





# **Guidelines for Auditors of Electoral Candidates**

## FOREWORD

The purpose of this Guideline is to provide practical guidance to auditors appointed under the Elections (General) Act<sup>1</sup> and/ or Presidential Elections Act<sup>2</sup> reporting on the 'Candidate's Electoral Financial Report' (hereinafter 'Financial Report') of a candidate in a Parliamentary Election and/ or Presidential Election.

This is the first edition of the Guideline. Where necessary, changes to the Guideline will be made and published to reflect any amendments to the relevant Acts and Regulations, in particular any amendments to financial reporting and audit requirements of a candidate.

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<sup>1</sup> Section 73 (a) of Act No. 11/2008 (Elections (General) Act)

<sup>2</sup> Section 9 (a) (2) of Act No. 12/2008 (Presidential Elections Act)

## CHAPTER 1

### INTRODUCTION

1. The Elections (General) Act and Presidential Elections Act requires candidates to prepare a Financial Report relating to their election financial affairs (this includes, *inter alia*, contributions procured, expenses incurred by the candidate for election and electoral campaign).
2. The Financial Report specified above shall be submitted to Elections Commission (hereinafter 'ECM') using the template prescribed by ECM and audited by an auditor licensed by the Institute of Chartered Accountants of the Maldives (CA Maldives).<sup>3</sup>
3. The audit requirement as it stands does not provide any exemptions which means that all candidates are required to file an audited Financial Report with the ECM irrespective of the amount of contributions procured, percentage of votes received or expenses incurred.
4. It is the responsibility of every candidate and candidate's official election's agent appointed pursuant to the Elections (General) Act<sup>4</sup> to look after all the financial matters pertaining to the campaign of the candidate and reporting in relation to those matters in accordance with the relevant Acts and Regulations made thereunder.

In such instances, the auditor must report to the candidate and candidate's official election's agent on the Financial Report of the candidate and shall, in accordance with the Guideline for the Auditor of an Electoral Candidate, make any examination that will enable the auditor to give an opinion in the report as to whether it presents the information contained in the financial records on which it is based. (Refer to the section "Acceptability of the Financial Reporting Framework" for a discussion of the applicable financial reporting framework for preparing the Financial Report.)

### OUTLINE OF THE GUIDELINE

5. The Guideline has been divided into three chapters:
  1. Introduction
  2. The Audit of a Candidate
  3. The Auditor's Report on the Financial Report and on Other Legal and Regulatory Requirements

### RESTRICTION ON THE USE OF THIS GUIDELINE

6. This Guideline should be used in the audit of candidates competing in Presidential and Parliamentary Elections only.

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<sup>3</sup> Institute of Chartered Accountants of the Maldives (CA Maldives) is the relevant regulatory authority licensing auditors pursuant to Regulation on Provision of Statutory Audit and Assurance Services in the Maldives (Regulation No. 2021/R-3 as amended)

<sup>4</sup> S.25 of Act No. 11/2008 (Elections (General) Act)

## CHAPTER 2

### THE AUDIT OF A CANDIDATE

#### PURPOSE OF CHAPTER

7. Candidate and candidate's official agent are required to submit candidate's financial report to Election Commission within the time stipulated in the applicable legislation. It is the responsibility of candidate and official agent to maintain records related to campaign in accordance with the Act and Regulation.

#### GENERAL AUDIT CONSIDERATIONS

##### Responsibilities of the Auditor

8. The responsibility of the auditor is to report on the Financial Report of the candidate. In addition to the general procedures performed in an audit, the auditor is required to verify whether the candidate has conducted the financial affairs of his electoral campaign in compliance with Elections (General) Act. In this regard, the following areas shall be considered:
  - i. Candidate has opened a specific bank account for campaign contributions;
  - ii. Candidate has accepted contribution by himself or via official agent only;
  - iii. Candidate's electoral expenses has been paid by himself or via official agent only;
  - iv. Candidate's electoral expense does not exceed the limit specified in the Elections (General) Act;
  - v. Contribution received from individuals does not exceed the limit specified in the Elections (General) Act;
  - vi. Contribution received from legal entities does not exceed the limit specified in the Elections (General) Act;
  - vii. Candidate has included details of contributions received, electoral expenses (monetary and non-monetary), campaign expenses and other items required by the relevant Act.
  - viii. Candidate should not have accepted any contribution from the prohibited parties as per the section 70 of Elections (General) Act.

##### Audit of the Financial Report

9. After the election date, within the time stipulated in the relevant elections Act to file the Financial Report with ECM, auditors are required to report on candidate's Financial Report and shall, in accordance with the Guideline for the Auditor of an Electoral Candidate issued by the Institute of Chartered Accountants of the Maldives, perform any examination that will enable the auditor to give an opinion in the report.

## **Deadline for submission of Financial Report**

10. It is the responsibility of the candidate and candidate's official agent to submit the Financial Report audited by a licensed auditor to ECM within the stipulated time in the relevant Act.

## **Auditor Independence and Objectivity**

11. Auditors must comply with the independence requirements of Institute of Chartered Accountants of the Maldives. Any threat to independence must be considered before an audit is accepted and that, if the threats are other than clearly insignificant, action must be taken to reduce the risk down to an acceptable level.
12. There are five categories of independence threats specified in the Code of Professional Conduct and Ethics:
- i. a self-interest threat (the auditor could benefit from a financial interest in, or other self-interest conflict with, the client)
  - ii. a self-review threat (the auditor is in a position to exert significant influence over subject matter of the audit)
  - iii. an advocacy threat (the auditor promotes the client's position or opinion to the point that objectivity may be impaired)
  - iv. a familiarity threat (the auditor, by virtue of a close relationship with the client becomes too sympathetic to the client's interests)
  - v. an intimidation threat (the auditor may be deterred from acting objectively and exercising professional skepticism by threats from the client)

The auditor of an election candidate should ensure the above threats are either eliminated or reduced to an acceptable level to prevent the objectivity of the audit being compromised.

The auditor should also determine that the candidate and the official agent have been made aware of all relationships between the auditor, the auditor's practice and the candidate that, in the auditor's professional judgment, may reasonably be thought to bear on the auditor's independence.

## **AGREEING THE TERMS OF THE AUDIT ENGAGEMENT**

### **Acceptability of the Financial Reporting Framework**

13. The form of opinion expressed by the auditor will depend on the applicable financial reporting framework. One of the responsibilities of the auditor is to determine whether the financial reporting framework to be applied in the preparation of Financial Report is acceptable. Without an acceptable financial reporting framework, the candidate and official agent do not have an appropriate basis for preparing the Financial Report and the auditor does not have suitable criteria for auditing the Financial Report.
14. The following discussion examines key factors of relevance to the auditor's determination of the acceptability of the financial reporting framework to be applied in the preparation of the Financial Report, such as the purpose of the Financial Report, the nature of the Financial Report, and whether the applicable financial reporting framework is prescribed by law or regulation.

15. The auditor must determine whether the special purpose framework is a “fair presentation framework” or a “compliance framework.” A key element in this determination is whether the candidate and official agent is permitted to make additional disclosures (i.e., beyond those specifically required by the framework) as may be necessary or must strictly follow the requirements in the Act, or whether they allowed to use their judgment for truer and fairer presentation of Financial Report of the candidate. However, for the reason that the candidate and official agent are required to prepare the Financial Report in a prescribed template that does not meet the definition of a fair presentation framework, the reporting framework applied to prepare this financial information is deemed to be a compliance framework.
16. Since the Elections (General) Act prescribes the financial reporting framework to be applied by the official agent in the preparation of the Financial Report to meet the requirements of the regulator, in the absence of indications to the contrary, such a financial reporting framework is presumed to be acceptable for special purpose financial information prepared by the official agent.

#### **Audit Period**

17. The audit covers the period from the date of opening special bank account for the purpose of election up until the date of announcement of official results of the election. And any contribution received, and any electoral expenses incurred prior to or after the said period shall be disclosed in the Financial Report.

#### **Timing of Engagement**

18. The candidate is required to file the Financial Report and the corresponding auditor’s report within the stipulated time given in the Act. It is suggested that the audit engagement letter refer to the date that the completed Financial Report will be available for the final audit.

#### **Consent Letter for Candidate’s Nomination Paper**

19. Section 9 (a) (2) of Act No. 12/2008 (Presidential Election Act) requires the name, address and acceptance/ consent letter of the appointed auditor be accompanied along with candidate’s application for the election. An example of a consent letter is set out in [Exhibit 1](#).

#### **Audit Engagement Letter**

20. The auditor shall agree the terms of the audit engagement with the candidate and candidates’ official agent. The agreed terms of the audit engagement shall be recorded in an audit engagement letter or other suitable form of written agreement. It is suggested that the terms of the engagement be agreed prior to accepting the appointment as auditor for a candidate.
21. The agreed terms shall specify the following:
  - objective and scope of the audit of the Financial Report;
  - responsibilities of the auditor;
  - responsibilities of the candidate and official agent;
  - applicable financial reporting framework for the preparation of the Financial Report;
  - reference to the expected form and contents of any reports to be issued by the auditor;
  - a statement that there may be circumstances in which a report may differ from its expected form and content.



22. The auditor shall obtain the agreement of the candidate and the official agent that they acknowledge and understand their responsibility.

- for the preparation of the Financial Report in accordance with the applicable financial reporting framework;
- for such internal controls as the candidate and official agent determine are necessary to enable the preparation of the Financial Report that is free from material misstatement, whether due to fraud or error;
- to provide the auditor with:
  - access to all information of which the candidate and the official agent are aware that is relevant to the preparation of the Financial Report such as records, documentation, and other matters;
  - additional information that the auditor may request from the candidate and the official agent for the purpose of the audit;
  - unrestricted access to persons from whom the auditor determines it necessary to obtain audit evidence.

Therefore, the candidate must sign the audit engagement letter. As well, the official agent must acknowledge and understand their responsibility by signing the audit engagement letter.

23. [Exhibit 2](#) provides a suggested form for the engagement letter. Appropriate amendments would, have to be made to take into account the particular circumstances of an audit engagement.

## **COMMUNICATIONS WITH MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE IN AN AUDIT OF A CANDIDATE'S FINANCIAL REPORT**

24. In this Guideline, reference is made to the following International Standards on Auditing (ISAs) concerning communications:

- ISA 260, *Communications with Those Charged with Governance*
- ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*
- ISA 450, *Evaluation of Misstatements Identified during the Audit*

## **MATERIALITY AND RISK IN AN AUDIT OF A CANDIDATE'S FINANCIAL REPORT**

### **Obtaining an Understanding of the Candidate's Campaign**

25. ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, requires the auditor to obtain an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control to provide a basis for adequately planning and properly executing the audit. Therefore, the auditor must understand the campaign activities and controls relevant to the audit (paragraph 21 of ISA 315 (Revised 2019)). More particularly, paragraph

13 of ISA 315 (Revised 2019) requires the auditor to perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement. Required procedures include making enquiries of the official agent and the candidate, and other persons within the electoral campaign, analytical procedures, observation, and inspection (paragraph 14 of ISA 315 (Revised 2019)). This understanding is required regardless of whether there is an expectation that the controls will be relied upon in the performance of the audit.

26. In a candidate's campaign, many desirable internal controls are unlikely to be in place. Some internal control features will exist, however, in the form of a separate bank account maintained in the name of the candidate, receipts, the fact that only authorized people may incur or pay expenses, and the limitation on expenses. To obtain the information needed on internal controls, the auditor may consider visiting campaign headquarters during the campaign. However, this visit will allow only a limited view of the controls because the controls observed by the auditor are at a point in time. In assessing the control environment, the auditor may also consider assessing the attitudes, awareness, and actions of the official agent and the candidate with respect to internal control and the preparation of the Financial Report.

### Materiality

27. Determining materiality is a matter of professional judgment. Paragraph 5 of ISA 320, *Materiality in Planning and Performing an Audit* indicates that the concept of materiality is to be applied by the auditor both in planning and in performing the audit. It is to be applied in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements (if any) on the Financial Report and in forming the opinion in the auditor's report. At the planning stage, materiality is considered when assessing the risks of material misstatement and when determining the nature, timing and extent of auditing procedures.

ISA 320 contains requirements for determining materiality at three separate levels:

- a. materiality for the Financial Report as a whole;
  - b. materiality for particular classes of transactions and account balances;
  - c. performance materiality.
28. The auditor is required to document the materiality levels established for the audit, including the factors considered in establishing them, as well as any revision made to them, based on evidence obtained in the course of the audit (paragraph 14 of ISA 320).

### Risk Assessment

29. Risks of material misstatement at the assertion level are assessed in order to determine the nature, timing and extent of any additional audit procedures that may be necessary to obtain sufficient appropriate audit evidence. This evidence enables the auditor to express an opinion on the Financial Report at an acceptably low level of audit risk. Auditors use various approaches to accomplish the objective of assessing the risks of material misstatement. For example, the auditor may make use of a model that expresses the general relationship of the components of audit risk in mathematical terms to arrive at an acceptable level of detection risk. Some auditors find such a model to be useful when planning audit procedures (paragraph A36 of ISA 200).

30. The risks of material misstatement at the assertion level consist of two components: inherent risk and control risk. They exist independently of the audit of the Financial Report (paragraph A37 of ISA 200). The ISAs do not ordinarily refer to inherent risk and control risk separately, but rather to a combined assessment of the "risks of material misstatement." However, the auditor may make separate or combined assessments of inherent and control risk, depending on preferred audit techniques or methodologies and practical considerations (paragraph A40 of ISA 200).

In regard to the risk assessment of an electoral campaign, because of the possibility that certain expenses, such as donated services, may not be recorded, the inherent risk of error might often be high. Similarly, control risk will usually be assessed at maximum since many internal control features will not be in place, especially segregation of duties.

31. For a given level of audit risk, the acceptable level of detection risk bears an inverse relationship to the assessed risks of material misstatement at the assertion level. Therefore, if the assessments for inherent and control risks are high, the detection risk must be reduced to an acceptably low level. In this case, it would not be uncommon for the auditor to perform mostly substantive tests when forming their opinion.

### **Response to Assessed Risks in a Candidate's Electoral Financial Report**

32. ISA 330 requires that the auditor design and implement overall responses to address the assessed risks of material misstatement at the Financial Statement level. The auditor shall also design and perform additional audit procedures whose nature, timing and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level (paragraph 6 of ISA 330, *The Auditor's Responses to Assessed Risks*).
33. ISA 450 deals with the auditor's responsibility to evaluate the effect of identified misstatements on the audit and of uncorrected misstatements (if any) on the Financial Statement. The auditor shall accumulate misstatements identified during the audit (other than those that are clearly trivial) and communicate these accumulated misstatements to the official agent and candidate (paragraphs 5 and 8 of ISA 450, *Evaluation of Misstatements Identified during the Audit*). The auditor shall request that the official agent correct those misstatements (paragraph 8 of ISA 450). If the official agent and/ or candidate refuses to correct some or all of the misstatements communicated by the auditor, the auditor shall obtain an understanding of the official agent and candidate's reasons for not making the corrections and shall take that understanding into account when evaluating whether the Financial Report as a whole is free from material misstatement (paragraph 9 of ISA 450).
34. If the auditor identifies a misstatement, the auditor shall evaluate whether such a misstatement is indicative of fraud. If there is such an indication, the auditor shall evaluate the implications of the misstatement in relation to other aspects of the audit (particularly the reliability of management representations) recognizing that an instance of fraud is unlikely to be an isolated occurrence (paragraph 35 of ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*).

35. The auditor shall determine whether uncorrected misstatements are material, individually or in aggregate (paragraph 11 of ISA 450). The auditor should bear in mind the public exposure and sensitivity of the Financial Statement when determining materiality. The auditor shall request that uncorrected misstatements be corrected (paragraph 12 of ISA 450). If the uncorrected misstatements are not corrected and are considered material, individually and in the aggregate, the auditor must express a qualified opinion [paragraph 7(a) of ISA 705, *Modifications to the Opinion in the Independent Auditor's Report*].
36. The auditor shall request a written representation from the official agent and the candidate, whether they believe the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the Financial Statement as a whole. A summary of such items should be included in or attached to the written representation (paragraph 14 of ISA 450).
37. The auditor shall include in the audit documentation the amount below which misstatements would be regarded as clearly trivial, all misstatements accumulated during the audit and whether they have been corrected, and the auditor's conclusion as to whether uncorrected misstatements are material, individually or in aggregate, and the basis for that conclusion (paragraph 15 of ISA 450).

## LEGAL AND REGULATORY FRAMEWORK AND FRAUD IN AN AUDIT OF A CANDIDATE'S FINANCIAL REPORT

### Legal and Regulatory Framework

38. The official agent and the candidate are responsible for ensuring the electoral campaign's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the electoral campaign's Financial Report.

The requirements in ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*, are designed to assist the auditor in identifying material misstatement in the Financial Report due to non-compliance with laws and regulations. However, the auditor is not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations. The auditor is responsible for obtaining reasonable assurance that the Financial Report, taken as a whole, is free from material misstatement, whether caused by fraud or error. Paragraph 6 of ISA 250 (Revised) distinguishes the auditor's responsibilities in relation to compliance with two different categories of laws and regulations as follows:

- a. the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the Financial Report
- b. other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the Financial Report, but compliance with which may be fundamental to the operating aspects of the business, to an entity's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of an operating license); non-compliance with such laws and regulations may therefore have a material effect on the Financial Report. Clearly, the Act, including EC's interpretations, has a direct effect on the determination of material amounts and disclosures in the Financial Report. Accordingly, the auditor is therefore required to obtain sufficient appropriate audit evidence regarding compliance with these sections of the Act

39. The auditor shall request the official agent and the candidate to provide written representations that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Report have been disclosed to the auditor (paragraph 17 of ISA 250 (Revised)).

### **Fraud**

40. ISA 240 includes lengthy discussion and examples of fraud risk factors, possible audit procedures to address assessed risks, and circumstances indicating the possibility of fraud. Two types of fraud may be identified: fraudulent financial reporting and misappropriation of assets. While the primary responsibility for the prevention and detection of fraud rests with the candidate and the official agent, the auditor is nonetheless responsible for obtaining reasonable assurance that the Financial Report as a whole is free from material misstatement, whether caused by fraud or error.
41. When obtaining an understanding of the campaign and its environment, including its internal control, the auditor should make enquiries of the candidate and the official agent regarding assessment of the risk that the Financial Report may be materially misstated due to fraud and any illegal acts. The auditor should be familiar with the requirements of the Act which, if violated, could reasonably be expected to result in a material misstatement of the Financial Report. The auditor should make enquiries of the candidate and the official agent, and others within the campaign, as appropriate, to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Financial Report. The auditor shall obtain written representations from the candidate and the official agent that they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and shall obtain other required representations related to fraud contained in ISA 240 (paragraph 39 of ISA 240).

### **AUDIT EVIDENCE IN AN AUDIT OF A CANDIDATE'S FINANCIAL REPORT**

42. The auditor's responsibility is to design and perform audit procedures to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion. Some of the issues related to audit evidence are discussed below.

### **Completeness**

43. Although the Elections (General) Act does not require the auditor to determine that all financial transactions have been recorded in the candidate's accounting records (unless specified otherwise by another Act), it requires the auditor to conduct the audit of the Financial Report in accordance with the Guidelines for Auditors of Electoral Candidates with the addition of, a particular focus on Chapter – Finances and Financial Matters of the Elections (General) Act<sup>5</sup>. It is important to note that there is a scope limitation due to the inherent nature of the transactions. As with most organizations that receive funds by donation, it is not possible to determine the extent, if any, of unrecorded donations. Furthermore, since donated property and services are both contributions and expenses, it is not possible to determine that all expenses have been recorded. Accordingly, the completeness of contributions and other revenue and expenses is not susceptible of satisfactory audit verification. The auditor shall properly report this scope limitation [paragraph 6(b) of ISA 705] (For a discussion on scope limitation in an audit engagement reported in the auditor's report, see Chapter 3, The Auditor's Report).

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<sup>5</sup> Sections 67 to 73 of Act No. 11/2008 (Elections (General) Act)

44. The auditor should, nevertheless, be alert for specific circumstances indicating that the information in the Financial Report is not complete.

### Analytical Procedures

45. ISA 520, *Analytical Procedures* deals with the auditor's use of analytical procedures as substantive procedures (substantive analytical procedures). As previously mentioned, ISA 315 (Revised 2019) deals with the use of analytical procedures as risk assessment procedures; ISA 330 includes requirements and guidance regarding the nature, timing and extent of audit procedures in response to assessed risks. These audit procedures may include substantive analytical procedures. However, the auditor shall use analytical procedures near the end of the audit to assist the auditor in forming an overall conclusion as to whether the Financial Report is consistent with the auditor's understanding of the candidate's campaign (paragraph 6 of ISA 520).

### Confirmation

46. The auditor should consider using confirmation as a means of obtaining evidence regarding certain matters. The suggested audit program as set out in [Exhibit 4](#) provides examples of such matters under the heading Confirmation Procedures. If confirmations are used, the auditor is required to follow the requirements in ISA 505 to control the process for selecting, preparing and sending confirmation procedures and requests, and to ask the recipient to reply directly to the auditor. The auditor also considers the reliability of the responses received by evaluating whether confirmation has provided the level of audit assurance required for the assertions associated with the item being audited.

### Subsequent Events

47. Reference shall be made to ISA 560, Subsequent Events concerning audit procedures related to subsequent events, especially to events occurring between the date of the Financial Report and the date of the auditor's report, and when facts become known to the auditor after the date of the auditor's report but before the date the Financial Report is issued, or when facts become known to the auditor after the Financial Report has been issued. The auditor must apply the requirements of ISA 560 to comply with the ISAs.
48. The auditor shall request the official agent and the candidate to provide a written representation that all events occurring subsequent to the date of the Financial Report have been adjusted or disclosed (paragraph 9 of ISA 560).

### Representation Letter

49. As part of the audit evidence, the auditor shall obtain written assurance from the candidate and the official agent as to representations the auditor considers of significance in forming an opinion (paragraph 9 of ISA 580, *Written Representations*). Such written assurance could take the form of a representation letter addressed to the auditor. The representation letter shall be dated as near as practicable to, but not after, the date of the auditor's report on the Financial Report (paragraph 14 of ISA 580). In accordance with ISA 580, the following representations must be included in the representation letter:

- The official agent and the candidate have fulfilled their responsibility for preparing the Financial Report in accordance with the applicable financial reporting framework (paragraph 10 of ISA 580).
  - The official agent and the candidate have provided the auditor with all relevant information and access as agreed in the terms of the audit engagement [paragraph 11(a) of ISA 580].
  - All transactions have been recorded and are reflected in the Financial Report [paragraph 11(b) of ISA 580].
  - All contribution received and electoral expenses incurred prior to the approval of the candidacy are disclosed in the Financial Report
50. Note that according to ISA 580, the description of the responsibilities of the official agent and the candidate included in the written representation letter and in the audit engagement letter shall be the same (paragraph 12 of ISA 580).
51. [Exhibit 3](#) provides an example of such a representation letter. Appropriate amendments would, of course, have to be made to take into account the particular circumstances of an audit engagement.

### **Doubt as to the Reliability of Written Representations**

52. If the auditor has concerns about the competence, integrity, ethical values or diligence of the official agent or the candidate, or about their commitment to or enforcement of these, the auditor shall determine the effect that such concerns may have on the reliability of representations (oral or written) and audit evidence in general (paragraph 16 of ISA 580). In particular, if written representations are inconsistent with other audit evidence, the auditor shall perform audit procedures to attempt to resolve the matter. If the matter remains unresolved, the auditor shall reconsider the assessment of the competence, integrity, ethical values or diligence of the official or the candidate, or of their commitment to or enforcement of these, and shall determine the effect this may have on the reliability of representations (oral or written) and audit evidence in general (paragraph 17 of ISA 580).
53. If the auditor concludes that the written representations are not reliable, the auditor shall take appropriate actions, including determining the possible effect on the opinion in the auditor's report in accordance with ISA 705 (paragraph 18 of ISA 580).

### **Documentation**

54. Adequate and proper documentation must be maintained in the audit file on planning decisions, understanding of the campaign activities and controls, the audit work performed on the Financial Report to comply with the ISAs and applicable legal and regulatory requirements and conclusions reached. ISA 230, *Audit Documentation* requires the auditor to prepare audit documentation on a timely basis (i.e., ordinarily not more than 60 days after the date of the auditor's report), including sufficient documentation to enable an experienced auditor having no previous connection with the audit to understand the nature, timing and extent of the audit procedures performed, the results and evidence obtained, significant matters arising during the audit and related conclusions, including judgments made therein.

## **CONSIDERATIONS IN DESIGNING AN AUDIT PROGRAM**

55. Considerations in designing an audit program that can be used in the conduct of the audit of a candidate have been set out in [Exhibit 4](#). It should, however, be adapted as necessary to the particular circumstances of an audit of a candidate.



## CHAPTER 3

### THE AUDITOR'S REPORT ON THE CANDIDATE'S FINANCIAL REPORT

56. This chapter deals with the form and content of the auditor's report on the candidate's financials prepared by the candidate and the official agent in line with the applicable law and regulation.

### AUDITOR'S REPORT ON THE CANDIDATE'S FINANCIAL REPORT

#### Special Considerations

57. It has been determined and deemed acceptable that the applicable financial reporting framework for preparing the Financial Report of the candidate be a special purpose compliance framework. Accordingly, in order to comply with ISAs, the auditor's report will be based on the applicable financial reporting framework stipulated under the Elections (General) Act.

It is important to note that the following discussion and the auditor's report in [Exhibit 5](#) are based on the assumption that the Financial Report is prepared in accordance with a special purpose compliance framework as stipulated under Elections (General) Act.

As a result, some ISAs are not applicable to these audits including:

- ISA 570 (Revised), *Going Concern*, which provides guidance on the auditor's responsibilities relating to going concern and the implications to the auditor's report. The going concern basis of accounting is not a fundamental principle in the preparation on the candidates Financial Report.
- ISA 701, *Communicating Key Audit Matters in the independent auditor's report*, which provides guidance on the auditor's responsibly to communicate key audit matters in the auditor's report. ISA 701 is not applicable to these audits as it only applies to complete sets of general-purpose financial statements.
- ISA 720, *The Auditor's Responsibilities Relating to Other Information*, which deals with the auditor's responsibilities relating to other information, whether financial or non-financial, included in an entity's annual report. The reporting responsibilities in ISA 720 are not applicable to these audits as the Financial Report prepared in accordance with the template published by Election Commission does not meet the definition of an annual report under this standard.

58. The auditor's report on the Financial Report shall comply with the following requirements:

- ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements* provides guidance to an auditor engaged to express an opinion on financial information
- ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Framework – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* provides guidance to an auditor engaged to express an opinion on financial information prepared in accordance with a special purpose framework

- ISA 805 (Revised), *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* provides guidance to an auditor engaged to express an opinion on financial information

These standards cover the auditor’s responsibilities regarding the Financial Report of the candidate.

### Opinion and Inherent Scope Limitation

59. When forming an opinion and reporting on the Financial Report of the candidate, the auditor shall apply the requirements in ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements* adapted as necessary in the circumstances of the engagement (paragraph 11 of ISA 805). The auditor shall form an opinion on whether the Financial Report of the candidate is prepared, in all material respects, in accordance with the applicable financial reporting framework and shall evaluate whether the Financial Report of the candidate adequately refers to or describes the applicable financial reporting framework (paragraph 10 and 15 of ISA 700).
60. It is important to note that when the Financial Report of the candidate is prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the Financial Report achieves fair presentation (paragraph 19 of ISA 700).
61. As previously discussed in the Audit Evidence in an Audit of a Candidate’s Financial Report section 43 (page 11 of this Guideline), there is a scope limitation when auditing the Financial Report of the candidate due to the inherent nature of the transactions. As with most organizations that receive funds by donation, it is not possible to determine the extent, if any, of unrecorded donations. Furthermore, since donated property and services are both contributions and expenses, it is not possible to determine that all expenses have been recorded. Accordingly, the completeness of contributions and other revenue and expenses is not susceptible of satisfactory audit verification. Therefore, the auditor shall properly report this inherent scope limitation. The auditor shall express a qualified opinion when he or she is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but concludes that the possible effects on the Financial Report of the candidate of undetected misstatements, if any, could be material but not pervasive (paragraph 7 of ISA 705, *Modifications to the Opinion* in the Independent Auditor’s Report). It should be noted that this inherent scope limitation is excluded from the required statement in the auditor’s report because the limitation is not due to the fact that auditor has not received from the candidate or his or her official agent all the information and explanation that the auditor required.
62. When the auditor modifies the opinion on the Financial Report of the candidate, the auditor shall, in addition to the specific elements required by ISA 700, include a “Basis for Qualified Opinion” paragraph that provides a description of the matter giving rise to the modification. The auditor shall place this paragraph immediately after the “Qualified Opinion” paragraph in the auditor’s report (paragraph 20 of ISA 705). (See [Exhibit 5](#) for an example of a “Basis for Qualified Opinion” and a “Qualified Opinion” paragraph.)
63. Since the financial reporting framework applied for preparing the Financial Report of the candidate is a compliance framework and there is a modified opinion, the qualified opinion shall state that, “except for the possible effects of the matter described in the “Basis for Qualified Opinion” paragraph, the Financial Report of the candidate is prepared, in all material respects, in accordance with the applicable financial reporting framework” (paragraph 17 of ISA 705).

## Description of the Applicable Financial Reporting Framework

64. It should be noted that the preparation of the Financial Report of the candidate requires the inclusion of an adequate description of the applicable financial reporting framework. That description is important because it advises users on which framework it is based. Accordingly, the official agent will have to prepare a note describing the financial reporting framework applied for the preparation of the Financial Report of the candidate and the note shall be attached. (Refer to [Exhibit 5](#) for an example.)
65. As mentioned above, the auditor shall evaluate whether the Financial Report of the candidate adequately refers to or describes the applicable financial reporting framework (paragraph 12 of ISA 800). A "Basis of Accounting" paragraph (discussed below in the "Emphasis of Matter" section) shall be added to the auditor's report and must refer to the note describing the financial reporting framework applied for the preparation of the Financial Report of the candidate (paragraph 14 of ISA 800). (See [Exhibit 5](#) for an example of such a paragraph.)

## Emphasis of Matter

66. Since the Financial Report of the candidate is prepared in accordance with a special purpose framework, the requirements in ISA 800 also apply. The auditor's report on the Financial Report of the candidate shall include an "Emphasis of Matter" paragraph alerting users of the auditor's report that the Financial Report is prepared in accordance with a special purpose framework and that, as a result, the statement may not be suitable for another purpose (paragraph 14 of ISA 800). The auditor shall include this paragraph under an appropriate heading (e.g., "Basis of Accounting") (paragraph 14 of ISA 800). (See [Exhibit 5](#) for an example of such a paragraph.)
67. If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the Financial Report of the candidate that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the Financial Report, the auditor shall include an "Emphasis of Matter" paragraph in the auditor's report provided the auditor has obtained sufficient appropriate audit evidence that the matter is not materially misstated in the Financial Report. Such a paragraph shall refer only to information presented or disclosed in the Financial Report (paragraph 8 of ISA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report). The auditor may determine that it is necessary to draw users' attention to a matter presented in the Financial Report [e.g., to the amounts for total campaign cash inflows and total election expenses in Part 6 (Campaign Bank Reconciliation) of the Financial Report of the candidate]. Such a paragraph would be added after the "Basis of Accounting" paragraph.

## Other Matter

68. If the auditor considers it necessary to communicate a matter other than those presented or disclosed in the Financial Report, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report and this is not prohibited by law or regulation, the auditor shall do so in a paragraph in the auditor's report, with the heading "Other Matter," or other appropriate heading (paragraph 10 of ISA 706). For example, an "Other Matter" paragraph is used to

restrict the distribution or use of the auditor's report. Where a special purpose framework is used, since the auditor's report is intended for specific users, the auditor may consider it necessary in the circumstances to include an "Other Matter" paragraph, stating that the auditor's report is intended solely for the intended users, and should not be distributed to or used by other parties (paragraph A14 of ISA 706). This paragraph may be grouped with the "Basis of Accounting" paragraph (which is the "Emphasis of Matter" paragraph discussed above in paragraph 11 of this chapter) and renamed "Basis of Accounting and Restriction on Use." Since the Act requires the Financial report of the candidate to be made available for public, the auditor will not include a restriction on distribution in the auditor's report. (See [Exhibit 5](#) for an example of a "Basis of Accounting" paragraph.)

### Addressee

69. The ISAs are based on the International Framework for Assurance Engagements (the Framework), which stipulates that a "three-party relationship" is a required element of an assurance engagement. As more fully described in paragraph 21 of the Framework, "assurance engagements involve three separate parties: a practitioner, a responsible party and intended users." The Framework also defines the intended users in paragraph 27 as "the person, persons or class of persons for whom the practitioner prepares the assurance report. The responsible party can be one of the intended users, but not the only one."

### Date of the Auditor's Report

70. The auditor's report shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the Financial Report of the candidate, including evidence that:

- all the statements and the summaries that comprise the Financial Report of the candidate, including the related notes, have been prepared
- those with the recognized authority have asserted that they have taken responsibility for this Financial Report of the candidate (paragraph 49 of ISA 700)

Therefore, in practical terms, the date of the auditor's report will be no earlier than the date of approval of the Financial Report of the candidate in final form by the official agent and the candidate.

### Form of Report

71. A measure of uniformity in the form of the auditor's report is desirable because it helps readers to identify any unusual circumstances. When engaged to express an opinion on the Financial Report of the candidate, the auditor is required, based on the components of the Financial Report of the candidate, to include the following in the auditor's report:

- a clear indication in the title of the auditor's report that it is the report of an independent auditor
- a subtitle "Report on the Financial Report of the candidate" before the "Qualified Opinion" paragraph to clearly distinguish the responsibility to report on the Financial Report of the candidate from the responsibility to report on other legal and regulatory requirements
- the name of the addressee (i.e., the candidate and the official agent as required by the relevant elections Act) to comply with the ISAs
- In the "Qualified Opinion" paragraph of the report, state:
  - i. that the Financial Report of the candidate has been audited
  - ii. the composition of the Financial Report of the candidate (i.e., list of all summaries and statements)
  - iii. the date or period covered by each summary and statement comprising the Financial Report of the candidate
  - iv. that the Financial Report of the candidate has been prepared by the official agent based on the financial reporting provisions of Elections (General) Act.
  - v. that except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the Financial Report of the candidate is prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Include a paragraph entitled "Basis for Qualified Opinion", containing:
  - i. a description of the inherent scope limitation
  - ii. a statement that the audit was conducted in accordance with the Guideline for the Auditor of an Electoral Candidate
  - iii. a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements
  - iv. a statement whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion
- In a separate paragraph entitled "Basis of Accounting and Restriction on Use" following the "Basis for Qualified Opinion" paragraph, state:
  - i. that the Financial Report of the candidate is prepared in accordance with a special purpose framework and, as a result, the Financial Report of the candidate may not be suitable for another purpose

- If the auditor considers it is necessary, in a separate paragraph entitled "Emphasis of Matter" following the "Basis of Accounting and Restriction on Use" paragraph, state:
  - i. the total campaign cash inflows of MVR XXX and total election expenses of MVR XXX, are shown in the [Note X] of the Financial Report of the candidate
- In the "Official Agent's Responsibility for the Financial Report of the candidate" paragraph of the report, state that:
  - i. the official agent is responsible for the preparation of the Financial Report of the candidate and describe the applicable financial reporting framework.
  - ii. the official agent is responsible for the internal controls they consider necessary to enable the preparation of a Financial Report of the candidate that is free from material misstatement, whether due to fraud or error
  - iii. those charged with governance are responsible for overseeing the Candidate's financial reporting process
- In the "Auditor's Responsibility for the Audit of the Financial Report of the candidate" paragraph, state:
  - i. that the objectives of the auditor are to obtain reasonable assurance about whether the Financial Report of the candidate as a whole are free from material misstatement, whether due to fraud or error; and issue an auditor's report that includes the auditor's opinion
  - ii. that reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Guidelines for Auditors of Electoral Candidates will always detect a material misstatement when it exists
  - iii. that misstatements can arise from fraud or error, and describe that they 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 the Financial Report of the candidate
  - iv. that, as part of an audit in accordance with the Guideline for the Auditor of an Electoral Candidate, the auditor exercises professional judgment and maintains professional skepticism throughout the audit
  - v. describe an audit by stating that the auditor's responsibilities are:
    - a. to identify and assess the risks of material misstatement of the Financial Report of the candidate, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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

- b. to 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. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the Financial Report of the candidate, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
  - c. to evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the financial agent
  - vi. that the auditor communicates 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 the auditor identifies during the audit
- Date the auditor's report not earlier than the date of approval of the Financial Report of the candidate in its final form by the official agent and the candidate.
  - In a separate section at the end of the auditor's report subtitled "Report on Other Legal and Regulatory Requirements" (discussed below in "Auditor's Report on Other Legal and Regulatory Requirements" in paragraph 18), state that "as required by 11/2008 (Elections (General) Act and Regulation) and Regulation No. 2020/R-48 (Elections General Regulation), in my opinion, the Financial Report of the candidate presents the information contained in the financial records on which it is based."
72. See [Exhibit 5](#) for a sample auditor's report on a candidate's Financial Report of the candidate including the above issues. This report is considered appropriate for reporting under the Elections (General) Act.

## AUDITOR'S REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

73. In addition, to report under the Elections (General) Act, the auditor shall include a separate section in the auditor's report for reporting on other legal and regulatory requirements.

Paragraphs 42, 43, 44 and A53 to A55 of ISA 700 deal with this other reporting responsibility. The auditor must include the following statement in the auditor's report in accordance with the requirements in paragraphs 42, 43, and 44 of ISA 700:

In my opinion, the Financial Report of the candidate presents the information contained in the financial records on which it is based.

It should be noted that this additional paragraph does not include the term "presents fairly" because, as previously discussed, the nature of the financial reporting framework in the Act does not meet the requirements of a fair presentation framework.

This statement must be included at the end of the auditor's report in a separate section subtitled "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content of the section. In addition, the auditor shall add a subtitle "Report on the Financial Report of the candidate" before the "Qualified Opinion" paragraph to clearly distinguish the responsibility to report on the Financial Report of the candidate from the responsibility to report on other legal and regulatory requirements.

### Special Considerations

74. the auditor's report may also include any statement that the auditor considers necessary if:
- the Financial Report of the candidate does not present fairly the information contained in the financial records on which it is based
  - the auditor has not received from the candidate or their official agent all the information and explanation that the auditor required
  - based on the examination, it appears that proper accounting records have not been kept by the official agent
75. Paragraphs 42, 43, 44 and A53 to A55 of ISA 700 deal with these other reporting responsibilities. For instance, if, based on their examination, the auditor determines that the records have not been properly kept, the auditor will include a statement in the auditor's report in accordance with the requirements in paragraphs 42, 43, and 44 of ISA 700. This statement must be included in a separate section at the end of the auditor's report with a subtitle "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content of the section. In addition, the auditor shall add a subtitle "Report on the Audit of the Financial Report of the candidate" before the "Qualified Opinion" paragraph to clearly distinguish the responsibility to report on the Financial Report of the candidate from the responsibility to report on other legal and regulatory requirements. The subjects of these other statements could result in the auditor being unable to render an opinion due to a scope limitation or rendering an adverse opinion. The auditor should consider the impact of these other statement on their opinion on the Financial Report of the candidate.



## **EXHIBIT 1**

### **SAMPLE CONSENT LETTER**

(Date)

Candidate

Address

Dear \_\_\_\_\_:

I hereby accept the appointment as your auditor pursuant to Section 9 (a) (2) of Act No. 12/2008 (Presidential Elections Act) (the "Act") relating to the election to be held on (date) for the Presidential Election.

This letter is provided in compliance with the Act.

Yours truly,

(signed)

cc: Election Commission

## EXHIBIT 2

### SAMPLE AUDIT ENGAGEMENT LETTER

(Date)

Candidate

Address

Dear :

#### **The objective and scope of the audit**

The purpose of this letter is to confirm my acceptance and understanding of the terms of the audit engagement to report on the Candidate's Financial Report under Act No. 11/2008 (Elections (General) Act) (the "Act") relating to your candidacy in the [Presidential Election/ Parliamentary Election] to be held on, 20XX.

The objectives of our audit are to obtain reasonable assurance about whether the Financial Reports are 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 the Guideline for the auditors of Electoral Candidate will always detect a material misstatement when it exists.

#### **The responsibilities of the auditor**

We will conduct our audit in accordance with the Guideline for the auditors of Electoral Candidate. Those standards require that we comply with ethical requirements. As part of an audit in accordance with the Guideline for the auditors of Electoral Candidate, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Report, 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 internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the Financial Report that we have identified during the audit.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Guideline for the auditors of Electoral Candidate.

It should be noted that the Act prescribes limitations on the timing, amount and sources of contributions. It is not practicable, however, for us to verify, from sources outside the accounting records, that all contributions and loan guarantees are in accordance with the Act, nor does the Act require us to do so. Therefore, since there is a scope limitation due to the inherent nature of the transactions of electoral campaigns, the completeness of contributions, loan guarantees and other revenue and expenses is not susceptible to satisfactory audit verification. Accordingly, we shall state this fact in our report.

Our responsibility as auditor does not extend beyond the reporting function outlined above and accordingly does not include ensuring that you and your official agent comply with all the requirements of the Act.

### **YOUR RESPONSIBILITIES**

Our audit will be conducted on the basis that you and your official agent acknowledge and understand that you are responsible for the following:

- 1) Preparing the Financial Report in accordance with the requirements of the Act,
- 2) For such internal control as you and your official agent determines is necessary to enable the preparation of Financial Report in a manner that is free from material misstatement, whether due to fraud or error, and
- 3) Providing us with access to all information of which you and your official agent are aware that is relevant for the preparation of the Financial Report. It may be necessary to perform certain auditing procedures at any time before or after the election date. We understand that we will have access at all reasonable times to all records, documents, books, accounts and vouchers held by you and your official agent pertaining to the election and may require from both of you such information and explanations as are necessary to complete our examination and report. This would include providing me with information such as:
  - a. any illegal or possibly illegal acts and all facts related thereto
  - b. claims and possible claims, whether or not they have been discussed with the electoral campaign's legal counsel
  - c. any known or probable instances of non-compliance with legislative or regulatory requirements, including reporting requirements under the Act
  - d. an assessment of the reasonableness of any significant assumptions underlying the valuations and disclosures in the Financial Report
  - e. subsequent events
- 4) Providing us with additional information that we may request from you and your official agent for the purpose of the audit, and

- 5) Providing us with unrestricted access to persons from whom we determine it necessary to obtain audit evidence

As part of our audit process, we will request from you and your official agent written confirmation concerning representations made to us in connection with the audit.

You have also agreed that you or your official agent will ensure that invoices for property and services will state the current market price when this price is more than the price charged to the official agent and, if necessary, you or your official agent will ensure as to the commercial value of goods and services provided.

You and your official agent are responsible for the timely preparation and completeness of the accounting records and the Financial Report, which is to be prepared in accordance with the financial reporting provisions of the Act and regulations made thereunder.

As the Act requires our examination to be completed and our report issued within [21 days (Parliamentary Election/ 60 days (presidential Election)] of polling day, it is essential that the candidates' accounts be recorded, and the accounting records completed in time to allow us a reasonable period to complete our examination. We anticipate that we will be able to report by the date required by the Act if your Financial Report is completed and available for final audit on or before [date]. You have agreed that you will provide us with the completed Financial Report by that date.

## **FEES**

Fees will be determined on the basis of time spent on this engagement at our standard rates, and any disbursements incurred will be added to the billing. You will be responsible for the full payment of the fees.

## **WORKING PAPERS**

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

## **FILE INSPECTIONS**

In accordance with professional regulations and our firm's policy, our client files may periodically be reviewed by practice inspectors, and by quality control reviewers to ensure that we are adhering to the standards of our profession and of our firm. File reviewers are required to maintain the confidentiality of client information.

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

Yours sincerely,

(signed)

**Audit Partner**

Audit Firm Name

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

(signed)                      (Date)

**Name**

**Candidate**

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

(signed)                      (Date)

**Name**

**Official agent**

## EXHIBIT 3

### SAMPLE REPRESENTATION LETTER

(Date)

Dear \_\_\_\_\_:

In connection with your audit of the "Candidate's Financial Report" of \_\_\_\_\_, a candidate in presidential/parliamentary election held on \_\_\_\_\_20XX, we assure you that to the best of our knowledge and belief:

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated (*insert date*), for the preparation of the Financial Report.  
  
for the candidacy of (*name of candidate*), a candidate at the election of Presidential/ Parliamentary election held on the day of \_\_\_\_\_ 20XX, in accordance with the financial reporting provisions of Act No. 11/2008 (Elections (General) Act (the "*Act*") and regulations made thereunder.
- 2) The date of the Financial Report is (*insert date*).
- 3) You have been afforded access to all the records, documents, books, accounts, bank account records and vouchers held by the official agent and held by the candidate relating to the election.
- 4) All loans, advances, deposits, contributions and gifts received, and all expenses incurred have been determined and recorded as required by the *Act*.
- 5) The official agent has received all the amounts contributed. No contribution in excess of the amount permitted by the *Act* has knowingly been accepted from a particular individual.
- 6) All persons indicated on the receipt forms made such donations on their own behalf and not as nominees for other persons or for an organization.
- 7) No electoral campaign expenses (as defined in the Act) have been incurred by any person or organization other than the candidate and the official agent.
- 8) We are not aware of any illegal or possible illegal acts that have not been disclosed to you.
- 9) To the extent possible, taking into account the nature and size of the candidate's campaign, we acknowledge our responsibility to implement controls procedures designed to prevent and detect misstatements whether due to fraud or error. We believe that the effects of any uncorrected misstatements aggregated by you during the audit, are immaterial, both individually and in the aggregate, to the Financial Report as a whole (or *if all misstatements have been corrected, state that there are no uncorrected misstatements; otherwise, the schedule of uncorrected misstatements should be attached to the representation letter*).
- 10) We confirm that we have disclosed to you all significant facts relating to any frauds or suspected frauds known to us that may have affected the Financial Report, and the results of our assessment of any material misstatements resulting from the fraud.

- 11) We are not aware of any instances of non-compliance or suspected non-compliance with the *Act* or other laws and regulations whose effects should be considered when preparing the Financial Report (or We have disclosed to you all facts related to instances of noncompliance or suspected non-compliance with the *Act* or other laws and regulations whose effects should be considered when preparing the Financial Report).
- 12) All subsequent events to the date of the Financial Report that affect the information required to be disclosed or adjusted in this Financial Report have been accounted for or disclosed in the Financial Report.
- 13) All contribution received and electoral expenses incurred prior to the approval of the candidacy are disclosed in the Financial Report
- 14) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 15) For the sole purpose of the candidate's electoral campaign, a separate bank account was opened.
- 16) All financial transactions of the candidate in relation to an electoral campaign that involve the payment or receipt of money were paid from or deposited to the account.
- 17) (Other representations)

Yours truly,

(signed)

Candidate

(signed)

Official agent

## EXHIBIT 4

### CONSIDERATIONS IN DESIGNING AN AUDIT PROGRAM

The Audit Program in this exhibit can be used in the conduct of the audit of the Financial Report. However, it is not comprehensive and must be adapted as necessary to the particular circumstances of an audit of a candidate in order to comply with all the relevant IASs.

DONE BY	
PRELIMINARY MATTERS	
1. After the proper procedures for client acceptance have been completed, such as assessing engagement risk and ensuring compliance with the independence rules, send a letter to the candidate consenting to act as auditor to the candidate as soon as notification of appointment is received. (Refer to Exhibit 1 for an example.)	
2. Send an audit engagement letter to the candidate. (Refer to <a href="#">Exhibit 2</a> for an example.) Note that a sample representation letter and auditor's report are to be enclosed. (Refer to <a href="#">Exhibits 3</a> and <a href="#">5</a> .)	
3. Enquire whether the official agent and the candidate are familiar with the requirements under the Elections (General) Act that will affect the Financial Report and the audit work thereon.	
4. Enquire whether the official agent has delegated authority to incur election expenses and collect contributions, and note the name of such persons for subsequent follow-up.	
5. Enquire whether any capital expenditures have been made or are anticipated.	
6. Obtain from the official agent a copy of the detailed campaign expense budget and discuss what controls are to be used to determine that election expenses will not exceed the permitted maximum.	
7. Discuss with the official agent and the candidate the expected timing of the audit of the Financial Report, availability for discussions and signatures.	
8. Candidate and official agent are required to submit a signed declaration (Section 73 of Elections (General) Act) with the Financial Report, that the information and documents submitted are correct. Verify the existence of the document and whether both the candidate and official agent have signed on the declaration;	
UNDERSTANDING OF THE CAMPAIGN, ITS ENVIRONMENT AND RISK ASSESSMENTS	
9. Obtain an understanding of the campaign and its environment, including internal controls, (e.g., the bookkeeping system, the financial controls over each type of transaction, and the control environment). (Aspects affecting the control environment are the communication and enforcement of integrity and ethical values within the campaign, commitment to competence, participation, philosophy and operating style of the official agent and the candidate, the assignment of authority and responsibility, the campaign structure and human resource policies and practices. This understanding can be obtained notably through enquiries and discussions with the official agent and the candidate as well as from observation of the campaign.)  During the campaign, if practical, the auditor may consider personally visiting and observing the operations at the campaign headquarters. Under normal circumstances, two visits, one close to polling day, will likely be adequate.	



<p>The following matters should be considered during the observation:</p> <ul style="list-style-type: none"> <li>• size of office and campaign spaces, to determine that rent expense is reasonable</li> <li>• quantities and types of campaign literature</li> <li>• duties of campaign workers present in relation to financial matters</li> <li>• general campaign operations</li> <li>• internal controls that appear to be in place</li> </ul>	
<p>10. Enquire of the candidate and official agent what their assessment is of the risk the Financial Report may be materially misstated due to fraud or any illegal acts.</p>	
<p>11. Determine the risk of material misstatements in the Financial Report and determine that it will be possible to reduce this risk to an acceptably low level with audit evidence obtained from substantive procedures.</p>	
<b>CONFIRMATION PROCEDURES</b>	
<p>12. Determine whether a confirmation of the maximum election expenses has been received. If not received, confirm the amount with Elections Commission directly.</p>	
<p>13. Consider whether external confirmation procedures are to be performed as substantive audit procedures for the bank and loan balances.</p>	
<p>14. Obtain confirmations from the registered political party and the candidate as a nomination contestant as to contributions of money and the commercial value of donated property and services - this is only for money coming in.</p>	
<p>15. Obtain confirmations from the registered political party and the candidate as a nomination contestant as to transfers of money and the commercial value of transferred property and services.</p>	
<p>16. Obtain from any person to whom the official agent has delegated spending authority a confirmation as to the amount of expenses paid or payable by that person.</p>	
<b>EXAMINATION OF THE FINANCIAL REPORT</b>	
<b>General</b>	
<p>17. Obtain the working copy of the Financial Report and vouchers from the official agent.</p>	
<p>18. Agree the maximum election expenses using the confirmation obtained in step 12 to the permitted limit of election expenses shown in the Campaign Bank Reconciliation of the Financial Report Note: Maximum expenditure = eligible voters in the constituency x MVR 2,000</p>	
<p>19. Verify if a special bank account has been opened for election</p>	
<b>Expenses</b>	
<p>20. Agree expenses recorded in the Financial Report to supporting documents, obtaining evidence that:</p> <ul style="list-style-type: none"> <li>- The supporting documents shows the particulars of the expense</li> <li>- The vendor is properly identified. Vendor for the purposes of the Financial Report is the entity or person whom the candidate or official agent has authorized to make a purchase or to whom a payment is made.</li> <li>- Expenses that meet the definition of an election expense have been properly classified in the Financial Report of Electoral Campaign Expenses and Other Outflows</li> <li>- Verify on a sample basis if the payments are only spent by the agent or the candidate</li> <li>- Verify all the payments are made through the special bank account as required by the Act</li> </ul>	

21. If there is reason to believe that certain election expenses have not been recorded, you may consider sending a confirmation to major suppliers, where purchases are known to have been made on credit, requesting that copies of their monthly statements after polling day be sent directly to you.	
22. Reconcile supplier statements with the amounts shown in the Financial Report	
<b>Monetary Contribution</b>	
23. Select a sample and verify whether candidates have complied with the requirement of the Act (Section 72 of Elections (General) Act) for when accepting contributions from individuals and other legal entity  Maximum amount of cash:  - each separate individual can contribute:  0.5% of the maximum expenditure  - each separate legal entity can contribute:  2% of the maximum expenditure  Note: Maximum expenditure (Section 69 of Elections (General) Act) = eligible voters in the constituency * MVR 2,000	
24. Verify whether all the cash grants and aids received has been deposited to the special bank account.	
25. Verify on a sample basis if the receipts are only received by the agent or the candidate	
26. Inquire if the contribution was received/accepted from any of the parties in the list (Section 70 of Elections (General) Act)	
27. Select a sample and verify the source of the receipts from the bank statement	
28. Verify a sample of non-monetary and determined commercial value is acceptable.	
<b>Loans</b>	
29. Obtain an executed copy (if available) of the loan agreement to determine whether all terms and conditions have been appropriately reflected within the Financial Report	
30. Obtain bank confirmation for the following:  a. total amount borrowed or maximum amount overdrawn  b. principal payments made to date  c. interest payments made (Note that interest paid during the election period is an election expense)  d. interest rate  e. terms of repayment  f. balance as of the date of the Financial Report	
<b>Bank Transactions</b>	
31. Perform (obtain) bank reconciliation. Reconcile the balance from the bank as at the date of the cut-off statement to the difference between total campaign cash inflows and total campaign cash outflows	

32. Cross Check the total deposits on the bank statements to the total campaign cash Inflows	
33. Cross Check the total debits on the bank statements to the total campaign cash outflows	
<b>FINALIZATION</b>	
34. Agree all amounts and particulars of the Statement of Electoral Campaign Expenses and Other Outflows the Summary of Contributions, Loans, Transfers and Other Cash Inflows and the Campaign Bank Reconciliation to the other parts of the financial report or records, as appropriate.	
35. Clear notes made during any campaign visits to information recorded in the Financial Report.	
36. Check that everything adds properly on the Financial Report.	
37. For a review of the subsequent events, ask the official agent whether any payments have been made or any claims received after providing the completed Financial Report to the auditor, and whether there are any other developments that affect the Financial Report.	
38. Obtain a representation letter from the candidate and the official agent (refer to <u>Exhibit 3</u> ).	
39. Photocopy the audited working copy of the Financial Report and all vouchers and the working copy to the official agent.	
40. Obtain the final copy of the financial report from the official agent and compare this copy with the final version of the audited working copy to determine that no changes have been made.	
<b>AUDITOR'S REPORT</b>	
41. Prepare the auditor's report on the Financial Report.	
42. Ensure that the date of the auditor's report on the Financial Report will be no earlier than the date of approval of the financial report in its final form by the official agent and the candidate.	
43. Consider obtaining evidence of delivery of the auditor's report.	
<b>DOCUMENTATION PROCEDURES</b>	
44. Document the nature, timing and extent of the audit procedures performed, the results and the audit evidence obtained, and the significant findings or issues arising during the audit and the conclusions reached thereon.	

## EXHIBIT 5

### INDEPENDENT AUDITOR'S REPORT

#### INDEPENDENT AUDITOR'S REPORT

To *[name of candidate]* (candidate) and *[name of official agent]* (official agent) for submission to the Election Commission in accordance with Section 73 of the Act No. 11/2008 (Elections (General) Act).

#### REPORT ON THE FINANCIAL REPORT

##### Qualified Opinion

We have audited the accompanying Candidate's Electoral Campaign Financial Report for the candidacy of *(name of candidate)* (the "Candidate"), a candidate at the election for presidential election/ parliamentary election held on the \_day of, 20XX, which comprises of the Statement of Electoral Campaign Income and Expenses.

This Financial Report has been prepared by the candidate and official agent for the candidate based on the financial reporting provisions of the Act No. 11/2008 (Elections (General) Act) *and* regulations made thereunder.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Financial Report of *(name of candidate)* is prepared, in all material respects in accordance with the reporting provisions of section XXXX of Act No. 11/2008 (Elections (General) Act) and regulations made thereunder.

##### Basis for Qualified Opinion

Due to the inherent nature of the transactions of electoral campaigns, the completeness of contributions, loans and other income and expenses is not susceptible of satisfactory audit verification. Accordingly, our verification of these amounts was limited to the amounts recorded in the campaign's accounting records and we were not able to determine whether any adjustments might be necessary to contributions, loans and other income and expenses.

We conducted our audit in accordance with the Guideline for the auditors of Electoral Candidate. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report 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 Report, 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**

Without modifying our opinion, we draw attention to Note X to the Financial Report, which describes the basis of accounting. The Financial Report is prepared to assist the candidate and the official agent to meet the requirements of the Act No. 11/2008 (Elections (General) Act) and regulations made thereunder. As a result, the Financial Report may not be suitable for another purpose.

**The Candidate and Official Agent's Responsibilities for the Financial Report**

The official agent of the campaign is responsible for the preparation of the Financial Report in accordance with the financial reporting provisions of the Act No. 11/2008 (Elections (General) Act) and regulations made thereunder and for such internal control as the official agent determines is necessary to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Candidate's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the Financial Report 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 the Guideline for the auditors of Electoral Candidate 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 Report. As part of an audit in accordance with the Guideline for the auditors of Electoral Candidate, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Report, 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 campaign's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the official agent.
- 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.

This report is intended solely for use by the Elections Commission Maldives and should not be used by other parties.

*(Auditor's signature)*

*(Audit Partner name)*

*(Audit Firm name)*

*(Audit License number)*

*(Date of the auditor's report)*

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