

# Audit & Assurance Alert

## AUDIT OF A CANDIDATE IN A FEDERAL ELECTION

JULY 2019

### Sample Audit Engagement Letter

This Audit & Assurance Alert is being issued to provide practical and timely non-authoritative audit guidance to auditors appointed under the *Canada Elections Act* (the “Act”) reporting on the Candidate’s Electoral Campaign Return (Form EC 20120) (the “Return”) of a candidate in a federal election. The practical guidance included in this Alert relates to a sample audit engagement letter to comply with the requirements in the *CPA Canada Handbook – Assurance*. This sample document has been taken from the 11th Edition of CPA Canada’s — [\*A Guide for the Auditor of a Candidate in a Federal Election Pursuant to the Canada Elections Act\*](#) (the “Guide”). The 11th Edition of the Guide will be published in September 2019 on CPA Canada’s website. The 11th Edition of the Guide will replace the 10th Edition and it will reflect the most recent amendments to the *Act* up to June 2019. This Alert does not address all aspects relating to the audit of the Return of a candidate in a Federal Election.

### Sample Audit Engagement Letter

Paragraph 9 of CAS 210 *Agreeing the Terms of Audit Engagements (CAS 210)*, states that the auditor shall agree the terms of the audit engagement with the official agent and the candidate. Further, paragraph 10 of CAS 210 states that 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. The Exhibit included in this alert provides a sample audit engagement letter. The particular facts and circumstances of each audit engagement need to be taken into consideration by the auditor when drafting the audit engagement letter.

## EXHIBIT - Sample Audit Engagement Letter

[Firm letterhead]

Date .....

A. Candidate

Address

Dear .....

### Objective and Scope of the Audit

#### Report on the Candidate's Electoral Campaign Return

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 Electoral Campaign Return (the "Return") under the *Canada Elections Act* (the "Act") relating to your candidacy in the electoral district of at the election to be held on \_\_\_\_\_, 20XX. The objective of my audit will be to express an opinion on the Return.

#### Report on Other Legal and Regulatory Requirement

In addition, the *Act* requires me to include a completed Checklist for Audits in the prescribed form (that is, the form prescribed by Elections Canada). Reporting on the Checklist for Audits fall under the scope of Canadian Standard on Related Services ("CSRS") 4460, reports on supplementary matters arising from an audit or a review engagement.

### My Responsibilities

As required by subsection 477.62(1) of the *Act*, 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 Return is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Return.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Return, 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 official agent in the preparation of the Return, as well as the overall presentation of the Return.

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 preparation of the Return 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, I will communicate to you in writing concerning any significant deficiencies in internal control relevant to the preparation of the Return 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 and loan guarantees 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 the candidacy have been included in the accounting records, the *Act* requires that I conduct the audit of the Return in accordance with Canadian generally accepted auditing standards. 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, I shall state this fact in my report.

As required by the *Act*, my report will be addressed to your official agent, \_\_\_\_\_. My report will also be addressed to the Chief Electoral Officer, Elections Canada to comply with the Canadian Auditing Standards (the “CASs”).

It has been determined and deemed acceptable that the applicable financial reporting framework for preparing the Return be a special purpose compliance framework. Accordingly, in order to comply with the CASs, my report will be based on the applicable financial reporting framework. In addition, to report under the *Act*, I shall include a separate section in the auditor’s report for other reporting on legal and regulatory requirements to comply with subsection 477.62(1) of the *Act*:

*As soon as feasible after polling day, a candidate’s auditor shall report to the candidate’s official agent on the electoral campaign return and shall, in accordance with generally accepted auditing standards, make any examination that will enable the auditor to give an opinion in the report as to whether the return presents fairly the information contained in the financial records on which it is based.*

I must include the following statement in the auditor’s report:

As required by subsection 477.62(1) of the *Canada Elections Act*, in my opinion, the Return 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 Return" before the "Qualified Opinion" paragraph to clearly distinguish the responsibility to report on the Return from the responsibility to report on other legal and regulatory requirements.

Subsection 477.62(3) requires the auditor to include in the report under subsection (1) any statement the auditor considers necessary, if based on the examination, it appears that proper accounting records have not been kept by the official agent. If, based on my examination, I determine that the records have not been properly kept, I would 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 Return" before the "Qualified Opinion" paragraph to clearly distinguish the responsibility to report on the Return 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 campaign 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 subsection 382(1) of the *Act* requires the Chief Electoral Officer to publish the Electoral Campaign Returns of candidates, in the case of an original Return, within one year after the writ for an election, and in the case of an updated Return, as soon as practical after it is received.

My responsibility also includes completing the Checklist for Audits and including a statement in connection with the completed Checklist for Audits in a separate section. My report under CSRS 4460 is represented within the Report on the Return in a separate section at the end of the report. I will not be performing an audit or review of the Checklist for Audits and as such I do not express an audit opinion or a review conclusion thereon.

My 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*.

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 Return:

*[Include content of the auditor's report on the Return]*

## Your Responsibilities

My 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 Return in accordance with the requirements of the *Act*
- 2) Such internal control as you and your official agent determine is necessary to enable the preparation of the Return in a manner that is free from material misstatement, whether due to fraud or error, and
- 3) Providing me with access to all information of which you and your official agent are aware that is relevant for the preparation of the Return. 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 official agent pertaining to the election; and may require from both of you such information and explanations as are necessary to complete my 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 Return
  - e. a note to be attached to the Return describing the financial reporting framework applied for preparing the Return (see Exhibit 5 of the Guide for a sample note)
  - f. subsequent events
- 4) Providing me with additional information that I may request from you and your official agent for the purpose of the audit, and
- 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 official agent written confirmation concerning representations made to me in connection to the audit engagement.

You have agreed to provide appropriate vouchers for litigation and personal expenses not funded by the campaign to support the amounts recorded in the Statement of Litigation and Candidate's Personal Expenses not funded by the Campaign (Part 3b of the Return).

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 arrange for suppliers to certify 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 Return, which is to be prepared in accordance with the financial reporting provisions of the *Act* and the accounting guidelines issued by Elections Canada.

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 Return is completed and available for final audit on or before (date). You have agreed that you will provide me with the completed Return by that date.

The *Act* also requires me to include a completed Checklist for Audits in the prescribed form (that is, the form prescribed by Elections Canada). If necessary, I will be asking you and your official agent to provide me with the information needed to enable me to complete the checklist in the manner required.

### **Fees**

Fees will be determined on the basis of time spent on this engagement at my standard rates, and any disbursements incurred will be added to the billing. The *Act* provides that the Receiver General will reimburse audit fees up to a maximum amount. The Receiver General's reimbursement is conditional upon the production of all the documents referred to in subsection 477.59(1) of the *Act*, including the audit report and the invoice for audit fees. Otherwise 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 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 official 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 official 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 and CSRS 4460, 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 paragraphs A23 and A24 of CAS 210. The firm's policy may require further inclusions. Auditors should determine that inclusions beyond those required under the CASs and CSRS 4460 are consistent with any requirements arising under provincial legislation and from their provincial institutes/Ordre.*

Yours truly,

(signed).....

Auditor

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

(signed)..... (date) .....

Candidate

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

(signed)..... (date) .....

Official agent

## Related Resources

Coming soon on the [CPA Canada website](#):

- [A Guide for the Auditor of a Candidate in a Federal Election pursuant to the \*Canada Elections Act\*](#);
- [Guide for Auditors of Registered Electoral District Associations Appointed under the \*Canada Elections Act\*](#);
- [Guide for Auditing Third Party Election Advertising for Federal Candidates](#).

## Comments

Comments on this *Audit & Assurance Alert*, or suggestions for future Alerts should be sent to:

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