Independent auditor’s report

Reference: Act respecting elections and referendums in municipalities (CQLR, c. E-2.2) (ss. 389, 488 and 489)

PURPOSE

To provide guidelines to auditors appointed under section 388 of the Act respecting elections and referendums in municipalities (AERM), as well as to executive officers of authorized political parties, regarding legal requirements governing the filing an audit report.

AUDIT REQUIREMENTS

An audit of the financial report of a political party is required under section 488 of the Act only where the revenues collected are over $5,000 for the fiscal year to which the audit mandate pertains.

Revenues consist of all proceeds from operating activities, along with inflows from non-operating activities. They include:

- contributions;
- reimbursements of election expenses;
- reimbursements of audit fees;
- matched revenue;
- loans;
- etc.

Furthermore, a party will not be eligible for reimbursement of an independent auditor’s fees unless an audit of its financial report is required under the Act.

PERSONS AUTHORIZED TO PERFORM THE AUDIT

Only the following persons may audit the financial report of a political party:

- members in good standing of a professional order, association or institute of professional accountants;
- corporations made up of such members;
- persons holding a public accountability permit and who can legally operate in Québec.
Section 389 of the AERM provides a list of persons not eligible to serve as the auditor of an authorized political entity:

- the officers or employees of the municipality or of a mandatary body of the municipality referred to in paragraph 1 or 2 of section 307;
- members of the Parliament of Québec or of the Parliament of Canada;
- the leader of the party or other executive officer of the party;
- the official agents or representatives of parties carrying on their activities in the territory of the municipality and those of independent candidates for office as a member of the council of the municipality;
- all candidates for positions on the council of the municipality at the last general election, any subsequent by-election or the current election;
- the auditor of the municipality;
- the election officers of the municipality;
- any person who is convicted of an offence considered a corrupt electoral practice within the meaning of section 645, the Act respecting school elections to elect certain members of the boards of directors of English-language school service centres (chapter E-2.3) or the Election Act (chapter E-3.3);
- the associates and the employees of the persons contemplated in subparagraphs 1 to 8 of the first paragraph.

INDEPENDENCE OF THE AUDITOR

Auditor who takes on the role of auditing the financial report of an authorized political party must ensure that its objectivity is not compromised. The member or the firm performing the audit or participating in the audit must be and remain independent in the manner set out in section 36.4 of the Code of ethics of chartered professional accountants, which references the provisions governing such independence in Chapter 204 of the CPA Code of Professional Conduct (Rule 204 on independence).

Any member or firm required to be independent in accordance with Rule 204 must, with regard to the audit engagement in question, determine any threat to their independence, be well aware of the gravity of any such threat, and, when such threats are not obviously negligible, must determine and put in place safeguards that will bring them up to an acceptable level of independence. When, in the case of such threats, it is not possible to achieve an acceptable level of independence through the implementation of safeguards, the member or firm must either eliminate the activity, the interests or the relationship at the origin of the threat(s), or refuse to do the audit or to continue with the audit.

INDEPENDENT AUDITOR’S REPORT

The independent auditor has access to all the books, accounts and documents relating to the party’s financial affairs. The auditor shall deliver the report to the executive officers of the authorized political party.

The auditor must plan and perform the audit in accordance with the Canadian Auditing Standards (CAS). The form and content of the auditor’s report must comply with CAS requirements.