules.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Form 922, Candidate's Financial Statements and Supporting Schedules, whether due to fraud or error, design

and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made the Official Agent and Candidate
- Evaluate the overall presentation, structure and content of the Form 922, Candidate's Financial Statements and Supporting Schedules, including the disclosures, and whether the Form 922, Candidate's Financial Statements and Supporting Schedules represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Auditor)

(Place of issue)

(Report date)

* Reference should also be made to Section 600, *Reporting*, and in particular paragraph .07.

QUALIFIED WITH RESPECT TO SCOPE LIMITATION (COMPLETENESS)**INDEPENDENT AUDITOR'S REPORT
ON FORM 922, CANDIDATE'S FINANCIAL STATEMENTS AND SUPPORTING
SCHEDULES**

To (name of official agent), official agent for (name of candidate),

Qualified Opinion

We have audited Form 922, Candidate's Financial Statements and Supporting Schedules, prepared in accordance with the accounting requirements of *The Election Financing Act* of Manitoba and *Accounting Guide – Accounting For Purposes of The Election Financing Act* issued by the Chief Electoral Officer, for the candidacy of (name of candidate) for the candidacy period from (date candidacy period commenced) to (date candidacy period ended) relating to the election held on (date of election) in the Electoral Division of (name of division).

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion section of our report, the accompanying Form 922, Candidate's Financial Statements and Supporting Schedules for (name of candidate) are presented fairly, in all material respects, in accordance with the accounting requirements of *The Election Financing Act* of Manitoba and *Accounting Guide – Accounting For Purposes of The Election Financing Act* issued by the Chief Electoral Officer.

Basis of Qualified Opinion

Due to the nature of the types of transactions inherent in any election campaign, the completeness of contribution income and donations in kind income and expenses is not susceptible of satisfactory audit verification. Accordingly, our verification of contribution income and donations in kind income and expenses was limited to the amounts recorded in the candidate's election campaign records and we were not able to determine whether any adjustments might be necessary to assets, liabilities, income, expenses, and the campaign period surplus/deficit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the *Audit of the Form 922, Candidate's Financial Statements and Supporting Schedules* section of our report. We are independent of the Candidate in accordance with the ethical requirements that are relevant to our audit of the financial

statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Form 922, Candidate's Financial Statements and Supporting Schedules

The Official Agent and the Candidate are responsible for the preparation and fair presentation of the Form 922, Candidate's Financial Statements and Supporting Schedules in accordance with The Election Financing Act of Manitoba and the Accounting Guide – Accounting for Purposes of the Election Financing Act, and for such internal control they determine is necessary to enable the preparation of the Form 922, Candidate's Financial Statements and Supporting Schedules that is free from material misstatement, whether due to fraud or error.

Emphasis of Matter - Basis of Accounting

We draw attention to Note X to the Form 922, Candidate's Financial Statements and Supporting Schedules, which describes the basis of accounting. The Form 922, Candidate's Financial Statements and Supporting Schedules are prepared to assist the candidacy of (name of candidate) to meet the requirements of The Election Financing Act of Manitoba. As a result, the Form 922, Candidate's Financial Statements and Supporting Schedules may not be suitable for another purpose.

Auditor's Responsibilities for the Audit of Form 922, Candidate's Financial Statements and Supporting Schedules

Our objectives are to obtain reasonable assurance about whether the Form 922, Candidate's Financial Statements and Supporting Schedules as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Form 922, Candidate's Financial Statements and Supporting Schedules.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the Form 922, Candidate's Financial Statements and Supporting Schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made the Official Agent and Candidate
- Evaluate the overall presentation, structure and content of the Form 922, Candidate's Financial Statements and Supporting Schedules, including the disclosures, and whether the Form 922, Candidate's Financial Statements and Supporting Schedules represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Auditor)

(Place of issue)

(Report date)

QUALIFIED WITH RESPECT TO SCOPE LIMITATION (BEGINNING INVENTORY)**INDEPENDENT AUDITOR'S REPORT
ON FORM 922, CANDIDATE'S FINANCIAL STATEMENTS AND SUPPORTING
SCHEDULES**

To (name of official agent), official agent for (name of candidate),

Qualified Opinion

We have audited Form 922, Candidate's Financial Statements and Supporting Schedules, prepared in accordance with the accounting requirements of *The Election Financing Act of Manitoba and Accounting Guide – Accounting For Purposes of The Election Financing Act* issued by the Chief Electoral Officer, for the candidacy of (name of candidate) for the candidacy period from (date candidacy period commenced) to (date candidacy period ended) relating to the election held on (date of election) in the Electoral Division of (name of division).

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion section of our report, the Form 922, Candidate's Financial Statements and Supporting Schedules for (name of candidate) are presented fairly, in all material respects, in accordance with the accounting requirements of *The Election Financing Act of Manitoba and Accounting Guide – Accounting For Purposes of The Election Financing Act* issued by the Chief Electoral Officer.

Basis for Qualified Opinion

Because the Official Agent and the Candidate did not perform a physical count of inventory prior to the election period, we were not able to observe the counting of physical inventories at the beginning of the period nor were we able to satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of election expenses, we were unable to determine whether adjustments to election expenses and non-election expenses might be necessary.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Form 922, Candidate's Financial Statements and Supporting Schedules section of our report. We are independent of the Candidate in accordance with the ethical requirements that are relevant to our audit of the financial statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Form 922, Candidate's Financial Statements and Supporting Schedules

The Official Agent and the Candidate are responsible for the preparation and fair presentation of the Form 922, Candidate's Financial Statements and Supporting Schedules in accordance with The Election Financing Act of Manitoba and the Accounting Guide – Accounting for Purposes of the Election Financing Act, and for such internal control they determine is necessary to enable the preparation of the Form 922, Candidate's Financial Statements and Supporting Schedules that is free from material misstatement, whether due to fraud or error.

Emphasis of Matter - Basis of Accounting

We draw attention to Note X to the Form 922, Candidate's Financial Statements and Supporting Schedules, which describes the basis of accounting. The Candidates financial statements are prepared to assist the candidacy of (name of candidate) to meet the requirements of The Election Financing Act of Manitoba. As a result, the Form 922, Candidate's Financial Statements and Supporting Schedules may not be suitable for another purpose.

Auditor's Responsibilities for the Audit of the Form 922, Candidate's Financial Statements and Supporting Schedules

Our objectives are to obtain reasonable assurance about whether the Form 922, Candidate's Financial Statements and Supporting Schedules as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Form 922, Candidate's Financial Statements and Supporting Schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The

risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made the Official Agent and Candidate
- Evaluate the overall presentation, structure and content of the Form 922, Candidate's Financial Statements and Supporting Schedules, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Auditor)

(Place of issue)

(Report date)

QUALIFIED FOR NON-COMPLIANCE WITH THE EFA**INDEPENDENT AUDITOR'S REPORT
ON FORM 922, CANDIDATE'S FINANCIAL STATEMENTS AND SUPPORTING
SCHEDULES**

To (name of official agent), official agent for (name of candidate),

Qualified Opinion

We have audited Form 922, Candidate's Financial Statements and Supporting Schedules, prepared in accordance with the accounting requirements of *The Election Financing Act* of Manitoba and *Accounting Guide – Accounting For Purposes of The Election Financing Act* issued by the Chief Electoral Officer, for the candidacy of (name of candidate) for the candidacy period from (date candidacy period commenced) to (date candidacy period ended) relating to the election held on (date of election) in the electoral division of (name of division).

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, Form 922, Candidate's Financial Statements and Supporting Schedules for (name of candidate) are presented fairly, in all material respects, in accordance with the accounting requirements of *The Election Financing Act* of Manitoba and *Accounting Guide – Accounting For Purposes of The Election Financing Act* issued by the Chief Electoral Officer.

Basis for Qualified Opinion

The Official Agent was appointed outside the 15 day period from the Candidate's nomination and did not open a separate Candidate bank account until March 23, 2019. From February 17, 2019 to March 23, 2019, a preexisting bank account, under the control of the Fund Raising Chair of the (name of party constituency association), in the name of "(name of candidate) Campaign Fund #1" was used for all income and expenses related to the Campaign as well as certain (name of party constituency association) transactions. The Official Agent has retroactively reviewed this account and approved and recorded all candidacy transactions related thereto. As a result, the Official Agent did not completely follow the requirements of *The Election Financing Act* of Manitoba and *Accounting Guide – Accounting For Purposes of The Election Financing Act*.

During the candidacy period, the Candidate failed to deposit all money received into the bank account, which is required by subsection 10.1(1) of *The Election Financing Act* of Manitoba and *Accounting Guide – Accounting For Purposes of The Election Financing Act*.

Cash contributions totaling \$737.01 were used to pay for expenses incurred.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Form 922, Candidate's Financial Statements and Supporting Schedules section of our report. We are independent of the Candidate in accordance with the ethical requirements that are relevant to our audit of the financial statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note X to the Form 922, Candidate's Financial Statements and Supporting Schedules, which describes the basis of accounting. The Form 922, Candidate's Financial Statements and Supporting Schedules are prepared to assist the candidacy of (name of candidate) to meet the requirements of The Election Financing Act of Manitoba. As a result, the Form 922, Candidate's Financial Statements and Supporting Schedules may not be suitable for another purpose.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

The Official Agent and the Candidate are responsible for the preparation and fair presentation of the Form 922, Candidate's Financial Statements and Supporting Schedules in accordance with The Election Financing Act of Manitoba and the Accounting Guide – Accounting for Purposes of the Election Financing Act, and for such internal control they determine is necessary to enable the preparation of the Form 922, Candidate's Financial Statements and Supporting Schedules that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Form 922, Candidate's Financial Statements and Supporting Schedules

Our objectives are to obtain reasonable assurance about whether the Form 922, Candidate's Financial Statements and Supporting Schedules as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and

are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Form 922, Candidate's Financial Statements and Supporting Schedules.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the Form 922, Candidate's Financial Statements and Supporting Schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made the Official Agent and Candidate
- Evaluate the overall presentation, structure and content of the Form 922, Candidate's Financial Statements and Supporting Schedules, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Auditor)

(Place of issue)

(Report date)

DISCLAIMER OF OPINION**INDEPENDENT AUDITOR'S REPORT
ON FORM 922, CANDIDATE'S FINANCIAL STATEMENTS AND SUPPORTING
SCHEDULES**

To (name of official agent), official agent for (name of candidate),

Disclaimer of Opinion

We were engaged to audit Form 922, Candidate's Financial Statements and Supporting Schedules, prepared in accordance with the accounting requirements of *The Election Financing Act* of Manitoba and *Accounting Guide – Accounting For Purposes of The Election Financing Act* issued by the Chief Electoral Officer, for the candidacy of (name of candidate) for the candidacy period from (date candidacy period commenced) to (date candidacy period ended) relating to the election held on (date of election) in the Electoral Division of (name of division).

We do not express an opinion on Form 922, Candidate's Financial Statements and Supporting Schedules. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on Form 922, Candidate's Financial Statements and Supporting Schedules.

Basis for Disclaimer of Opinion

Our examination of the records for the candidacy period indicated a significant lack of documentation to support transactions. Also, the record keeping was inadequate to satisfy ourselves that all income and expenses of the campaign had been recorded or had occurred. As a result, we were unable to determine whether adjustments were required in respect of recorded or unrecorded assets, recorded or unrecorded liabilities, the components making up the statements of income, as well as an accurate allocation of election expenses and non-election expenses.

In addition, the Candidate was not available to provide additional information or to endorse Form 922, Candidate Financial Statements and Supporting Schedules. This document represents the auditor's compilation of available information provided by the Candidate.

Emphasis of Matter - Basis of Accounting

We draw attention to Note X to the Form 922, Candidate's Financial Statements and Supporting Schedules, which describes the basis of accounting. The Form 922, Candidate's Financial Statements and Supporting Schedules are prepared to assist the candidacy of (name of candidate) to meet the requirements of The Election Financing Act of Manitoba. As a result, the Form 922, Candidate's Financial Statements and Supporting Schedules may not be suitable for another purpose.

Responsibilities of Management and Those Charged with Governance for the Form 922, Candidate's Financial Statements and Supporting Schedules

The Official Agent and the Candidate are responsible for the preparation and fair presentation of the candidate's financial statements and supporting schedules in accordance with The Election Financing Act of Manitoba and the Accounting Guide – Accounting for Purposes of the Election Financing Act, and for such internal control they determine is necessary to enable the preparation of the candidate's financial statements and supporting schedules that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Form 922, Candidate's Financial Statements and Supporting Schedules

Our responsibility is to conduct an audit of the Form 922, Candidate's Financial Statements and Supporting Schedules in accordance with Canadian generally accepted auditing standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Form 922, Candidate's Financial Statements and Supporting Schedules.

We are independent of the Candidate in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

(Auditor)

(Place of issue)

(Report date)