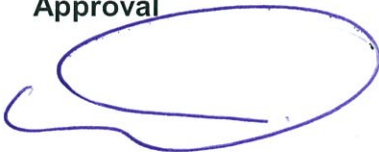


# Audit Waiver Procedure

Version 2.0

Approval



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Director, Elections, Disclosure and Spatial

23 / 08 / 2018

## Version history

Version	Notes	Author	Date of Change
1.0	Issued for use	Director, Elections, Disclosure and Spatial	February 2017
1.1	Review	Director, Elections, Disclosure and Spatial	August 2018
2.0	Issued for use	Director, Elections Disclosure and Spatial	August 2018

## Review

This procedure will be reviewed **annually** from the approval date in conjunction with the Audit Waiver Policy, or if the relevant regulatory frameworks change in a way that means this procedure is no longer contemporary.

## Purpose

This procedure sets out the framework for dealing with requests received by the Electoral Commission of Queensland (the Commission) for a waiver of the requirement to give an audit certificate with a periodic disclosure return, in accordance with the Commission's Audit Waiver Policy.

## Scope

Section 310 of the *Electoral Act 1992* (the Act) requires registered political parties, associated entities and State candidates to provide a certificate from an auditor with their periodic disclosure returns. Section 310 of the Act also provides that the Commission may waive compliance with the requirement to give an audit certificate if the Commission considers the cost of compliance with the requirement would be unreasonable.

## Application

This procedure applies to all Commission officers performing functions related to the disclosure obligations of registered political parties, associated entities and State candidates under the Act.

## Procedure

### Receiving audit waiver requests

Requests for an audit waiver must be submitted to the Commission by the entity responsible for giving the return to which the request relates. Requests for an audit waiver should be submitted via the Commission's Electronic Disclosure System; however, the Commission may accept written requests via post, email or fax if it is deemed appropriate. Requests must include an explanation of the reason for the request.

Once submitted, a request for an audit waiver should be assessed against the Audit Waiver Policy and this procedure within 10 business days. The decision to grant an audit waiver, or otherwise, should be communicated to the applicant at the end of the 10 business days. Where a decision is delayed, the applicant must be contacted and advised of the delay.

### Assessing audit waiver requests

The Commission may only waive the requirement for an audit certificate if it is satisfied that the cost of compliance would be unreasonable. As such, audit waiver requests must be assessed on a case by case basis, taking all relevant circumstances into account, including, but not limited to:

1. The contents of the return to which the audit waiver request relates;
2. The public interest factors that might be advanced by the entity providing an audit certificate with the return;
3. The potential for the audit certificate requirement to cause undue financial hardship on the entity submitting the return.

In considering the relevant circumstances of an audit waiver request, the Commission may identify factors that favour approval of the request, as well as factors that favour rejection of the request. Where the Commission identifies countervailing factors, the relative importance of each



factor must be considered before a conclusion can be made about whether, on balance, it would be considered unreasonable to require an entity to provide an audit certificate with a return.

## 1. Return contents

Prior to making a determination on an audit waiver request, some, if not all, of the following items in the associated return may be considered to determine the perceived risk in approving the request:

- Total received – this is the sum value of all gifts, loans and receipts received for the reporting period.
- Total paid – this is the sum value of all payments made during the reporting period, or the total electoral expenditure incurred for the relevant election.
- Total outstanding – this is the sum value of all outstanding debts incurred during the reporting period.
- Total number of gifts – this is the total number of gifts disclosed in real time for the reporting period.

To determine the risk rating of an audit waiver request based on the contents of the return, the following table can be used as a guide:

	Low risk	Medium risk	High risk
<b>As a guide</b>	<ul style="list-style-type: none"> <li>• Total received: &lt;\$20,000;</li> <li>• Total paid: &lt;\$30,000;</li> <li>• Total outstanding: &lt;\$30,000; and</li> <li>• Total number of gifts: &lt;20.</li> </ul>	<ul style="list-style-type: none"> <li>• Only one of the low risk criteria is exceeded; and</li> <li>• The criterion is exceeded by =&lt;50%.</li> </ul>	<ul style="list-style-type: none"> <li>• Two or more of the low risk criteria are exceeded.</li> </ul>
<b>Audit waiver decision</b>	Generally favour approval	Generally favour approval	Generally favour rejection

A low to medium risk rating will generally favour approval of an audit waiver request, while a high risk rating will generally favour rejection. The Commission will consider the risk rating in conjunction with other relevant circumstances in order to decide whether or not an audit waiver will be granted.

## 2. Public interest factors

There are a number of public interest factors that the Commission may consider when assessing an audit waiver request. The following table contains a non-exhaustive list of factors that may generally favour approval or rejection of a request:

Factors generally favouring approval	Factors generally favouring rejection
An audit certificate was provided in the previous reporting period.	An audit certificate was not provided in the previous reporting period.
No elections in which the entity was a participant were held during the reporting period.	One or more elections in which the entity was a participant were held during the reporting period.
The entity has a relatively low profile and/or attracts little public or media interest, e.g. candidates who are not elected, minor political parties.	The entity has a relatively high profile and/or attracts significant public or media interest, e.g. elected members, major political parties.
The transactions disclosed in the return are primarily of an administrative nature, e.g. bank transactions, inter-entity transfers.	The transactions disclosed in the return are primarily of a non-administrative nature, e.g. donations, expenditure for political activity.
There are no transactions that could be considered anomalous or indicative of deliberate non-compliance.	There are transactions that could be considered anomalous or indicative of deliberate non-compliance.
The Commission has no reasonable suspicion regarding the accuracy of the return.	The Commission has reasonable suspicion regarding the accuracy of the return.

### 3. *Financial hardship*

In deciding whether to approve or reject an audit waiver request, the Commission may also take into account:

- The financial circumstances of the entity making the request; and
- The actual cost to the entity of complying with the requirement to give an audit certificate.

If it is determined that the cost of an audit certificate would impose undue financial hardship on an entity, the Commission may decide to waive compliance with the requirement.

The Commission may perform an initial assessment of an entity's financial position based on the items listed in the entity's return (e.g. total received, paid and outstanding). If the return indicates that the entity's income is greater than its expenses or debts, this may be considered by the Commission as a factor favouring rejection of an audit waiver request. Conversely, if an entity's return shows that little to no amounts were received during the reporting period, this may be a factor favouring approval of the audit waiver request.

The Commission may also request additional documentation from the entity, such as formal quotations from an auditor, to further demonstrate that the cost of compliance would be unreasonable.

### **Determining audit waiver requests**

Once the Commission has assessed the particular circumstances of an audit waiver request and identified all the relevant factors favouring approval or rejection of the request, it must make a determination about where the balance of factors lies.

This is done by considering the relative importance of each factor and determining if the factors favouring approval are strong enough for the Commission to be satisfied that the cost of



compliance with the requirement to provide an audit certificate would be unreasonable. If the Commission is satisfied, the audit waiver request should be approved. If the Commission is not satisfied, the audit waiver request should be rejected.

Decisions to approve an audit waiver for Low and Medium risk entities can be made by the Principal Elections Officer, Funding and Disclosure, or the Manager, Elections, Disclosure and Spatial. All decisions regarding High risk entities must be made by the Director, Elections, Disclosure and Spatial.

Where contentious or complex issues are identified, or a decision to reject an audit waiver is recommended for Low and Medium risk entities, the decision must be referred to the Director, Elections, Disclosure and Spatial for approval.

### **Finalising audit waiver requests**

The Commission must notify the entity requesting an audit waiver in writing of the decision to approve or reject their request.

If an audit waiver request is rejected, the Commission must provide reasons for the decision, including reference to the relevant sections of the Audit Waiver Policy and this procedure where applicable. The Commission must also inform entities that they can apply for a review of the decision if they wish.

An audit certificate is required to be provided to the Commission within 10 business days of the decision to reject an audit waiver request unless the requesting entity:

- Applies for an extension of the day by which the certificate must be given; or
- Seeks a review of the Commission's decision to reject the audit waiver request.

The Commission may grant an application for an extension if it is satisfied that it is appropriate to do so in the circumstances.

A review of a decision to reject an audit waiver should be conducted by an officer of the Commission who is no less senior than the original decision maker, and who was not involved in the original decision. If no suitable person can be appointed, the agency should consider discussing with the entity the option of applying for an external review instead.

The Commission must keep accurate records of all requests and decisions on those requests, including any related correspondence, briefing notes and supporting documentation.

## **Delegations**

The following persons are authorised to determine whether or not an audit waiver should be granted in accordance with this procedure and the Audit Waiver Policy:

- Principal Elections Officer, Funding and Disclosure
- Manager, Elections, Disclosure and Spatial
- Director, Elections, Disclosure and Spatial
- Assistant Electoral Commissioner
- Electoral Commissioner

## Appendix 1 — Definitions

### Definitions

Term	Definition
<b>Audit certificate</b>	<p>A certificate from an auditor stating:</p> <ul style="list-style-type: none"> <li>• that the auditor was given full and free access at all reasonable times to the accounts and documents of the agent responsible for giving the return and of the party, elected member or candidate relating directly or indirectly to a matter required to be disclosed in the return; and</li> <li>• the auditor examined the accounts and documents mentioned above that the auditor considered material for giving the certificate; and</li> <li>• the auditor received all the information and explanations the auditor asked for in relation to any matter required to be stated in the certificate, subject to the qualifications, if any, stated in the certificate; and</li> <li>• the auditor has no reason to think any statement in the declaration is not correct.</li> </ul>
<b>Audit waiver</b>	A waiver of the requirement to give an audit certificate with a periodic disclosure return.
<b>Periodic disclosure return</b>	A disclosure return that is required to be given within a specified timeframe after an electoral event or the end of a reporting period.

## Appendix 2 — Regulatory Framework

### Regulatory framework

*Electoral Act 1992, section 310*

*Electoral Regulation 2013, section 6*