

# Audit of Third Party Advertising in a Federal Election

**PURSUANT TO THE *CANADA ELECTIONS ACT***





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# Foreword

The purpose of this Guide is to provide practical guidance to auditors appointed under the *Canada Elections Act* (the “Act”) reporting on the “Third Party Election Advertising Report” on financial reporting requirements of the *Act*.

This Guide is now in its third edition. Changes in this edition have been made primarily to reflect changes to the *Act* with respect to *Bill C-23—Fair Elections Act* and changes to the *Election Advertising Handbook for Third Parties, Financial Agents and Auditors (EC 20227)*. The sections relating to the audit of the Third Party Election Advertising Report contain references to Canadian Auditing Standards (CASs). This edition of the Guide has been prepared based on the *CPA Canada Handbook—Assurance*, updated in September 2014 and is being published in preparation for the 2015 federal election.

Any views expressed in the Guide are those of individuals involved in its preparation and do not constitute an official position of the Chartered Professional Accountants of Canada (CPA Canada).

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# Introduction

- 1 Under the *Canada Elections Act* (the “Act”), a third party must register immediately after having incurred election advertising expenses of \$500 or more, and must do so after the issuance of the writ. The third party must have a financial agent when it applies for registration. The financial agent can be appointed any time before then. In addition, the *Act* requires a third party that incurs election advertising expenses of \$5,000 or more to appoint an auditor who will issue a report under the Third Party Election Advertising Report. The appointment of an auditor may become necessary before or after registration. The *Act* specifies the rights and responsibilities of the third party, the financial agent and the auditor. These rights and responsibilities (more specifically the legislative requirements relating to accounting, financial reports and the audit of the Third Party Election Advertising Report) are examined in the following paragraphs.



# Accounting Requirements

## Definition of a Third Party

- 2** For the purposes of election advertising, third party means a person or group other than a candidate, a registered party, or any electoral district association of a registered party (section 349). A third party may incur election advertising expenses totalling \$500 or more in relation to a general election or a by-election if the third party is:
1. an individual that: (i) is a Canadian citizen, other than a registered candidate; (ii) is a permanent resident as defined in subsection 2(1) of the *Immigration and Refugee Protection Act*; or (iii) resides in Canada;
  2. a corporation that carries on business in Canada; or
  3. a group with a person responsible for such group that satisfies the requirements of an “individual” noted above, including unincorporated trade unions or trade associations but excluding a registered party or any electoral district association of a registered party.

Third parties are required to register with the Chief Electoral Officer after incurring election advertising expenses of \$500 or more, and must do so after the issuance of the writ. The application must be accompanied by a declaration signed by the financial agent (subsection 353(3)). If a third party is a trade union, corporation or other entity with a governing body, the application must include a copy of the resolution passed by its governing body authorizing it to incur election advertising expenses (subsection 353(5)). A third party must identify itself in any election advertising it places and indicate that it has authorized the advertising (section 352).

## Election Advertising Expenses

- 3** Section 349 of the *Act* defines an election advertising expense as “an expense incurred in relation to (a) the production of an election advertising message and (b) the acquisition of the means of transmission to the public of an election advertising message.” Election advertising expenses include amounts paid and liabilities incurred for such activities as well as the commercial value of property and services other than volunteer labour that are donated or provided. They also include amounts that represent the difference between the amount paid or liability incurred for property and services (other than volunteer labour) and their commercial value when the property and services are provided at less than their commercial value.
- 4** Section 319 of the *Act* defines election advertising as “the transmission to the public by any means during an election period of an advertising message that promotes or opposes a registered party or the election of a candidate, including one that takes a position on an issue with which a registered party or candidate is associated.” The following messages are not considered election advertising:

  - the transmission to the public of an editorial, a debate, a speech, an interview, a column, a letter, a commentary or news
  - the distribution of a book, or the promotion of the sale of a book, for no less than its commercial value if the book was planned to be made available to the public regardless of whether there was to be an election
  - the transmission of a document directly by a person or a group to their members, employees or shareholders, as the case may be
  - the transmission by an individual, on a non-commercial basis on the Internet, of that person’s personal political views
  - the making of telephone calls to electors only to encourage them to vote (section 319).

## Maximum Election Advertising Expenses

- 5** A third party shall not incur election advertising expenses of a total amount of more than \$150,000 in relation to a general election (subsection 350(1)). This base amount is multiplied by the inflation adjustment factor (subsection 350(5) with reference to section 384). The inflation adjustment factor is published before April 1 every year by Elections Canada. The limit applies to the total of all election advertising

expenses whether paid, unpaid or accepted as non-monetary contributions. The third party election advertising expenses limit for a 37-day general election period called between April 1, 2015 and March 31, 2016 is \$205,800 in total.

- 6** A third party shall not incur more than \$3,000 of the total amount of \$150,000 to promote or oppose the election of one or more candidates in a given electoral district (subsection 350(2)). This base amount is multiplied by the inflation adjustment factor (subsection 350(5)). The inflation adjustment factor is published before April 1 every year by Elections Canada. The limit applies to the total of all election advertising expenses, whether paid, unpaid or accepted as non-monetary contributions. The limit of third party election advertising expenses for a 37-day general election period called between April 1, 2015 and March 31, 2016 is \$4,116 in total in a given electoral district. The following activities in particular are considered as election advertising for promoting or opposing the election of one or more candidates in a given electoral district (subsection 350(2)):

  - naming them
  - showing their likeness,
  - identifying them by their respective political affiliations
  - taking a position on an issue with which they are particularly associated
- 7** If an election period is longer than 37 days, then the maximum election advertising expense limit will be increased by adding the product of  $1/37$  of the election limit multiplied by the number of election days greater than 37 (subsection 350 (6)). For example, if in the 2015 general election, the total number of election days are 79, the new limit will be  $(\$205,800 + ((\$205,800 \times 1/37) \times 42))$ , that is, \$439,410.81.
- 8** A third party cannot attempt to circumvent a limit set out for election advertising expenses by splitting itself into two or more third parties or acting in collusion with another third party so that their combined election advertising expenses exceed the limit set out (section 351).
- 9** In circumstances where a general election is held on a date other than that specified within the *Act* or if a by-election is held and a third party has already incurred an expense which it cannot cancel, this expense shall not be counted toward the advertising expense limit if it was incurred before the issuance of the writ due to the uncancellable nature of expense (subsection 350(4.1)). For example, if an advertising message

is in transit on the day a by-election or a general election is called and the third party does not have the ability to stop the delivery, it will not be considered an election advertising expense even though the actual delivery will take place during the election period. However, any election advertising distributed in the 36 days preceding a fixed-date election will be an election advertising expense, or if a by-election is held, a third party does not incur an election advertising expense if, on the issue of the writ or writs, it is not able to cancel the transmission of that advertising (subsection 350(4.1)).

- 10 If election advertising is transmitted during an election period, it shall be considered an election advertising expense, regardless of when it was incurred (subsection 351.2).

## Eligibility to Pay Election Advertising Expenses

- 11 Election advertising expenses incurred on behalf of a third party must be authorized by its financial agent (subsection 357(1)). Although a financial agent may authorize a person to incur expenses, this does not limit the responsibility of the financial agent (subsection 357(2)).

## Contributions

- 12 Contributions made during an election period to a registered third party for election advertising purposes must be accepted by its financial agent (subsection 357(1)). Although a financial agent may authorize a person to accept contributions, this does not limit the responsibility of the financial agent (subsection 357(2)). In addition, all contributors must be properly identified. No third party may use a contribution for election advertising if the third party does not know the name and address of the contributor or is otherwise unable to determine within which class of contributor they fall (subsection 357(3)). Contributors must belong to one of the following classes (subsection 359(6)):
  - individuals
  - businesses
  - commercial organizations
  - governments
  - trade unions
  - corporations without share capital other than trade unions
  - unincorporated organizations or associations other than trade unions

Furthermore, no third party may use a contribution for election advertising purposes if the contributor is a (section 358):

- person who is not a Canadian citizen or a permanent resident
- corporation or an association that does not carry on business in Canada
- trade union that does not hold bargaining rights for employees in Canada
- foreign political party
- foreign government or an agent of one

- 13** If the third party is unable to identify which contributions were received for election advertising purposes, the third party must list the name, address, class, and the amount and date of each contribution of every contributor who donated a total of more than \$200 in the period beginning six months before the issuance of the writ and ending on polling day (subsections 359(4)(a), 359(4)(b) and 359(7)).

## Support for Election Advertising Expenses

- 14** At the request of the Chief Electoral Officer, a third party must provide the original of any bill, voucher or receipt in relation to an election advertising expense of more than \$50 (subsection 359(9)).



# Third Party Report

## Third Party Election Advertising Report

- 15** Within four months after polling day, a third party must file an Election Advertising Report with the Chief Electoral Officer (subsection 359(1)). The report contains:
- a list of election advertising expenses intended to promote or oppose the election of one or more candidates in a given electoral district, and the time and place of the broadcast or publication of the advertisements to which the expenses relate (subsection 359(2)(a)(i)).
  - a list of other election advertising expenses and the time and place of broadcast or publication of the advertisements to which the expenses relate (subsection 359(2)(a)(ii)).
  - the amount, by class of contributor (see paragraph 12), of contributions (including loans) for election advertising purposes received in the period beginning six months before the issuance of the writ and ending on polling day (par. 359(4)(a)).
  - for each contributor who made contributions (including loans) of a total amount of more than \$200, their name, address and class, and the amount and date of each contribution (par. 359(4)(b)); if the contributor is a numbered company, the name of the chief executive officer or president of that company (par. 359(4)(b.1)).
  - the amount paid out of the third party's own funds for election advertising purposes (par. 359(4)(c)).
- 16** The third party is responsible for preparing the report. In addition, “an election advertising report shall include the signed declarations of the financial agent and, if different, of the person who signed the application [for registration]... that the report is accurate” (subsection 359(8)). In cases where no election advertising expenses were incurred, the report must mention that fact.

## Composition of the Third Party Election Advertising Report

- 17 The Third Party Election Advertising Report (EC 20228) comprises the following sections:

### **Part 1—Summary**

This contains information on the third party and the financial agent. It also sets out the number of contributors and the total amount of contributions, as well as the total amount and details of election advertising expenses incurred to promote or oppose the election of one or more candidates in a given electoral district. It also lists the documents submitted and filed by the financial agent.

### **Part 2—Declarations**

This contains declarations by the financial agent and by the person who signed the application for registration (if different from the financial agent) as to the completeness and accuracy of the Report.

### **Part 3—Statement of Contributions Received for Election Advertising Purposes [359(4)]—Summary**

This statement summarizes, by class of contributor, the aggregate amounts and number of contributors who have provided money, goods or services by way of contribution, loan or gift to the third party in the period beginning six months before the issue of the writ and ending on polling day, showing separately monetary and non-monetary contributions, loans and the total.

### **Part 4—Details of Contributions Received for Election Advertising Purposes [359(4)(a), (b) - 359(5)] Statement of Operating Loans**

This lists the name and address of lenders, as well as the class of contributors, date of loan, principal of loan, amount repaid and balance owing.

### **Part 5—Details of Contributions Received for Election Advertising Purposes [359(4)(a), (b) and (b.1)] Monetary Contributions**

This lists the name and address of contributors, the class of contributor and the amounts contributed for election advertising purposes where a donor's total contributions exceeds \$200 and indicates the date at which the contribution was made. Amounts and number of contributions of \$200 or less are aggregated as a one-line item.

**Part 6—Details of Contributions Received for Election Advertising Purposes [359(4)(a), (b) and (b.1)] Non-Monetary Contributions**

This lists the name and address of contributors, the class of contributor and the commercial value of goods and services or discounts contributed for election advertising purposes where a donor's total contributions exceeds \$200 and indicates the date at which the contribution was made. Amounts and number of contributions of \$200 or less are aggregated as a one-line item.

**Part 7—Statement of Election Advertising Expenses to Promote or Oppose the Election of One or More Candidates in a Given Electoral District [359(2)(a)(i)]**

This lists all election advertising expenses incurred to promote or oppose the election of one or more candidates by date and place of the advertisements (i.e., the media in which the advertising was published or broadcast), providing details of the name of the supplier, the voucher number, the amount paid, any discount and unpaid claim, together with totals.

**Part 8—Statement of Election Advertising Expenses Not Reported in Part 7**

This lists all other election advertising expenses by date and provides details of the name of the supplier, the voucher number, the amount paid, any discount and unpaid claim, together with totals.

## **Publication of the Third Party Election Advertising Report**

- 18** The Chief Electoral Officer shall publish the names and addresses of registered third parties as they are registered and publish, within one year after the issue of the writ, the Third Party Election Advertising Reports received (section 362).



# Audit of the Third Party Election Advertising Report

## Audit of the Third Party Election Advertising Report

- 19** In accordance with subsection 355(1) of the *Act*, a third party that incurs election advertising expenses in an aggregate amount of \$5,000 or more must appoint an auditor without delay. Subsection 360(2) requires the third party's auditor to report on the Third Party Election Advertising Report.

## Eligibility to Act as Auditor

- 20** According to subsection 355(2), only "(a) a person who is a member in good standing of a corporation, an association or an institute of professional accountants, or (b) a partnership every partner of which is a member in good standing of a corporation, an association or an institute of professional accountants" is eligible to be an auditor for a third party. Subsection 355(3) indicates that the third party's financial agent, a person who signed the third party's application, an election officer, a candidate, the official agent of a candidate, the chief agent of a registered party or an eligible party, and a registered agent of a registered party are not eligible to be an auditor for a third party.

## Consent Letter

- 21** In accordance with subsection 355(4), “every third party, without delay after an auditor is appointed, must provide the Chief Electoral Officer with the auditor’s name, address, telephone number and occupation and a signed declaration accepting the appointment.” An example of a consent letter is set out in Exhibit 1.

## Other Legal and Regulatory Requirements of the Auditor

- 22** According to subsection 360(2), the third party’s auditor reports on the Election Advertising Report and makes any examination that will enable the auditor to give an opinion as to whether the Third Party Election Advertising Report presents fairly the information contained in the accounting records on which it is based. In addition, according to subsection 360(3) of the *Act*, the auditor must make such statements as considered necessary when:
- the auditor becomes aware that the Third Party Election Advertising Report does not present fairly the information contained in the accounting records on which it is based
  - the auditor has not received from the third party all the information and explanations required
  - based on the auditor’s examination, it appears that proper accounting records have not been kept by the third party

## Access to Information

- 23** In accordance with subsection 360(4), the auditor must have access at all reasonable times to all documents of the third party necessary to prepare the report. These include all the records, accounts and vouchers held by the third party or its financial agent, and all the information and explanations which, in the auditor’s opinion, are necessary to conduct the audit. The auditor must have access in particular to copies of all bank statements and cancelled cheques, lists of outstanding cheques, copies of all bills, vouchers and pro-forma invoices, and to details of any loans, contributions, fund-raising functions, miscellaneous revenue, date and place of advertisements, inventory remaining on hand and the third party’s report.

## Representation Letter

- 24** Under subsection 360(4) of the *Act*, the third party’s auditor “may require the third party to provide any information or explanation, which, in the auditor’s opinion, is necessary to enable the auditor to prepare the report.” As part of the audit evidence, the auditor should obtain written assurance from the third party and the financial agent as to representations the auditor considers of significance in forming an opinion. Included at the end of this Guide is an example of a representation letter (Exhibit 3) which may be amended to take into account the particular circumstances of each engagement.

## Deadlines for Filing

- 25** Pursuant to subsection 359(1) of the *Act*, the Third Party Election Advertising Report and, as applicable, the auditor’s report respecting the Third Party Election Advertising Report should be filed with the Chief Electoral Officer within four months after polling day.

## Terms of Engagement

- 26** It is important that there be a clear understanding and agreement with the third party and the third party’s financial agent as to the nature of the services the auditor is to provide and the nature of the auditor’s report. It is suggested that the terms of the engagement be agreed on prior to accepting the appointment as auditor for a third party.
- 27** The third party must sign the audit engagement letter. As well, the financial agent must acknowledge and understand his or her responsibility by signing the audit engagement letter. Exhibit 2 of this Guide provides a suggested form of engagement letter. Appropriate amendments would, of course, have to be made to take into account the particular circumstances of a specific engagement.

## Suggested Audit Program

- 28** To provide for an acceptable level of quality control and standardization in the conduct of the audit of a third party, a suggested audit program has been set out in Exhibit 4 of this Guide. Although it appears to be

quite comprehensive, most of the steps do not require a lot of time. The program should, however, be adapted as necessary to the particular circumstances of an audit of a Third Party Election Advertising Report.

## Other Audit Considerations

- 29** Chapter 5 of CPA Canada's *A Guide for the Auditor of a Candidate in a Federal Election* provides guidance on materiality and risk in conducting the audit of a candidate's return, on detecting and communicating misstatements in a candidate's return and on conducting an audit. Chapter 6 provides guidance on the auditor's report for a candidate. Many of the issues dealt with in those chapters are similar to the audit of a third party and in many instances guidance is also appropriate for the conduct of an audit of a third party. The following paragraph contains additional guidance on issues specific to the audit of a third party.

## Opening a Separate Bank Account

- 30** The *Act* does not require the opening of a separate bank account for making payments and deposits of money related to the third party election advertising operations. If a separate bank account is not used, however, it is more difficult to perform the audit procedures, notably to reconcile the bank accounts. The auditor may therefore recommend to the financial agent that a separate bank account be used for all election advertising operations.

## EXHIBIT 1

# Sample Consent Letter

(Date)

A. Third Party  
Address

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

I hereby accept the appointment as your auditor pursuant to section 355 of the *Canada Elections Act* relative to the election to be held on \_\_\_\_\_ 20 \_\_\_\_ (date).

This letter is provided in compliance with subsection 355(4) of the *Act*.

Yours truly,

(signed) \_\_\_\_\_  
cc: Chief Electoral Officer



**EXHIBIT 2**

# Sample Audit Engagement Letter

(Date)

A. Third Party  
Address

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

**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 Third Party Election Advertising Report (the Report) under the *Canada Elections Act* relating to the Election to be held on \_\_\_\_\_, 20 \_\_\_\_\_. The objective of my audit will be to express an opinion on the Report.

**MY RESPONSIBILITIES**

My audit will be performed in accordance with Canadian generally accepted auditing standards, which require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Report.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Report, whether due to fraud or error. My audit will also include evaluating the appropriateness of accounting policies used and the reasonableness of any accounting estimates made by you or your financial agent in the preparation of the Report, as well as the overall presentation of the Report.

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 Canadian generally accepted auditing standards.

In making my risk assessments, I consider internal control relevant to the entity's preparation of the Report 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. However, I will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the Report that I have identified during the audit.

It should be noted that the *Act* prescribes limitations on the timing, amount and sources of contributions. It is not practicable, however, for me to verify, from sources outside the accounting records, that all contributions are in accordance with the *Act*, nor does the *Act* require me to do so. Furthermore, although the *Act* does not require me to report that all financial transactions pertaining to election advertising have been included in the accounting records, I have to conduct the audit of the Report in accordance with Canadian generally accepted auditing standards. Therefore, since there is a scope limitation due to the inherent nature of the transactions of election advertising, the completeness of contributions and other revenue and expenses is not susceptible of satisfactory audit verification. Accordingly, I shall state this fact in my report.

It has been determined and deemed acceptable that the applicable financial reporting framework for preparing the Report be a special purpose compliance framework. Accordingly, in order to comply with the CASs, the auditor's report will be based on the applicable financial reporting framework. In addition, to report under the *Act*, the auditor shall include a separate section in the auditor's report for reporting on other legal and regulatory requirements to comply with subsection 360(2), which states "The third party's auditor shall report on the election advertising report and shall make any examination that will enable the auditor to give an opinion in the report as to whether the election advertising report presents fairly the information contained in the accounting records on which it is based." I must include the following statement in the auditor's report:

As required by subsection 360(2) of the *Canada Elections Act*, in my opinion, the Report 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 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.” In addition, I must add a subtitle “Report on the Report” before the introductory paragraph to clearly distinguish the responsibility to report on the Report from the responsibility to report on other legal and regulatory requirements.

Subsection 360(3)(c) requires the auditor to include in the report any statement the auditor considers necessary if, based on the examination, it appears that proper accounting records have not been kept by the third party. If, based on my examination, I determine that the records have not been properly kept, I will include a statement to this effect in the auditor’s report. This statement must be included in a separate section at the end of the auditor’s report subtitled “Report on Other Legal and Regulatory Requirements.” In addition, I shall add a subtitle “Report on the Report” before the introductory paragraph to clearly distinguish the responsibility to report on the Report from the responsibility to report on other legal and regulatory requirements.

Canadian generally accepted auditing standards require me to comply with ethical requirements, including a duty of confidentiality with respect to client affairs. Accordingly, I will not divulge information related to your election advertising that is not already in the public domain to any third party without your permission unless required to do so by legal authority or the rules of professional conduct/code of ethics of the professional accounting organization of which I am a member. In this respect, however, it should be noted that section 362(b) of the *Act* requires the Chief Electoral Officer to publish the Report within one year after the issue of the writ.

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

In the absence of circumstances that would prevent me from expressing an opinion without further modification or additional statement, my report will be substantially in the following form for the auditor’s report on the Report:

*[Include content of the auditor’s report on the Report]*

**YOUR RESPONSIBILITIES**

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

1. preparing the Report in accordance with the requirements of the *Canada Elections Act*
2. such internal control as you and your financial agent determine is necessary to enable the preparation of the Report in a manner that is free from material misstatement, whether due to fraud or error
3. providing me with access to all information of which you and your financial agent are aware that is relevant for the preparation of the Report. It may be necessary to perform certain auditing procedures at any time before or after the election date. I understand that I will have access at all reasonable times to all records, documents, books, accounts and vouchers held by you and your financial agent pertaining to the election advertising, and may require from both of you such information and explanations as are necessary to complete my examination and report. This includes 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 third party'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 valuations and disclosures in the Report
  - e. a note to be attached to the Report describing the financial reporting framework applied for preparing the Report (see Exhibit 5 for a sample note)
  - f. subsequent events
4. providing me with additional information that I may request from you and your financial agent for the purpose of the audit
5. providing me with unrestricted access to persons from whom I determine it necessary to obtain audit evidence

As part of my audit process, I will request from you and your financial agent written confirmation concerning representations made to me in connection to the audit engagement.

As the *Act* requires my examination to be completed and my report issued within four months of polling day, it is essential that the suppliers' accounts be recorded and the accounting records completed in time to allow me a reasonable period to complete my examination. I anticipate that I will be able to report by the date required by the *Act* if your Third Party Election Advertising Report is completed and available for final audit on or before (date). You have agreed that you will provide me with the completed report by that date.

You have also agreed that you or your financial 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 financial agent.

### **FEES**

Fees will be determined on the basis of time spent on this engagement at my standard rates. Any disbursements incurred will be added to the billing.

### **WORKING PAPERS**

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

### **FILE INSPECTIONS**

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

### **USE OF INFORMATION**

It is acknowledged that I will have access to all personal information in your custody that I require to complete my engagement. My services are provided on the basis that:

1. You or your financial agent have obtained any required consents for collection, use and disclosure to me of all personal information required under applicable privacy legislation
2. I will hold all personal information in compliance with my firm's Privacy Statement

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

*This sample audit engagement letter is intended to illustrate the communication required under the CASs, as well as some more common additional matters. It does not necessarily apply to every situation. Examples of additional matters that may be addressed are provided in CAS 210, paragraphs A23 and A24. The firm's policy may require further inclusions. Auditors should determine that inclusions beyond those required under the CASs are consistent with any requirements arising under provincial legislation and from their provincial accounting body.*

Yours truly,

(signed) \_\_\_\_\_  
Auditor

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

(signed) \_\_\_\_\_ (Date)  
Third Party

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

(signed) \_\_\_\_\_ (Date)  
Financial Agent

## EXHIBIT 3

# Sample Representation Letter

(Date)

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

In connection with your audit of the Third Party Election Advertising Report (the Report) of \_\_\_\_\_, a third party in the election held on \_\_\_\_\_, 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 Third Party Election Advertising Report, which comprises:
  - Part 1— Summary
  - Part 3— Statement of Contributions Received for Election Advertising Purposes [359(4)] Summary
  - Part 4— Details of Contributions Received for Election Advertising Purposes [359(4)(a) (b), and 359(5)] Statement of Operating Loans
  - Part 5— Details of Contributions Received for Election Advertising Purposes [359(4)(a), (b) and (b.1)] Monetary Contributions
  - Part 6— Details of Contributions Received for Election Advertising Purposes [359(4)(a), (b) and (b.1)] Non-Monetary Contributions
  - Part 7— Statement of Election Advertising Expenses to Promote or Oppose the Election of One or More Candidates in a Given Electoral District [359(2)(a)(i)]
  - Part 8— Statement of Election Advertising Expenses not Reported in Part 7

for the election advertising period ended \_\_\_\_\_ in accordance with the financial reporting provisions of section 359 of the *Canada Elections Act* and the accounting guidelines issued by Elections Canada.

2. You have been provided a note describing the financial reporting framework applied for preparing the Report to be attached to the Report (see Exhibit 5 for a sample note).
3. You have been afforded access to all the records, documents, books, accounts and vouchers held by the financial agent and by the third party relating to the election.
4. You have been notified of all bank accounts used for election advertising purposes.
5. All loans, advances, deposits, contributions and gifts received for election advertising purposes and all election advertising expenses incurred (including in particular items (a) and (b) below) have been determined and recorded as required by the *Canada Elections Act* and in accordance with the *Election Advertising Handbook for Third Parties, Financial Agents and Auditors* published by Elections Canada:
  - a. labour other than volunteer labour
  - b. commercial value of property and services
6. The financial agent has received all the amounts contributed.
7. The third party has not attempted to circumvent the limit set out in the *Act* for election advertising expenses by splitting itself into two or more third parties or acting in collusion with another third party so that their combined election advertising expenses exceed the limit set out in section 351.
8. All persons or organizations made such donations on their own behalf and not as nominees for other persons or organizations.
9. No election advertising expenses (as defined in the *Act*) have been incurred by any person or organization other than the third party and the financial agent or by the following authorized persons or organizations:  

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10. We have disclosed to you all claims and possible claims against the third party and/or the financial agent, whether or not such claims have been discussed with a lawyer.
11. To the extent possible, taking into account the nature and size of the election advertising, we acknowledge our responsibility to implement control procedures designed to prevent and detect misstatements whether due to fraud or error. We believe the effects of any uncorrected misstatements aggregated by you during the audit, as set out in the attached schedule,

are immaterial, both individually and in the aggregate, to the 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*).

12. 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 Report, and the results of our assessment of any material misstatements resulting from the fraud.
13. 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 Report (*or we have disclosed to you all facts related to instances of non-compliance or suspected non-compliance with the Act or other laws and regulations whose effects should be considered when preparing the Report*).
14. All events subsequent to the date of the Report that affect the information required to be disclosed or adjusted in this Report have been accounted for or disclosed in the Report.
15. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
16. The amounts shown in the "Summary" of the Third Party Election Advertising Report for contributions and total election advertising expenses are \$\_\_\_\_ and \$\_\_\_\_ respectively.
17. (Other representations).

Yours truly,

(signed) \_\_\_\_\_  
Third Party

(signed) \_\_\_\_\_  
Financial Agent



**EXHIBIT 4****Suggested Audit Program**

DONE BY	
PRELIMINARY MATTERS	
1. Send a letter to the third party consenting to act as auditor to the third party as soon as notification of appointment is received. (Refer to Exhibit 1 for an example.)	
2. Send an audit engagement letter to the third party. (Refer to Exhibit 2 for an example.) Note that a sample representation letter and auditor's report are to be enclosed. (Refer to Exhibits 3 and 6.)	
3. Enquire whether the financial agent and the third party are familiar with the requirements under the <i>Canada Elections Act</i> that will affect the report and the audit work thereon.	
4. Enquire whether the financial agent has delegated authority to incur election advertising expenses and collect contributions for election advertising purposes 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 financial agent a copy of the detailed election advertising expenses budget.	
7. Discuss with the financial agent and the third party the expected timing of the audit of the report, availability for discussions and signatures.	
8. If the third party is a trade union, corporation or other entity with a governing body, examine the resolution passed by that governing body authorizing the third party to incur election advertising expenses. Ask whether any resolution specifies the total amount authorized for election advertising expenses.	
9. Although the use of a separate bank account is not required by the <i>Act</i> , recommend such use to the third party and the financial agent.	

DONE BY	
<b>CONFIRMATION PROCEDURES</b>	
10. Consider obtaining a cut-off bank(s) statement(s) and a bank confirmation, including details of loans and loan interest, directly from the bank. (The balance should be confirmed as at the date of the cut-off statement, which should be the date of the Report.) [N.B.: As the <i>Act</i> does not require the use of a separate bank account, more than one bank account could have been used for election advertising activities.] Consider whether external confirmation procedures are to be performed as substantive audit procedures for the bank and loan balances.	
11. Obtain from any person to whom the financial agent has delegated spending authority a confirmation as to the amount of expenses paid or payable by that person.	
<b>OBSERVATION PROCEDURE</b>	
12. If practicable during the campaign, personally visit and observe the operations at the third party's campaign headquarters. Under normal circumstances, one visit close to polling day should be adequate. The following matters should be considered during the observation: <ul style="list-style-type: none"> <li>• size of third party headquarters, to ensure the rent expense is reasonable</li> <li>• quantities and types of third party campaign literature</li> <li>• duties of third party campaign workers present in relation to financial matters</li> <li>• Third Party campaign operations in general</li> <li>• internal controls that appear to be in place</li> <li>• Information as to fund-raising functions that have occurred or are anticipated</li> </ul>	
<b>EXAMINATION OF THE REPORT</b>	
<b>General</b>	
13. Obtain the working copy of the Third Party Election Advertising Report and vouchers from the financial agent.	
<b>Expenses</b>	
14. Agree expenses on Part 7 "Statement of Election Advertising Expenses to Promote or Oppose the Election of One or More Candidates in a Given Electoral District [359(2)(a)(i)]" and Part 8 "Statement of Election Advertising Expenses not Reported in Part 7" to supporting vouchers, <sup>1</sup> obtaining evidence that: <ol style="list-style-type: none"> <li>a. The voucher shows particulars of the expense, including date and place of the advertisements.</li> <li>b. The expenses that meet the definition of an election advertising expense have been properly classified in Part 7, the "Statement of Election Advertising Expenses to Promote or Oppose the Election of One or More Candidates in a Given Electoral District [359(2)(a)(i)]."</li> <li>c. If the voucher shows a commercial value greater than the amount charged, the amount shown is the commercial value (unless the commercial value is \$200 or less and the contributor is not in the business of supplying such property and services, in which case the commercial value is deemed to be nil).</li> <li>d. Any capital expenditures are noted for subsequent follow-up (see step 21).</li> </ol>	

<sup>1</sup> As discussed in paragraph 14, it is the responsibility of the Third Party, as per subsection 359(9), to provide, at the request of the Chief Electoral Officer, the original of any bill, voucher or receipt in relation to an election advertising expense that is in an amount of more than \$50.

	<b>DONE BY</b>
15. If there is reason to believe that certain election advertising expenses have not been recorded, send a confirmation to major suppliers where purchases are known to have been made on credit requesting that copies of their monthly statements from the date of the issue of the writ to the third month after polling day be sent directly to you.	
16. Review the reasonableness of cost allocations when costs incurred are for more than one purpose and include third party election advertising. (The <i>Election Advertising Handbook for Third Parties, Financial Agents and Auditors</i> requires that the method of calculating allocated costs be detailed in the Third Party Election Advertising Report.)	
17. Review the vouchers attached to the report for: <ul style="list-style-type: none"> <li>a. items not recorded on Part 7 “Statement of Election Advertising Expenses to Promote or Oppose the Election of One or More Candidates in a Given Electoral District [359(2)(a)(i)]” and Part 8 “Statement of Election Advertising Expenses not Reported in Part 7”</li> <li>b. sequential numbering</li> <li>c. reasonableness of the commercial values shown on the invoice. If an invoice is felt to have a commercial value that may differ substantially from the recorded commercial value (where no separate commercial value is indicated on the invoice, the face value of the invoice is to be regarded as the commercial value), obtain evidence as to the reasonableness of the recorded commercial value by: <ul style="list-style-type: none"> <li>i. referring to published price lists or competitive quotations received or</li> <li>ii. requesting the financial agent to obtain a letter from the supplier confirming the commercial value</li> <li>iii. confirming directly with the supplier</li> </ul> </li> </ul>	
18. Reconcile suppliers’ statements (including those obtained directly in step 15) with the amounts shown in Part 7 or Part 8.	
19. Obtain details of unused materials (e.g., unused office supplies, brochures, etc.) on hand at the end of the campaign. <ul style="list-style-type: none"> <li>a. Review costing of the items for reasonableness in comparison to the data set out in the vouchers examined in step 14.</li> <li>b. Check for the physical existence of items.</li> <li>c. Check to ensure the cost of these items has been properly excluded from the determination of election advertising expenses.</li> </ul>	
<b>Contributions—Property and Services and Discounts</b>	
20. For each class of contributors, add the total amounts of contributions and number of contributors on Part 6 “Details of Contributions Received for Election Advertising Purposes – Non-monetary Contributions” and agree these totals to the amounts and number of contributors shown in Part 3 “Statement of Contributions Received for Election Advertising Purposes—Summary.”	
21. Check that the calculation of the commercial value of capital assets purchased or used has been calculated in accordance with the instructions in the <i>Election Advertising Handbook for Third Parties, Financial Agents and Auditors</i> .	
22. If the financial agent has excluded some donations from the report because they represent property and services with a commercial value of \$200 or less donated by a contributor not in the business of supplying such property and services, ascertain that such exclusion is appropriate.	

<b>DONE BY</b>	
23. Review the identification of volunteer labour. In addition, enquire whether a corporation or other organization, in wishing to fully support a third party, assigned employees to work on the campaign. (This would not represent volunteer labour but a contribution by the company. If there is an unusually large corporate donation, the auditor should ask whether that corporation also provided staff support.)	
<b>Contributions of Money</b>	
24. Check for contributors "over \$200" to Part 5 "Details of Contributions Received for Election Advertising Purposes [359(4)(a), (b) and (b.1)] Monetary Contributions."	
25. If the financial agent has authorized others to collect money, enquire as to the procedures used by the financial agent to obtain all such funds.	
26. Check the amounts shown in Part 5 "Details of Contributions Received for Election Advertising Purposes [359(4)(a), (b) and (b.1)] Monetary Contributions" as proceeds of fund-raising events against supporting documentation using the information obtained via step 12. Such documentation should include lists of tickets issued, sold and invoices supporting the cost of the function.	
27. For each class of contributor, add the total amounts of contributions and number of contributors shown in Part 5 "Details of Contributions Received for Election Advertising Purposes [359(4)(a), (b) and (b.1)] Monetary Contributions" and agree these totals to the amounts and number of contributors shown in Part 3 "Statement of Contributions Received for Election Advertising Purposes [359(4)] Summary."	
28. For each class of contributor, add the total amount of loans and number of contributors on Part 4 "Details of Contributions Received for Election Advertising Purposes [359(4)(a), (b) and 359(5)] Statement of Operating Loans" and agree these totals to the amounts and number of contributors shown in Part 3 "Statement of Contributions Received for Election Advertising Purposes [359(4)] Summary."	
<b>Bank Transactions</b>	
29. Enquire about the bank account(s) used by the third party and financial agent (there may be more than one; the <i>Act</i> does not require the use of a separate bank account). If possible, obtain a bank reconciliation. If there is a separate bank account for the third party's election advertising operations, reconcile the balance per the bank as at the date of the cut-off statement and the bank confirmation to the difference between cash receipts and cash disbursements per the Report.	
30. Agree the balance per the cut-off bank statement(s) to the bank confirmation(s) (if confirmation has been obtained).	
31. Obtain all bank statements in which there were election advertising operations and cancelled cheques from the financial agent for the period from six months before the issue of the writ to the period ending on polling day.	
32. Obtain all subsequent bank statements from the financial agent in which there were election advertising operations and cancelled cheques.	

<b>DONE BY</b>	
33. Agree all cancelled cheques to: <ol style="list-style-type: none"> <li>a. The bank statement(s).</li> <li>b. Part 7 “Statement of Election Advertising Expenses to Promote or Oppose the Election of One or More Candidates in a Given Electoral District [359(2)(a)(i)]” and to Part 8 “Statement of Election Advertising Expenses not Reported on Part 7.”</li> <li>c. Obtain explanations for cheques not reported as election advertising expenses in the Report.</li> </ol>	
34. Review the bank statements for any other withdrawals related to election advertising expenses. Agree these amounts to Part 7 “Statement of Election Advertising Expenses to Promote or Oppose the Election of One or More Candidates in a Given Electoral District [359(2)(a)(i)]” and to Part 8 “Statement of Election Advertising Expenses not Reported on Part 7.”	
35. Agree bank loans per the bank confirmation to Part 4 “Details of Contributions Received for Election Advertising Purposes [359(4)(a), (b) and 359(5)]—Statement of Operating Loans.”	
<b>FINALIZATION</b>	
36. Agree all amounts per Part 1 “Summary” to the other parts of the Report or records as appropriate.	
37. Clear notes made during any campaign visits to information recorded in the Report.	
38. Review the third party’s campaign diary (or other available campaign plans) and consider whether the expenses on the whole appear reasonable. Compare the budget received via step 6 with Part 7 “Statement of Election Advertising Expenses to Promote or Oppose the Election of One or More Candidates in a Given Electoral District [359(2)(a)(i)]” and Part 8 “Statement of Election Advertising Expenses not Reported on Part 7” and discuss the variances with the financial agent or campaign manager.	
39. Check all additions on the Report.	
40. Review subsequent events by asking the financial agent whether any payments have been made or any claims received after providing the completed Report to the auditor, and whether there are any other developments that affect the Report.	
41. Obtain a representation letter (refer to Exhibit 3).	
42. Photocopy the audited working copy of the Report (EC20228). Return all vouchers and the working copy to the financial agent.	
43. Obtain the final copy of the Report (EC20228). Ensure that no changes have been made from the final version of the audited working copy.	
44. Obtain the note describing the financial reporting framework attached to the Report from the financial agent (refer to Exhibit 5).	
<b>AUDITOR’S REPORT</b>	
45. Prepare an auditor’s report on the Report and on other legal and regulatory requirements. (Exhibit 6 of this Guide contains a suggested form of report.)	
46. Ensure that the date of the auditor’s report on the Report will be no earlier than the date of approval of the Report in its final form by the financial agent and by the person who signed the application for registration, if different from the financial agent.	
47. Consider obtaining evidence of delivery of the auditor’s report.	



**EXHIBIT 5**

# Sample Note Describing the Financial Reporting Framework Applied to the Preparation of the Third Party Election Advertising Report

*(This note must be attached to the Report)*

The Third Party Election Advertising Report (the Report) has been prepared in accordance with the financial reporting provisions of section 359 of the *Canada Elections Act* and the accounting guidelines issued by Elections Canada.

The Report is prepared to help the financial agent meet the requirements of the *Canada Elections Act*. The Report is intended solely for the use of the financial agent, the third party (*name of third party*) and the Chief Electoral Officer. Accordingly, readers are cautioned that the Report may not be suitable for another purpose. The *Canada Elections Act* requires that the Report be made available for public inspection.



## EXHIBIT 6

# Independent Auditor's Report

To the Chief Electoral Officer of Canada

### REPORT ON THE REPORT

I have audited the accompanying Third Party Election Advertising Report (the Report) for *(name of third party)*, in respect of the election held on the \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_, which comprises:

- Part 1—Summary
- Part 3—Statement of Contributions Received for Election Advertising Purposes [359(4)] Summary
- Part 4—Details of Contributions Received for Election Advertising Purposes [359(4)(a)(b), and 359(5)] Statement of Operating Loans
- Part 5—Details of Contributions Received for Election Advertising Purposes [359(4)(a), (b) and (b.1)] Monetary Contributions
- Part 6—Details of Contributions Received for Election Advertising Purposes [359(4)(a), (b) and (b.1)] Non-Monetary Contributions
- Part 7—Statement of Election Advertising Expenses to Promote or Oppose the Election of One or More Candidates in a Given Electoral District [359(2)(a)(i)]
- Part 8—Statement of Election Advertising Expenses not Reported in Part 7 for the election advertising period ended \_\_\_\_\_

This Report has been prepared by the financial agent for the third party in accordance with the financial reporting provisions of section 359 of the *Canada Elections Act* and the accounting guidelines issued by Elections Canada.

**The Financial Agent's Responsibility for the Report**

The financial agent for the third party is responsible for the preparation of the Report in accordance with the financial reporting provisions of section 359 of the *Canada Elections Act* and the accounting guidelines issued by Elections Canada and for such internal control as the financial agent determines is necessary to enable the preparation of a Report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the Report based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Report in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the financial agent, as well as evaluating the overall presentation of the Report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

**Basis for Qualified Opinion**

Due to the inherent nature of the transactions of third party election advertising entities, the completeness of contributions and other revenue and expenses is not susceptible of satisfactory audit verification. Accordingly, my verification of these amounts was limited to the amounts recorded in the accounting records and I was not able to determine whether any adjustments might be necessary to contributions and other revenue and expenses.

**Qualified Opinion**

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Third Party Election Advertising Report for (*name of third party*) is prepared, in all material respects, in accordance with the reporting provisions of section 359 of the *Canada Elections Act* and the accounting guidelines issued by Elections Canada.

**Basis of Accounting and Restriction on Use**

Without modifying my opinion, I draw attention to Note X to the Report, which describes the basis of accounting. The Report is prepared to assist the financial agent to meet the requirements of the *Canada Elections Act* and the accounting guidelines issued by Elections Canada. As a result, the Report may not be suitable for another purpose. My report is intended solely for the financial agent, the third party (*name of third party*) and the Chief Electoral Officer, and should not be used by parties other than the financial agent, the Third Party (*name of third party*) or the Chief Electoral Officer.

**Report on Other Legal and Regulatory Requirements**

As required by subsection 360(2) of the *Canada Elections Act*, in my opinion, the Report presents the information contained in the financial records on which it is based.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]