



E-528

The Election Act, 1996
Section 5
Rev. December 2006

Auditor's Guide to Provisions of The Election Act, 1996 (Registered Political Party)

Table of Contents

| | Page |
|---|-------------|
| Preface..... | 1 |
| Appointment | 2 |
| Responsibilities | 2 |
| Fiscal Period Return..... | 3 |
| Contributions | 3 |
| Other Revenue | 5 |
| Expenditures | 5 |
| (i) Operating Expenses..... | 5 |
| (ii) Advertising Expenses | 6 |
| (iii) Other Expenses | 6 |
| Election Expenses Return..... | 6 |
| Scope of Auditor's Reports | 7 |
| Auditor's Account | 8 |
| Appendix I Sample Audit Report Fiscal Period Return | 10 |
| Appendix II Sample Audit Report Return of Election Expenses | 11 |
| Appendix III Audit Considerations | 12 |

Preface

The Office of the Chief Electoral Officer, also known as Elections Saskatchewan, is responsible for the administration of provincial elections and provincial election finances, pursuant to *The Election Act, 1996* (the “Act”).

This guide has been prepared by the Chief Electoral Officer to facilitate the application of Part VII of *The Election Act, 1996*, dealing with registered political parties’ finances and the control of their respective election expenses. Its intent is to provide practical assistance to auditors appointed by registered political parties in fulfilling their responsibilities under the Act. Audit reporting under the Act makes an important contribution to the public’s confidence in the financing of the electoral process.

The contractual relationship involved in acting as auditor for a registered political party is a matter between the auditor and the party. As such, any questions regarding the obligations of an auditor should be directed to the officials of the registered political party, failing this, to the Chief Electoral Officer. Individuals making use of this guide are reminded that it has no legislative authority and it is intended to serve merely as a guideline to the finance provisions of the Act. For precise statutory provisions, reference should be made to the Act as amended.

Other publications prepared for use by registered political parties and their officials include the Registered Political Party’s Guide to Provisions of The Election Act, 1996, Form E-508, and the Chief Official Agent’s Guide to Provisions of The Election Act, 1996, Form E-520.

Copies of *The Election Act, 1996* and guidelines and other forms mentioned within are available from:

Elections Saskatchewan
1702 Park Street
Regina SK S4N 6B2
(306) 787- 4000 or toll free 1- 877- 958 – 8683
info@elections.sk.ca

These publications are also available on-line at www.elections.sk.ca.

Appointment

A registered political party must provide the name and address of its auditor in its application for registration by providing a completed Appointment/Consent of the Auditor of a (Registered) Political Party, Form E-512. If for any reason this appointment ends, the registered political party must, within thirty days, appoint another auditor and inform the Chief Electoral Officer of this change. Because audited financial information must be reported by a registered political party to the Chief Electoral Officer annually and after each election, and because a registered political party must at all times maintain the appointment of an auditor, the responsibilities of a registered political party's auditor apply on an on-going basis. [224(f), 237(1)]

According to the Act, an auditor must be a person who is, or a firm that is, a member in good standing of: [222]

- the Institute of Chartered Accountants of Saskatchewan;
- the Certified General Accountants Association of Saskatchewan; or
- the Society of Management Accountants of Saskatchewan.

An auditor must apply generally accepted accounting and auditing principles in conducting an examination or in making a report pursuant to the Act. [222(2)]

A returning officer, election clerk, supervisory deputy returning officer, deputy returning officer, poll clerk, enumerator, candidate, business manager of a candidate, chief official agent of a registered political party, and anyone who is a partner, employee or student of any of the foregoing is prohibited by the Act from acting as auditor for a registered political party or participating in the examination or the preparation of an auditor's report. [237(2)]

Responsibilities

The primary responsibility of a registered political party's auditor is to make written report to the chief official agent on the Registered Political Party's Fiscal Period Return, Form E-521, and on the Registered Political Party's Return of Election Expenses, Form E-524. [237(3)]

It is important for anyone acting as auditor for a registered political party to meet regularly with the chief official agent to discuss all arrangements between them and to ensure the chief official agent arranges the books and records of the party in a manner which facilitates the reporting required under the Act. This will help provide the internal controls in the on-going financing and in the election financing of the registered political party necessary to assist the auditor and chief official agent to report in accordance with the Act.

The auditor should be familiar with the manner in which receipt of contributions, other revenue and payment of expenses are to be reported under the Act.

Fiscal Period Return

Within four months following the end of each fiscal year, a chief official agent must file, on behalf of a registered political party, an audited fiscal period return which must set out the following: [250]

- all contributions received, including the amount of money and the commercial value of goods and services (membership dues are deemed to be contributions);
- other revenue;
- the operating expenses;
- the advertising expenses; and
- all other expenses of the registered political party.

Contributions

All contributions received by a registered political party are under the auspices of the chief official agent. Contributions may take the form of gifts, loans, advances, deposits or other forms of assistance. Contributors are classified for the purpose of recording contributions as follows: [235, 239(2), 250(2)]

- individuals;
- corporations;
- trade unions;
- unincorporated organizations and associations; and
- other persons or groups of persons.

Each contribution received, pursuant to subsection 240(6) of the Act, from a corporation, trust fund or constituency association must be accompanied by a detailed statement setting out the name of the person authorizing the contribution on behalf of the corporation, trust fund, or constituency association and the name of and the amount contributed by each person who contributed more than \$250 in a year whose contribution was used to make up the funds contributed by the corporation, trust fund or constituency association.

Likewise, each contribution received, pursuant to subsection 240(7) of the Act, from a registered party (defined in the Act as a “federally registered political party”) must be accompanied by a detailed statement setting out the name of and the amount contributed by each person who contributed more than \$250 in a year whose contribution was used to make up the funds contributed by the registered party.

Funds collected from other sources such as tickets sold for dinners, rallies, public meetings and other functions, as well as collections at such functions and proceeds from the sale of pins, buttons, flags, hats and other items are deemed to be contributions which must be reported. All other income and receipts from any source must also be reported. Generally the costs incurred in raising these funds are deductible from the amount that must be reported as a contribution with the exception of expenses for meetings or rallies held for election purposes, which may be reported as election expenses as long as no admission fees are collected for such events. [250(2)(c), 250(2)(c.1)]

Contributions may be received by a registered political party’s chief official agent in one of two forms: money or donations in kind. The total of all contributions must be reported in the fiscal period return and, in any instance where the value of all contributions from any individual source exceeds \$250 in that fiscal period, that source must be identified. [250(2)(b)]

The Act requires that goods and services provided (excluding volunteer labour) be recorded at their commercial value. Reference should be made to subsection 220(c) of the Act for guidance on the treatment of any shortfall between that value and the amount, if any, charged for the goods or services in question. For each commercial value claim over \$25, the chief official agent is required to obtain adequate support documents setting out the commercial value of any goods and services in question; thus, it is incumbent on the auditor to ensure the documents obtained provide an adequate basis to place reliance on the amount being claimed. [244, 266(1)(a)]

It should be noted that the value of donations in kind must be recorded and included as a contribution received by the chief official agent where claimed as an election expense. Accordingly, commercial value is an election expense and a contribution concurrently and must be reported as such in both the fiscal period return and in the election expenses return to which it relates. [251(2)(a)]

A contribution that is made through an agent and where the agent fails or refuses to disclose the identity of his or her principal is deemed to be received from an anonymous donor. No anonymous contribution in excess of \$250 may be accepted by a chief official agent. Any such contribution received must be reported and forwarded to the Chief Electoral Officer and subsequently forfeited to the Minister of Finance. [241]

There are no limits on the amount of contributions a registered political party may collect; however, contributions cannot be collected from persons outside Canada who are not Canadian citizens. [242]

A registered political party may receipt contributions received from provincial resident taxpayers, inclusive of individuals and corporations, in accordance with *The Political Contributions Tax Credit Act, 2001* (Saskatchewan) and *The Income Tax Act, 2000* (Saskatchewan). For interpretation of the provincial political contributions tax credit regime, see Form P-600, Guide to Provisions of The Political Contributions Tax Credit Act, 2001 (Registered Political Party).

Other Revenue

Income earned from such sources as financial and capital holdings and from the political activities of the party is classified as other revenue and as such is reported by the chief official agent in the fiscal period in which it is received. For example, investment income may result from dividends, securities, interest paid on deposits or gains which occur from the disposal of financial or capital assets which are property of the registered political party. As well, miscellaneous income may result from existing resources or political activities of a registered political party such as funds from election expenses reimbursements and candidates' excess contributions. [250(2)(c.1)]

Expenditures

The Act defines expenses incurred by a registered political party in two categories: fiscal period (annual) expenses which are reported on in the fiscal period return, and election expenses which are reported in the election expenses return. [220(f), 250(1)(a)]

The fiscal period return breaks expenses down into three different categories:

(i) Operating Expenses

This sub-category includes all reasonable expenses incurred in the day-to-day operations of the permanent office of the registered political party. It should be noted that expenses included here are not to be included in calculating election expenses in relation to any election having been held during the given fiscal year. [250(2)(d)]

(ii) Advertising Expenses

The advertising expenses sub-category is treated in a slightly different manner than the rest of the expenses for fiscal year purposes in that registered political parties are subject to a limitation on the amount that can be spent on newspaper, radio and television advertising during the calendar year (this limit does not apply during an election). Money spent on advertising by constituency associations, Members of the Legislative Assembly and candidates, using money provided directly or indirectly by the party, are also included in this limitation. These limits are adjusted every year for inflation in accordance with the Consumer Price Index (C.P.I.). Current year limits are forwarded to each registered political party and are published in *The Saskatchewan Gazette*. They may also be obtained by contacting the Office of the Chief Electoral Officer. [243(4), 243(5)]

(iii) Other Expenses

Finally, “other expenses” includes those expenses which cannot be categorized as operating or advertising expenses. These may include, but are not limited to, transfers to provincial constituencies and candidates, transfers to federal electoral districts, and transfers to federal political parties. [250(2)]

Election Expenses Return

The Act requires a chief official agent to file, on behalf of a registered political party, within six months of polling day for either a general election or by-election, an audited election expenses return which must set out the amount of money spent and the commercial value of goods and services used for election purposes. [251]

Election expenses are defined in the Act as “. . . the cost of goods and services used during an election for the purpose of promoting or opposing, directly or indirectly, a registered political party or the election of a candidate, regardless of whether those costs are incurred before, during or after the election . . .” The phrase “during an election” is defined in the Act as, “. . . the period commencing the day a writ is issued for an election and ending on polling day for the election.” In other words, it is when and for what purpose goods and services were used that will be determining factors as to whether an item is an election expense or an operating expense more than will be the date the goods and services were purchased or received. [2(o), 220(f)]

Subject to proper compliance and eligibility, including the requirement that the registered political party's candidate(s) have received, in the aggregate, 15 per cent of all valid votes cast in the election to which the return relates, the registered political party is entitled to a reimbursement of a sum equal to one-half of its lawfully incurred election expenses up to the maximum allowable limit prescribed in the Act. [243, 264(1), 264(6)]

The Act places limitations on the incursion of election expenses. The maximum amount of money or its equivalent that can be spent during an election is set out in the Act and is also adjusted annually for inflation in accordance with the C.P.I. Current year limits are forwarded by the Chief Electoral Officer to each registered political party and are published in *The Saskatchewan Gazette*. They may also be obtained by contacting the Office of the Chief Electoral Officer. [221, 243]

Scope of Auditor's Reports

Section 237 of the Act specifies that the auditor must make written reports on both the fiscal period return and the election expenses return and, in doing so, the auditor is entitled to make any examinations the auditor deems necessary. This will enable the auditor to state whether the return in question fairly represents the information in the accounting or bookkeeping records on which that return is based. More specifically, the auditor must make statements in his or her report where in the auditor's opinion:

- the returns do not fairly represent the financial transactions required to be set out by the reports;
- the auditor did not receive all the information and explanations requested from the chief official agent; and
- it appears that proper accounting records have not been kept by the chief official agent.

The auditor is entitled to have reasonable access to all relevant records, documents, books, accounts and vouchers of the chief official agent and registered political party. The auditor is also entitled to require any information and explanation from the chief official agent or the registered political party that he or she considers necessary to make his or her report. [237(6)]

The auditor should be aware that the Chief Electoral Officer considers all transactions to be material and must be reported. It is recommended that where the auditor finds any transaction in apparent contravention of the Act, the chief official agent should be informed and asked to correct the situation and the return if necessary and if possible. If no such change is made, for whatever reason, this should be noted and stated in the auditor's report. In instances where the records do not contain adequate explanations of transactions or there is a suspicion of incomplete or incorrect accounting records, or where the Act has been contravened and no adequate explanation is given, the auditor must indicate so in the report. [237(5)]

The auditor should be alert to circumstances that would raise suspicion the information in a given return is incomplete or in error. In the absence of such circumstances, however, the auditor has no obligation to carry out procedures aimed at determining the completeness of what is being reported, but merely to ensure the accuracy of that reporting (See Appendices I and II - Sample Audit Reports). [237(4)]

Auditor's Account

The chief official agent is responsible for making payment of the auditor's account. The chief official agent must file, within six months after the election, a statement setting out the amount charged by the auditor to undertake the audit and proof that the auditor's charges have been paid. [267(1)]

Auditor's fees for preparation of the fiscal period return are not reimbursable. These are operating expenses to be reported on the succeeding fiscal period return. However, the auditor's fees for reporting on the election expenses return are reimbursable and as such are not to be included on the election expenses return as an election expense. [267(7)]

The auditor's account of a registered political party is reimbursable regardless of whether the party qualifies for reimbursement of its election expenses. [267]

The chief official agent, upon receipt of a bill or invoice marked “paid” from the auditor, submits that proof of payment and cancelled cheque to the Chief Electoral Officer. Upon receipt by the Chief Electoral Officer of proof of payment for auditing services provided, the chief official agent is entitled to reimbursement up to the maximum prescribed in the Act and adjusted annually for inflation in accordance with the C.P.I. Current year limits are forwarded annually to all registered political parties and are published in *The Saskatchewan Gazette*. They may also be obtained by contacting the Office of the Chief Electoral Officer. [221, 267(2), 267(3)]

This guide has been prepared by the Office of the Chief Electoral Officer to facilitate compliance with the recording and reporting requirements contained in Forms E-521 and E-524 and related provisions of *The Election Act, 1996*. In instances where interpretation of contributions and expenditures are ambiguous it is within the mandate of the Chief Electoral Officer to interpret and prescribe legislative intent under the Act. This guide has no legal or legislative effect.

Pursuant to subsection 237(3)(a) of *The Election Act, 1996*

AUDITOR'S REPORT

To: _____, Chief Official Agent
of the _____.

I/we have audited the fiscal period return of the _____
for the year ended December 31, _____. This return is the responsibility of the chief
official agent. My/our responsibility is to express an opinion on the return based on my/our
audit.

Except as explained in the following paragraph, I/we conducted my/our audit in accordance
with generally accepted auditing standards. Those standards require that I/we plan and
perform an audit to obtain reasonable assurance whether the return is free of material
misstatement. An audit includes examining, on a test basis, evidence supporting the
amounts and disclosures in the return. An audit also includes assessing the accounting
principles used and significant estimates made by the chief official agent as well as
evaluating the overall return presentation.

Due to the nature of the types of transactions inherent in organizations of this type, it is
impracticable through auditing procedures to determine that the accounting records include
all transactions for the fiscal period. Accordingly, my/our verification of these transactions
was limited to the amounts recorded in the accounting records of the registered political
party and I was/we were not able to determine whether any adjustments might be necessary
to those revenues.

In my/our opinion, except for the effect of adjustments, if any, which I/we might have
determined to be necessary had I/we been able to satisfy myself/ourselves as to the
completeness of the records as described in the preceding paragraph, the return presents
fairly, in all material respects, the financial transactions of the registered political party
required by section 250 of *The Election Act, 1996* to be detailed in the fiscal period return for
the year ended December 31, _____.

(Optional paragraph(s) may be added here)

(Signed) _____
Professional Designation

City, Town or Village

Date

Pursuant to subsection 237(3)(b) of *The Election Act, 1996*

AUDITOR'S REPORT

To: _____, Chief Official Agent
of the _____.

I/we have audited the return of election expenses of the _____
for the campaign period from _____, _____ to _____, _____. This return is
the responsibility of the chief official agent. My/our responsibility is to express an opinion on
the return based on my/our audit.

Except as explained in the following paragraph, I/we conducted my/our audit in accordance
with generally accepted auditing standards. Those standards require that I/we plan and
perform an audit to obtain reasonable assurance whether the return is free of material
misstatement. An audit includes examining, on a test basis, evidence supporting the
amounts and disclosures in the return. An audit also includes assessing the accounting
principles used and significant estimates made by the chief official agent as well as
evaluating the overall return presentation.

Due to the nature of the types of transactions inherent in any election campaign, it is
impracticable through auditing procedures to determine that the accounting records include
all transactions for the campaign period. Accordingly, my/our verification of these
transactions was limited to the amounts recorded in the accounting records of the registered
political party and I was/we were not able to determine whether any adjustments might be
necessary to those expenses.

In my/our opinion, except for the effect of adjustments, if any, which I/we might have
determined to be necessary had I/we been able to satisfy myself/ourselves as to the
completeness of the records as described in the preceding paragraph, the return presents
fairly, in all material respects, the financial transactions of the registered political party
required by section 251 of *The Election Act, 1996* to be detailed in the return of election
expenses for the campaign period from _____, _____ to _____, _____.

(Optional paragraph(s) may be added here)

(Signed) _____
Professional Designation

City, Town or Village

Date

1. Ensure you are eligible to act in the capacity of auditor for a registered political party; refer to the eligibility provisions in *The Election Act, 1996*. [222, 237]
2. Review *The Election Act, 1996*, particularly Part VII - Registration and Election Financing, and the Auditor's Guide to Provisions of The Election Act, 1996 (Registered Political Party), Form E-528, to ensure you understand the audit and reporting requirements and the responsibility assumed through consenting to appointment as auditor of a registered political party, in particular:
 - audits are to be conducted in accordance with generally accepted accounting and auditing principles; [222]
 - the Act imposes limits on the amounts a registered political party may spend on election and advertising expenses. These limits are adjusted annually in accordance with the Consumer Price Index and are forwarded to each registered political party. They may also be obtained by contacting the Office of the Chief Electoral Officer; [243, 264(6)]
 - the Act and the Office of the Chief Electoral Officer consider all transactions to be material; and [250(2), 251(2)]
 - become familiar with deadlines for filing returns by a registered political party: four months after the end of each fiscal year in the case of the fiscal period return and six months after polling day for the election expenses return. [250(4), 251(1)]
3. Review the following:
 - Registered Political Party's Guide to Provisions of The Election Act, 1996, Form E-508.
 - Chief Official Agent's Guide to Provisions of The Election Act, 1996, Form E-520.
 - Guide to Provisions of The Political Contributions Tax Credit Act, 2001 (Registered Political Party), Form P-600.
4. Audit
 - Review all schedules and other forms contained in the Office of the Chief Electoral Officer's reporting packages for accuracy and completeness, checking all additions and cross references.

- Review internal controls over recording of contributions, inclusive of eligible receiptable contributions under the provincial contributions tax credit regime. Such internal control procedures must ensure maintenance of requisite support documentation and evidence the commercial value of donations in kind and goods and services provided at less than their true market value. [239-242, 266(1)]
- Ensure adequate supplier documents for all election expense claims are present (bills, invoices and receipts or cancelled cheques as proof of payment for all amounts above \$25) [235, 244]
- Ensure complete details are obtained in all instances where a supplier's invoice is being disputed.
- Commercial value is both an election expense and a contribution concurrently and must be reported as such in both the fiscal period return and the election expenses return. [251(2)(a)]
- Election expenses are defined in the Act. The Act also makes provision for expenses to be excluded from election expenses. In keeping with expense controls, be familiar with those election expenses which are exempted under the Act. [220(h)]
- Inform chief official agent of any transactions in apparent contravention of the Act and request further explanation and correction. If no such explanation is forthcoming, or if correction is not or cannot be effected, note the apparent contravention in the written report. [237(5)]
- Determine whether the return represents fairly the financial transactions and accounting records on which it is based. [237(4)]