

# A Guide for the Auditor of a Candidate in a Federal Election

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

10th Edition





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# Table of Contents

<b>Foreword</b>	<b>ix</b>
<b>Chapter 1: Introduction</b>	<b>1</b>
History and Purpose	1
Outline of the Guide	2
Other Material	2
Provincial Election Legislation	3
Municipal Election Legislation	3
<b>Chapter 2: Financial Reporting Provisions</b>	<b>5</b>
Introduction	5
Election Contributions	6
Eligible Contributors	6
Individual Contributions, Loans and Loan Guarantee Limits	7
Ineligible Contributions	10
Monetary Contributions	11
Non-Monetary Contributions	11
Loans	12
Loans from Financial Institutions	12
Loans from the Registered Party or the Registered Association	12
Loans from Individuals	12
Repaying a Loan	13

Fund-Raising Functions	13
Transfer of Funds and Provision of Goods or Services	14
Receipts for Contributions	14
Gifts and Other Advantages	15
Electoral Campaign Expenses	16
Election Expenses	16
Inclusions in Election Expenses	16
Voter Contact Calling Services Expenses	18
Exclusions from Election Expenses	18
Election Expenses Limit	20
Payment of Electoral Campaign Expenses	21
Eligibility to Pay Electoral Campaign Expenses	21
Reporting Unpaid Claims and Unpaid Loans	21
Support for Electoral Campaign Expenses	22
Other Items	22
Personal Expenses	22
Volunteer Labour	23
Capital Assets	24
Expenses of Senators, Elected Members, Exempt Staff of Ministers, Party Leaders and Party Employees	25
Poll Agents	25
Reusable Signs	26
<b>Chapter 3: The Return, Declarations and Reimbursement</b>	<b>27</b>
Introduction	27
The Return	27
Composition of the Return	29
Part 1—Campaign Information and Declaration	29
Part 2—Cash Inflows	29
Part 3—Cash Outflows	30
Part 4—Summary and Cash Reconciliation	31

Documents Attached to the Return	32
Reimbursement of Expenses	32
Reimbursement of Election Expenses and Personal Expenses	32
Reduction of Reimbursement Amount	34
Reimbursement of Audit Fees	35
Reimbursement of Nomination Deposit	35
Disposition of Campaign Surplus	35
Publication of the Return	36
<b>Chapter 4: Withdrawal or Death of a Candidate, Death or Incapacity of an Official Agent</b>	<b>37</b>
Introduction	37
Withdrawal of a Candidate	37
Death of a Candidate	38
Maximum Election Expenses	38
Statement of Personal Expenses	38
Declaration Respecting Election Expenses	38
Submission of the Return	38
Reimbursement of Election Expenses	38
Death or Incapacity of an Official Agent	39
<b>Chapter 5: The Audit of a Candidate</b>	<b>41</b>
Purpose of Chapter	41
Legislative Requirements	41
Eligibility to Act as Auditor	41
Change of Auditor	42
Consent Letter for Candidate's Nomination Paper	42
Responsibilities of the Auditor	42
Audit of the Return	43
Access of Auditor	43
Deadline for Filing the Return	43
Filing of a Nil Return	43

General Audit Considerations	44
Auditor Independence and Objectivity	44
Candidate's Return	45
Unique Aspects of an Audit of a Candidate's Return	46
Commercial Values	46
Candidate's Personal Expenses in Relation to an Election	46
Ineligible Contributions	47
Agreeing the Terms of the Audit Engagement	47
Acceptability of the Financial Reporting Framework	47
Audit Period	48
Timing of Engagement	49
Audit Engagement Letter	49
Communications with Management and Those Charged with Governance in an Audit of a Candidate's Return	50
Materiality and Risk in an Audit of a Candidate's Return	50
Obtaining an Understanding of the Candidate's Campaign	50
Materiality	51
Risk Assessment	52
Response to Assessed Risks in a Candidate's Return	53
Legal and Regulatory Framework and Fraud in an Audit of a Candidate's Return	54
Legal and Regulatory Framework	54
Fraud	55
Audit Evidence in an Audit of a Candidate's Return	56
Completeness	56
Analytical Procedures	56
Confirmation	57
Subsequent Events	57
Representation Letter	58
Doubt as to the Reliability of Written Representations	58
Documentation	59
Considerations in Designing an Audit Program	59
Elections Canada Checklist for Audits	59

<b>Chapter 6: The Auditor’s Report on the Return and on Other Legal and Regulatory Requirements</b>	<b>61</b>
Introduction	61
Auditor’s Report on the Return	62
Special Considerations	62
Opinion and Inherent Scope Limitation	62
Description of the Applicable Financial Reporting Framework	64
Emphasis of Matter	64
Other Matter	65
Addressee	65
Date of the Auditor’s Report	66
Form of Report	66
Auditor’s Report on Other Legal and Regulatory Requirements	69
Other Statements	70
Report on the Checklist for Audits	70
<b>Chapter 7: Use of the Electronic Candidate’s Return</b>	<b>71</b>
Introduction	71
Filing Process of the Electronic Return	71
Version Control	71
Transmission of Auditor’s Reports and Final Version of the Return	72

<b>Exhibit 1: Sample Consent Letter</b>	<b>73</b>
<b>Exhibit 2: Sample Audit Engagement Letter</b>	<b>75</b>
<b>Exhibit 3: Sample Representation Letter</b>	<b>83</b>
<b>Exhibit 4: Considerations in Designing an Audit Program</b>	<b>87</b>
<b>Exhibit 5: Sample Note Describing the Financial Reporting Framework Applied to Preparing the Return</b>	<b>99</b>
<b>Exhibit 6: Independent Auditor's Report</b>	<b>101</b>
<b>Exhibit 7: Considerations for Electronic Candidate's Return</b>	<b>105</b>

# Foreword

The purpose of this Guide is to provide practical guidance to auditors appointed under the *Canada Elections Act* (the “Act”) reporting on the “Candidate’s Electoral Campaign Return” of a candidate in a federal election, and to candidates and their official agents on the significant accounting and financial reporting requirements of the *Act*.

This Guide is now in its tenth 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 *Political Financing Handbook for Candidates and Official Agents* (EC 20155). The sections relating to the audit of the Candidate’s Financial Return contains references to Canadian Auditing Standards (CASs). This Guide has been prepared based on the *CPA Canada Handbook—Assurance*, updated in September 2014; this edition of the Guide 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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**Federal Elections Audit Guides  
Advisory Committee**

Don Dafoe, FCPA, FCA  
William Molson, CPA, CA  
Harry Mortimer, CPA, CMA  
Bernard G. Nayman, CPA, CA

**Project Director**

Akanksha Arora, CPA, CA



## CHAPTER 1

# Introduction

### History and Purpose

- 1 The conduct of Canadian federal elections has long been regulated by the *Canada Elections Act* (the “Act”).<sup>1</sup> A number of changes were made to the Act as a result of changes in policy over the years. The Act now contains new requirements for contributions,<sup>2</sup> expenses, loans, unpaid claims and the scope of the Chief Electoral Officer and court authorizations. This Guide provides guidance for the audit of a Candidate’s Electoral Campaign Return (Form EC 20120) (the “Return”).
- 2 From a political financing point of view, a person is deemed to be a candidate from the date a contribution, loan or transfer is accepted or an electoral campaign expense is incurred (section 477). This may occur before the confirmation of the nomination and before or after the election is called. However, contributions are not eligible for tax receipts until after the candidate’s nomination has been confirmed by the returning officer. Once confirmed, a candidate remains a candidate in that election until the candidate’s official agent complies with the financial reporting requirements of the Act (subsection (2)(1)).

1 *Canada Elections Act*, S.C. 2000, c. 9, as amended.

2 A contribution consists of monetary contributions and non-monetary contributions. A monetary contribution is defined in the Act as “...an amount of money provided that is not repayable.” A non-monetary contribution is defined in the Act as “...the commercial value of a service, other than volunteer labour, or of property or of the use of property or money to the extent that they are provided without charge or at less than their commercial value.”

- 3 The *Act* requires each candidate to appoint an official agent who will act as the campaign treasurer and who will ultimately transmit the Return to the Chief Electoral Officer. The *Act* also requires each candidate to appoint an auditor to report on the Return and sets out the rights and responsibilities of both the official agent and the auditor.
- 4 This Guide represents an update of the 2010 Guide. This edition of this Guide reflects the most recent amendments to the *Act* up to August 2015. Unless otherwise stated herein, the references to sections and subsections refer to the *Act*.

## Outline of the Guide

- 5 The Guide has been divided into seven chapters:
  1. Introduction
  2. Financial Reporting Provisions
  3. The Return, Declarations and Reimbursement
  4. Withdrawal or Death of a Candidate, Death or Incapacity of an Official Agent
  5. The Audit of a Candidate
  6. The Auditor's Report on the Return and on Other Legal and Regulatory Requirements
  7. Use of the Electronic Candidate's Return

## Other Material

- 6 The auditor should review the *Political Financing Handbook for Candidates and Official Agents* (the "*Handbook*")<sup>3</sup> published by Elections Canada and available on its website ([www.elections.ca](http://www.elections.ca)) before conducting the audit. The contents of the Return are set out in section 4.2 of the *Handbook*.
- 7 CPA Canada publications entitled *Audit of Third Party Advertising in a Federal Election* and *Guide for Auditors of Registered Electoral District Associations Appointed under the Canada Election Act* are also available. These guides respectively provide guidance on the audit of third-party advertising in a federal election and the audit of electoral district association returns.

<sup>3</sup> *Political Financing Handbook for Candidates and Official Agents*, EC 20155, July 2015, Elections Canada ([www.elections.ca](http://www.elections.ca)).

## Provincial Election Legislation

- 8 Some provinces require an independent audit of a candidate's Return for provincial elections. There are differences between the *Act* and provincial legislation concerning, for example, contributions, loans and expense limitations, and filing deadlines. Auditors should refer to their provincial accounting bodies if they have issued guidance in respect of audits under provincial election legislation.
- 9 In view of the differences between federal and provincial legislation, it is not appropriate to rely on this Guide for the audit of a candidate in a provincial election.

## Municipal Election Legislation

- 10 Some municipalities require an independent audit of a candidate's Return for municipal elections. There are differences between the *Act* and municipal legislation concerning, for example, contributions, loans and expense limitations, and filing deadlines. Auditors should refer to their provincial accounting body if they have issued guidance in respect of audits under municipal election legislation.
- 11 In view of the differences between federal and municipal legislation, it is not appropriate to rely on this Guide for the audit of a candidate in a municipal election.



## CHAPTER 2

# Financial Reporting Provisions

## Introduction

- 1 In general, the *Act* limits the sources and amounts of contributions, and loans that may be donated as well as the amount of expenses (i.e., maximum election expenses) that may be incurred by or on behalf of a candidate. To comply with the *Act*, the candidate, official agent and auditor should be familiar with what constitutes a contribution and an election expense as set out in sections 363 and 376 of the *Act* respectively, and the requirements concerning the Return (subsection 477.59).
- 2 For financial reporting purposes, a person is deemed to have been a candidate from the time of accepting a contribution, transfer or loan, or incurring an electoral campaign expense (section 477). Under subsection 477.1, a candidate must appoint an official agent and an auditor before accepting a contribution or incurring an electoral campaign expense. Thus, all contributions received, loans, transfers and expenses incurred for the campaign of a candidate must be reported in the Return, and not just those received or incurred since confirmation of the candidate's nomination from the returning officer.<sup>4</sup> If the candidate has no financial transactions, a Nil Return together with the Independent Auditor's Report should be submitted.

4 The returning officer has been defined by Elections Canada as "the election or referendum officer responsible for organizing an electoral event in an electoral district. He or she sets up an office in the district and hires and supervises all of the staff, including the training officers, registration officers, revising agents, special ballot coordinators, community relations officers, field liaison officers, central poll supervisors, information officers, deputy returning officers and poll clerks."

- 3 All monetary contributions, loans, transfers and payments relating to the electoral campaign must be deposited in or paid from a separate bank account opened by the official agent of a candidate for the sole purpose of the candidate's electoral campaign (subsection 477.46(1)). It must be opened in a Canadian financial institution, as defined in section 2 of the *Bank Act*,<sup>5</sup> or in an authorized foreign bank (as defined in that section) that is not subject to the restrictions and requirements referred to in subsection 524(2) of that *Act* (subsection 477.46(1)). The account must indicate the name of the account holder as follows: "*name of official agent, official agent*" (subsection 477.46(2)). A bank account has to be opened as soon as a contribution, loan or transfer is received or a payment is made for the candidate's campaign, even if they are received or made prior to the candidate's nomination or the issue of the writ.<sup>6</sup> A bank account has to be opened even if no financial transactions are anticipated.
- 4 The official agent must prepare the Return in accordance with the financial reporting provisions of the *Act*. This chapter addresses the significant financial reporting provisions relating to the preparation of the Return.

## Election Contributions

### Eligible Contributors

- 5 Under the *Act*, only individuals who are citizens or permanent residents as defined in subsection 2(1) of the *Immigration and Refugee Protection Act*<sup>7</sup> can make a contribution to a candidate (subsection 363(1) of the *Act*). Candidates are permitted to contribute to their own campaign through the official agent (subsection 364(1)). There are limits on the amount of contributions that can be made.
- 6 No individual may make a contribution to a candidate's electoral campaign that comes from money, property or the services of any person or entity provided to that individual for that purpose (subsection 370(1)). It is illegal for anyone to solicit or accept a contribution on behalf of a candidate if any part of the contribution would be transferred to a person or entity other than the registered party, a candidate, leadership contestant

5 *Bank Act*, S.C. 1991, c.46

6 Once the Governor General dissolves Parliament, the Governor General will then issue a proclamation for the issuance of writs of election. The Chief Electoral Officer issues writs to the returning officer of each electoral district to make the necessary local arrangements for the election.

7 *Immigration and Refugee Protection Act*, S.C. 2001, c. 27

or electoral district association. It is also illegal for anyone to collude with someone else to circumvent this prohibition. For example, if Bernard was approached by a friend who gave him \$1,500 to make an equal amount of contribution to a specific campaign, this would be considered in contravention to the *Act*.

## Individual Contributions, Loans and Loan Guarantee Limits

- 7** In general, the contribution limits apply to:
- contributions
  - the unpaid balance of loans made during the contribution period
  - the amount of any outstanding loan guarantees provided by an individual

The sum of these three amounts cannot at any time exceed the contribution limit. There are limits on the amount that can be contributed to a candidate's campaign.

- 8** Individuals who are Canadian citizens or permanent residents as defined in subsection 2(1) of the *Immigration and Refugee Protection Act* can provide by way of contributions, as defined by the *Act*, up to \$1,500<sup>8</sup> in total in any calendar year to the combined group of all candidates, registered associations or nomination contestants of a particular registered party and also up to \$1,500<sup>9</sup> in total to a candidate for a particular election who is not the candidate of a registered political party. Individuals can make anonymous cash contributions of \$20 or less (section 371). Separate limits apply to registered parties and leadership contestants.
- 9** The rules for contributions made by way of an unconditional, non-discretionary testamentary disposition have changed per subsections 367(2), (3). These contributions are now subject to the individual's annual contribution limit.
- 10** Candidates may contribute a maximum of \$5,000 to their own campaign, provided that such contribution is made out of the candidate's own funds. This contribution is not subject to the inflation adjustment factor (subsections 367(7) and 367(8)). A candidate is also permitted to give an additional \$1,500 in total per year in contributions, loans or loan guarantees to other candidates, registered associations and nomination

<sup>8</sup> On January 1, 2015, the contribution limit was determined to be \$1,500. The limit will increase by \$25 on January 1st in each subsequent year.

<sup>9</sup> *Ibid.*

contestants of each party. (This includes contributions to the registered association in the candidate's electoral district and contributions to the candidate's own nomination campaign.) Nomination contestants are allowed, over and above their contribution limit, a unique amount of \$1,000 as a contribution to their own nomination campaign provided that such contribution is made out of the nomination contestant's own funds (subsection 367(5)).

- 11** The following chart has been reproduced in this Guide from page 11 of the *Handbook*. This chart explains the individual contribution, loan and loan guarantee limits applicable to various political entities:

Contribution <sup>+</sup> Limits		
Political entity	2015 annual limit*	Limit* per event called between Jan 1, 2015 and December 31, 2015
To each registered party	\$1,500	n/a
In total to all the registered associations, nomination contestants and candidates of each registered party	\$1,500	n/a
In total to all leadership contestants in a particular contest	\$1,500	n/a
To each independent candidate	n/a	\$1,500

+ A contribution consists of monetary and non-monetary contributions, the unpaid balance of loans made during the contribution period and the amount of any loan guarantees made during the contribution period that the individual is still liable for.

\* The contribution limits will increase by \$25 on January 1 in each year.

- 12** **NOTE:** These examples use the limits in effect for 2015 under the *Act*.

**Example 1 (monetary contributions)**

Harry decides to make the following contributions during the year:

1. \$1,000 contribution to the registered association of Party A in his riding
2. \$200 contribution to the nomination contestant representing Party A in his riding
3. \$300 contribution to the candidate representing Party A in his riding

With that, Harry reaches the annual limit for contributions to any combination of candidates, registered associations and nomination contestants of Party A.

In addition to the above contributions, Harry makes a contribution of \$1,500 to registered Party A. But, when a federal election is called in the same year, he finds he wishes to support registered Party B and makes a contribution of \$1,500 to that party. During the election period, he decides to support registered Party C and contributes \$1,500. With total contributions of \$4,500 to multiple registered parties, Harry is not in breach of his annual contribution limit because the annual contribution limit of \$1,500 applies to “each registered party.”

Harry also makes a contribution of \$1,500 to independent candidate A and an additional contribution of \$1,500 to independent candidate B in his riding. With that, Harry is still not in breach of his annual contributions limit because the annual contribution limit of \$1,500 applies to “each independent candidate.”

Total contributions made by Harry during the year are \$9,000, which are within the annual contribution limits set up for an individual.

**13 Example 2 (unpaid loan contributions)**

Don gave a \$1,500 loan to a candidate at the beginning of the year. The full amount was still outstanding when the election was called. Consequently, Don cannot make an additional contribution at that time to the registered association or nomination contestant of that registered party as he has already reached his contribution limit for the registered associations, nomination contestants and candidates of each registered party. The sum of contributions, unpaid loans and loan guarantees cannot at any time exceed the contribution limit.

**14 Example 3 (non-monetary contributions)**

William guaranteed a loan of \$500 to the candidate in his riding. William owns a graphic design firm. As part of his commitment to the candidate he designs pamphlets at no cost. The normal charge for this service is \$1,000. With that, William has reached his annual contribution limit of \$1,500 for the candidate. The annual contribution limit includes monetary and non-monetary contributions.

## Ineligible Contributions

- 15** An **ineligible contributor** is any person or entity other than an individual who is a Canadian citizen or a permanent resident as defined in subsection 2(1) of the *Immigration and Refugee Protection Act* (subsection 363(1) of the *Act*). Corporations, trade unions and unincorporated associations are not allowed to make contributions.
- 16** An **ineligible contribution** consists of the following:
- cash contributions over \$20
  - contributions from corporations, trade unions, associations and groups
  - contributions that exceed the limit
  - indirect contributions (no individual can make a contribution on behalf of another person or entity)
  - contributions made as a result of a term of an agreement for the provision for payment of goods or services, directly or indirectly, to a registered party or a candidate
- 17** Only the official agent can accept contributions for an election candidate (subsection 477.47(1)). That condition applies even to candidates contributing to their own campaign. The official agent should not knowingly accept contributions from ineligible contributors or contributions that exceed the limits set forth in the *Act*. Elections Canada recommends that official agents make reasonable attempts to verify the eligibility of all contributions received. If it subsequently becomes apparent that a contribution is ineligible, the official agent should, within 30 days, return the unused contribution to the contributor or, if that is not possible, remit it or, in the case of a non-monetary contribution, an amount equal to its commercial value, to the Chief Electoral Officer who will forward it to the Receiver General (subsection 363(2) and section 372).
- 18** All donors to a campaign must be properly identified in the Return. The names of those who have made contributions of more than \$20 should be known. The names and addresses of those who have made contributions in excess of \$200 must be disclosed, along with the amount of each contribution and the date on which it was received (paragraph 477.59(2) (h)). Where the name of a contributor of more than \$20 or the name and address of a contributor of contributions totalling more than \$200 are not known, an amount equal to the value of the contribution(s) must be paid, without delay, to the Chief Electoral Officer who will forward it to the Receiver General (section 477.61).

## Monetary Contributions

- 19** The *Act* defines a **monetary contribution** as “an amount of money provided that is not repayable” (subsection 2(1)). Any money that is used by a candidate for his or her own campaign, out of their own funds, is considered as a contribution (subsection 364(1)).

## Non-Monetary Contributions

- 20** A **non-monetary contribution** is defined in the *Act* as “the commercial value of a service, other than volunteer labour, or of property or of the use of property or money to the extent that they are provided without charge or at less than their commercial value” (subsection 2(1)). Such contributions include donated property and services. Additionally, a payment to a supplier by a candidate for goods or services needed for his or her own campaign is considered as a non-monetary contribution (subsection 364(1)).
- 21** Non-monetary contributions must be valued at their commercial value<sup>10</sup> and included in the Return as both a contribution and an electoral campaign expense. The commercial value rule also applies to property and services provided at a special discount not generally available to the public. If the property or services are donated by a person who normally sells such property or provides such services, then a no-charge invoice may be issued showing the normal selling price of the property or the services donated. If the property or services are donated by a person who does not normally issue invoices, a document may be prepared by the contributor or the official agent showing the name and address of the contributor and the commercial value of such property or services. If a property or service is provided by a Canadian citizen or permanent resident as defined in subsection 2(1) of the *Immigration and Refugee Protection Act*, who is not in the business of providing that property or service, or the property or service has a commercial value of \$200 or less, its value is nil (subsection 2(2) of the *Act*).
- 22** The provision by an employer of paid leave of absence during an election period to enable an employee to be a nomination contestant or candidate is not a contribution (subsection 364(6)).

<sup>10</sup> “Commercial value” is defined in subsection 2(1) as “the lowest amount charged at the time that it [the property or service] was provided for the same kind and quantity of property or service or for the same usage of property or money, by (a) the person who provided it, if the person is in the business of providing that property or service; or (b) another person who provides that property or service on a commercial basis in the area where it was provided, if the person who provided the property or service is not in that business.”

## Loans

- 23** A candidate's campaign may receive loans from either a financial institution or an individual who is a Canadian citizen or a permanent resident as defined in subsection 2(1) of the *Immigration and Refugee Protection Act* (subsections 373 (3) and (4)). Candidates may also receive loans from their registered party or a registered association of their registered party, although any such loans must be made in writing (subsection 373(5)).

### Loans from Financial Institutions

- 24** There is no limit to the amount a campaign can borrow from a financial institution. Note, however, that if the financial institution requires a loan guarantee, only the registered party, a registered association of the party, or individuals who are Canadian citizens or permanent residents as defined in subsection 2(1) of the *Immigration and Refugee Protection Act* can guarantee the loan (subsection 373(4)). The amount an individual can guarantee is subject to the individual contribution limit of \$1,500 (subsection 373(4)).

### Loans from the Registered Party or the Registered Association

- 25** There is no limit to the amount a campaign can borrow from the registered party or from a registered association of the party. The registered party or a registered association of the party can also guarantee loans obtained from financial institutions (subsection 373(6)). There is no limit to the amount the registered party or a registered association of the party can guarantee.

### Loans from Individuals

- 26** If an individual obtains a personal loan from a financial institution and lends those funds to a campaign, the lender is the individual and not the financial institution. The loan amount is subject to the individual's contribution limit. An individual can lend money to a campaign as long as the total of the individual's contributions, the unpaid balance of the loan and the amount of any outstanding loan guarantees does not at any time exceed the contribution limit in the calendar year in which the loan was made (subsection 373(4)).

## Repaying a Loan

- 27** Loan repayments may be made at any time up to 36 months after polling day, which is the date of the election (subsection 477.54(1)). Authorization is not required from Elections Canada before these payments are made.
- 28** If a loan is repaid in full after the candidate's return is filed but before 36 months after polling day, the campaign must file an updated return within 30 days of the final repayment (subsection 477.59(10)). The updated return must also indicate the source of funds used to repay the loan (subsection 477.59(10)).
- 29** Loan repayments made more than 36 months after polling day require authorization from Elections Canada or a judge (subsection 477.56(1) and section 477.57). The request to repay should be accompanied by evidence in the form of a campaign bank account statement showing that the campaign has sufficient funds to make the requested repayment. The authorization to repay a loan may be subject to additional terms and conditions considered appropriate by Elections Canada (subsection 477.56(2)).

## Fund-Raising Functions

- 30** "If a fund-raising activity is held for the primary purpose of soliciting a monetary contribution for a candidate by way of selling a ticket, the amount of the monetary contribution received is the difference between the price of the ticket and the fair market value of what the ticket entitles the bearer to obtain" (section 377). Such monetary contributions are revenue of the campaign and must be reported in "column 1—monetary" of the Statement of Contributions Received (Part 2a). The difference between the price of the ticket and the monetary contribution should be reported in "column 1—non-contribution portion of ticketed fundraising revenues" of the Statement of Cash Inflows Other Than Contributions, Loans and Transfers (Part 2e). Receipts must be issued if the contribution portion of the ticket exceeds \$20. The amount must be considered a contribution made by the contributor named on the receipt. As indicated previously, for any amount in excess of \$200, the names and addresses of persons and the amount of the contribution must be disclosed. If anonymous contributions of \$20 or less are collected, the person authorized to accept those contributions must record a description of the

function at which the contributions were collected, the date of the function, the approximate number of people at the function, and the total amount of anonymous contributions accepted (subsection 366(2)).<sup>11</sup>

## Transfer of Funds and Provision of Goods or Services

- 31** The following transfers of funds and provision of goods or services are allowed and are not considered as contributions from the time the candidate is endorsed by the party:
- transfer of funds from a nomination contestant of a registered party to the official agent of the candidate endorsed by the party in the electoral district in which the nomination contest was held (paragraphs 364(5)(a))
  - provision of goods or services or a transfer of funds other than trust funds<sup>12</sup> from a registered party or a registered association to a candidate endorsed by the party (paragraphs 364(2)(a) and (b) and 364(4)(a) and (b))
  - provision of goods or services or a transfer of funds, from a candidate endorsed by a registered party to the party or a registered association of the party or by a candidate to themselves in their capacity as a nomination contestant in respect of the same election (paragraphs 364(2)(d) and (e) and 364(3)(c) and (d))

No registered agent of a registered party or financial agent of a registered association or a nomination contestant shall transfer funds to a candidate after polling day except to pay claims related to the candidate's electoral campaign (section 477.85).

- 32** Any amount used for a candidate's campaign out of the candidate's own funds is considered to be a contribution.

## Receipts for Contributions

- 33** For each contribution of more than \$20 received on behalf of the candidate, the official agent must issue a receipt and keep a copy (subsection 366(1)). The official agent may issue to the contributor a serial-numbered receipt valid for income tax purposes for any

<sup>11</sup> This requirement also applies to any general solicitation at a meeting.

<sup>12</sup> Registered parties and registered associations are prohibited from transferring trust funds to a candidate.

monetary contributions received in the period beginning the day a candidate's nomination is confirmed by the returning officer and ending on a day which is 30 days<sup>13</sup> after polling day so long as the contributions received after polling day were in transit on polling day. There may be instances (such as cash received by "passing the hat" at rallies) where receipts have not been issued. The auditor should be aware of these instances and endeavour to determine that the official agent has not accepted donations over \$20 that have not been properly identified as required by the *Act*. If anonymous contributions of \$20 or less per person are collected in response to a general solicitation at a meeting or fund-raising event, the official agent should record a description of the event, its date, the approximate number of people at the event and the total amount of anonymous contributions accepted (subsection 366(2)). Anonymous contributions of more than \$20 should be treated as described in paragraph 18 of this chapter.

## Gifts and Other Advantages

- 34** A candidate may not accept any gift or other advantage that might be seen to have been given to influence him or her as a Member of Parliament.

A gift or other advantage is money, property or services provided without charge or at less than commercial value.

Gifts or other advantages given by relatives (i.e., persons related to the candidate by marriage, common-law partnership [a conjugal relationship of at least one year], birth, adoption or affinity) or as a normal expression of courtesy or protocol are exempted (subsection 477.9(2)).

- 35** Gifts and other advantages do not include a:
- contribution made by an eligible individual under Part 18 (section 363) of the *Act* to the official agent of a candidate that does not exceed the limits set out in that Part
  - provision of goods and services
  - transfer of funds under section 364 of the *Act* (subsection 477.9(6))

<sup>13</sup> Refer to *Political Financing Handbook for Candidates and Official Agents*, EC 20155, July 2015, 2.3 "Administering Contributions and Loans," page 22.

- 36** Within four months after polling day or the publication of a notice for the withdrawal or deemed withdrawal of the writ for the election, candidates must send to the Chief Electoral Officer a statement with the name and address of every person or organization from which they received gifts or other advantages whose benefit to the candidate exceeded \$500, other than those given by relatives or made by way of an unconditional, non-discretionary testamentary disposition, during the candidacy period, along with the nature of the gift or other advantage, its commercial value and cost (if any) and the circumstances under which it was given (subsection 477.9(3)). Although the statement is confidential, it may be examined by the authorities who prosecute offences under the *Act* (subsections 477.94(2) and (3)).
- 37** Upon the written application of a candidate, the Chief Electoral Officer may authorize the correction (within a specified period) of the statement or the extension of the period provided (section 477.92).

## Electoral Campaign Expenses

- 38** An electoral campaign expense of a candidate is an expense reasonably incurred as an incidence of the election. It includes:
- an election expense
  - a personal expense
  - any fees of the candidate's auditor, and any costs incurred for a recount of votes cast in the candidate's electoral district, that have not been reimbursed by the Receiver General (section 375).

## Election Expenses

### Inclusions in Election Expenses

- 39** Subsection 376(1) of the *Act* indicates that an election expense includes "any cost incurred, or non-monetary contribution received, by a registered party or a candidate, to the extent that the property or service that the cost was incurred for or that was received as a non-monetary contribution is used to directly promote or oppose a registered party, its leader or a candidate during an election period." Election expenses are generally incurred only in an election period. Pre-writ expenses and post-polling day expenses qualify as election expenses only if the property or service obtained is used during an election period. Election

expenses include costs incurred (i.e., an expense incurred whether paid or unpaid (subsection 376(3)) or a non-monetary contribution relating to the following:

- production of advertising or promotional materials and their distribution, broadcast or publication in any media or by any other means (including any related fund-raising expenses) during the election period
- payment of remuneration and expenses to or on behalf of a person for their services as an official agent, registered agent or in any other capacity (paragraph 376(3)(c)) (with the exception of candidates' agents at the poll, as indicated in section 3.2 of the *Handbook*)
- securing meeting space and the supply of light refreshments at meetings
- any product or service provided by a government, a Crown corporation or any other public agency
- the conduct of election surveys or other surveys or research during an election period

- 40** As indicated in section 2.2 of the *Handbook*, interest on loans incurred between the issue of the writ and polling day is an election expense, whether it is paid or accrued. If the interest rate being charged on a loan is less than a commercial interest rate, the official agent must record a non-monetary contribution from the lender equal to the forgone interest on the loan. Interest on loans repayable before and after the election period has to be recorded under "Other electoral campaign expense."
- 41** Election expenses also include the commercial value of property and services donated or provided (excluding volunteer labour) and the difference between amounts paid/payable (excluding volunteer labour) and the commercial value where the property or services are provided at less than commercial value.<sup>14</sup>
- 42** Where the property or service is provided by a person who is a Canadian citizen or is a permanent resident as defined in subsection 2(1) of the *Immigration and Refugee Protection Act* who is not in the business of supplying such property or service and the amount charged is \$200 or less, the commercial value for inclusion as an election expense is deemed to be nil (subsection 2(2)).

14 "Commercial value" is defined in subsection 2(1) as "the lowest amount charged at the time that it [the property or service] was provided for the same kind and quantity of property or service or for the same usage of property or money, by (a) the person who provided it, if the person is in the business of providing that property or service; or (b) another person who provides that property or service on a commercial basis in the area where it was provided, if the person who provided the property or service is not in that business."

## Voter Contact Calling Services Expenses

- 43** New reporting requirements for voter contact calling services expenses for candidates require candidates to provide a statement of expenses incurred for voter contact calling services provided by a calling service provider that indicates the name of that provider and the amount of those expenses (paragraph 477.59(2)(b)).
- 44** **Voter contact calling services** means services involving the making of calls during an election period for any purpose related to an election, including:
- promoting or opposing a registered party, its leader, a candidate or a nomination contestant or any position on an issue with which such a party or person is associated
  - encouraging electors to vote or to refrain from voting
  - providing information about the election, including information about voting hours and the location of polling stations
  - gathering information about how electors voted in past elections or will vote in the election or their views on a registered party, its leader, a candidate or a nomination contestant or any issue with which such a party or person is associated
  - raising funds for a registered party, a registered association, a candidate or a nomination contestant (section 348.01)
- 45** Under the *Act*, a **call** for the purposes of “voter contact calling services” means any of the following types of call made to telephone numbers:
- live voice calls
  - calls made by means of an automatic dialing-announcing device
  - calls that consist of a combination of the above (section 348.01)
- 46** **Calling service provider** means “a person or group that carries on a business whose activities include the making of calls for or on behalf of another person or group” (section 348.01).

## Exclusions from Election Expenses

- 47** As previously mentioned, election expenses are incurred generally only in an election period. **Election period** is defined in the *Act* as “the period beginning with the issue of the writ and ending on polling day” (or the date the writ is withdrawn) (subsection 2(1)). Pre-writ expenses and post-polling-day expenses do not qualify as election expenses unless

the property or service obtained is used during an election period. The following are examples of electoral campaign expenses that would not qualify as election expenses:

- rent<sup>15</sup> and other costs of campaign offices incurred before the writ is issued or after polling day
- unused inventory
- nomination deposit
- interest accruing after polling day on loans outstanding
- interest on loans issued before the writ
- victory parties held after the close of polls
- audit fees
- legal fees
- costs of recounts
- costs associated with preparing the various reports required by the *Act*, other than the payment of remuneration to a person for services as an official agent during an election period

**48** An expenditure incurred by a registered electoral district association in anticipation of a writ of election being issued could constitute an election expense in certain circumstances. For example, a registered electoral district association could have election pamphlets printed in anticipation of an election. If the pamphlets were distributed in the electoral district after the writ is issued, their cost would represent an election expense to the candidate, provided the candidate has control over their distribution after the issue of the writ, provided that the official agent accepted the expense and had control over the distribution. Such election expense, however, would not be reimbursed. If they were distributed before the writ is issued, their cost would not be an election expense, even though the candidate would benefit from their distribution. The *Handbook* provides further details on expenses included and excluded from election expenses (see section 3.2—Election Expenses).

**49** The official agent must be aware of the interpretation by Elections Canada in the *Handbook* that the cost of any unused material (such as unused office supplies, signs, brochures and stakes) that remains on hand at the end of the election is not to be included as an election expense. This unused material must be retained for subsequent examination by the auditor, who should determine whether it is properly excluded from election expenses. For example, the auditor might consider a combination of

<sup>15</sup> If a lease is signed before a writ is issued, however, and rent payments are made in advance, any rent applicable to the election period (between the writ issuance and polling day) is an election expense.

inquiry plus observation to audit the amount associated with the unused materials. Such materials, however, should be considered as an electoral campaign expense. The cost of any used material on hand at the end of the election period, however, would be included as an election expense. (See also section 3.4, regarding the disposition of unused inventory at the end of the election period, and section 3.2 of the *Handbook* regarding the valuation of signs used in a subsequent election.)

- 50** In addition, the following are not election expenses under the *Act*:
- expenses incurred in securing the endorsement of a candidate by a political party
  - certain costs associated with fund-raising functions

Expenditures incurred by a candidate to obtain the nomination of a registered party or for a fund-raising activity, other than for the production of advertising and promotional material and its distribution, are deemed not to be election expenses (subsection 376(2) and paragraphs 376(3) (a) and (b)). Consequently, they are not included in the calculation of a candidate's maximum election expenses. In addition, a nomination expense that is also used to promote or oppose a candidate or party during an election period relates to more than simply the party nomination and may be considered as an election expense. The *Act* also limits the amount that can be spent on a notice of meetings to be held during an election period for the principal purpose of nominating a candidate to 1% of the maximum election expenses allowed in that electoral district during the immediately preceding general election, if the boundaries have not changed since, or that the Chief Electoral Officer determines in any other case (subsection 477.48(1)).

## Election Expenses Limit

- 51** The election expenses limit (maximum election expenses) of a candidate in a federal election is arrived at by multiplying a base amount (calculated according to a formula prescribed by the *Act*) by an inflation adjustment factor (subsection 477.49(1)). The maximum election expenses are calculated based on the number of electors included in the preliminary or revised list of electors, whichever is greater (subsection 477.5(1)). Following the publication of the preliminary list of electors, the Chief Electoral Officer notifies the returning officer of the spending limits who in turn notifies each candidate of their campaign spending

limit. Following the publication of the revised list of electors, the Chief Electoral Officer informs candidates directly of any revisions to their spending limits.<sup>16</sup>

- 52** If an election period is longer than 37 days, then the maximum amount calculated under subsection 430(1) is increased by adding to it the product of (a) one thirty-seventh of the maximum amount calculated under subsection (1), and (b) the number of days in the election period minus 37 (subsection 430(2)). For example, if the limit established for a 37-day election period is \$100,000 and the election period is actually 60 days, the new limit will be calculated as follows ( $\$100,000 + 23/37 \times \$100,000$ ), which is \$162,162.

## Payment of Electoral Campaign Expenses

### Eligibility to Pay Electoral Campaign Expenses

- 53** Electoral campaign expenses must be paid by a candidate's official agent (subsection 477.47(4)). A person may be authorized in writing by the official agent to pay petty expenses (e.g., postage, courier charges and office supplies) only to a prescribed limit (subsections 381(1) and 381(2)). Any amount above the prescribed limit must be paid for by the official agent. The written authorization must specify a maximum amount for the total of petty expenses that the person is authorized to pay (subsection 381(2)). No person other than the candidate or the official agent is permitted to pay the candidate's personal expenses (subsection 477.47(6)).

### Reporting Unpaid Claims and Unpaid Loans

- 54** With respect to unpaid claims and loans outstanding, candidates are required to submit a statement of claims that are the subject of proceedings and a statement of unpaid claims, including those resulting from loans made to the candidate under section 373 in Part 3e of the Return (the statement of unpaid claims and loans), from Part 3a and Part 2b (paragraphs 477.59(2)(c) and (d)). Any subsequent payments made

<sup>16</sup> On or before the thirty-first day before polling day, the Chief Electoral Officer determines the number of names on the preliminary lists of electors for the electoral districts and the average for all of Canada and publishes the information in the *Canada Gazette* (subsection 93(3)). The number of names on the revised lists of electors should also be published no later than the seventh day before polling day (subsection 105(2)). This information is also available on the Elections Canada website ([www.elections.ca](http://www.elections.ca)).

against these unpaid claims or loans have to be reported to the Chief Electoral Officer by resubmitting Part 3e of the Return. These subsequent Returns are not subject to an audit.

## Support for Electoral Campaign Expenses

- 55** There should be adequate support for all electoral campaign expenses, such as a record of the nature of the expense and proof that it was paid (section 380). In addition, a voucher is required for expenditures of \$50 or more. Such payments must be vouched for by a bill stating the particulars and by proof of payment (subsection 380(1)). Where a person is authorized to pay petty expenses, that person must prepare a list of petty cash expenses and send it along with proof of their payment to the official agent within three months of polling day (subsection 381(3)). Failure to document payment is an offence under paragraph 497(1) (k) of the *Act*. Payment of petty expenses in excess of the total authorized amount is an offence under subsection 497(1) (l) of the *Act*. The official agent must also obtain complete documentation as to the commercial value of the goods or services received in donation, and the name and address of the donor.

## Other Items

### Personal Expenses

- 56** Personal expenses are electoral campaign expenses of the candidate that are reasonably incurred in relation to the campaign and that would not have been incurred had the individual not been a candidate. They are not election expenses, so they are not subject to the maximum election expenses limit. They include expenses incurred for travel and living, child-care, care for a person with a physical or mental incapacity for whom the candidate normally provides such care and, in the case of a candidate who has a disability, personal expenses that are related to that disability. The Chief Electoral Officer may establish categories of personal expenses and fix maximum amounts that may be incurred for expenses in each category (section 378). Each candidate must submit a written statement to the official agent within three months after polling day setting out the amount of personal expenses paid and provide documentation of such expenses (i.e., supporting vouchers) or declare that there was no payment for personal expenses (subsection 477.64(1)).

- 57** The *Act* (subsection 378(1) and section 379) and the *Handbook*, section 3.3, designate the following categories as personal expenses of the candidate when incurred for the candidate's personal benefit:
- costs of travelling to the electoral district
  - costs of temporary lodging for the election
  - transportation costs within the electoral district
  - costs of lodging, meals and incidental charges related to the campaign
  - remuneration paid to the candidate's representatives at a polling station
  - other related expenses such as the cost of childcare or of the care for a disabled person for whom the candidate normally provides such care, and expenses incurred by a disabled candidate relating to the candidate's disability (paragraphs 378(1)(b), (c) and (d))
- 58** Other campaign workers may use the material or services acquired for the use of the candidate provided there are no additional costs involved. If, in any situation, due to the involvement of workers, additional costs are incurred, these costs are to be charged as an election expense.

## Volunteer Labour

- 59** The *Act* defines **volunteer labour** as "any service provided free of charge by a person outside their working hours, but does not include such a service provided by a person who is self-employed if the service is one that is normally charged for by that person" (subsection 2(1)).
- 60** The commercial value of volunteer labour need not be reported since it represents neither a contribution nor an election expense. The *Handbook* provides the following examples of volunteer labour: a secretary employed by a local business who is on an annual leave or compensation leave working as a secretary in the campaign office, a sign painter who is not self-employed working outside normal working hours painting signs for the campaign, a self-employed insurance salesman working for the campaign free of charge doing door-to-door canvassing, and unemployed or retired persons working anytime.
- 61** Donated labour is not volunteer labour but represents both a contribution and an election expense. The distinction between volunteer labour and donated labour may be illustrated as follows:
1. Volunteer labour includes the situation where a person who has control of their own time (self-employed or the owner or major shareholder of a private company) provides a service (either during or outside normal working hours) for which no charge is normally made.

2. If the service, however, is a service which that person usually sells or charges for, its value is a contribution by that person and an election expense of the candidate (donated labour).

**62** Incidental expenses of volunteers for items such as meals, lodging and transportation are considered as election expenses and should therefore be reported as such in the Return. If paid by the volunteer, they would also be regarded as non-monetary contributions, the value of which is subjected to the definition of “commercial value.”<sup>17</sup>

### Capital Assets

**63** Common examples of a capital asset are office furniture (e.g., desks, tables, and filing cabinets), fax machines and computers. Section 3.2 of the *Handbook* requires the official agent to determine the commercial value of the benefit derived from the use of assets. The amount that constitutes an expense is the lower of the commercial value of renting a similar asset for the same period or the purchase price. Section 3.2 of the *Handbook* indicates, however, that “an asset might be received during the campaign in the form of a contribution from an individual or a transfer from the registered party or the registered association. In that case, the commercial value of the asset has to be recorded as a nonmonetary contribution or transfer. The amount to be recorded as an election expense is the lower of the commercial value of renting a similar asset for the same period or the purchase price. The remaining amount, if any, is recorded under other electoral campaign expense.” Section 3.2 of the *Handbook* indicates that, under no condition should amortization be used as a method of calculating the amount of contributions, expenses or transfers to be reported. When the asset is provided either free of charge or at nominal charge, the rule for contributions of property and services applies. Capital assets purchased and used during an election campaign that are on hand at the end of the campaign could form part of the campaign surplus and would be dealt with accordingly.

<sup>17</sup> Subsection 2(2) specifies that the commercial value of property or a service is deemed to be nil if it is provided by a person who is not in the business of providing that property or service and the amount charged for it is \$200 or less.

## Expenses of Senators, Elected Members, Exempt Staff of Ministers, Party Leaders and Party Employees

- 64** Where a senator or a person who is or was, during the last session, an elected member of the House of Commons or any provincial legislature campaigns on behalf of a candidate, the expenses related to that person's involvement in the campaign are election expenses of the candidate and must be authorized beforehand by the official agent. For example, if a minister or other member of parliament travels from Ottawa to a candidate's electoral district to assist in the candidate's campaign, the costs of traveling to the electoral district and the costs of accommodation and transportation within the electoral district are election expenses of the candidate. If travel to the candidate's electoral district includes official ministerial business above and beyond assisting in the candidate's campaign, however, only a proportion of the cost of the trip can be allocated as an election expense of the candidate. Section 3.6 of the *Handbook* provides guidance for the accounting of this allocation (i.e., the allocation should be made on the basis of the proportion of time spent working on each activity). Elections Canada will accept the basis of allocation used by the official agent provided it is reasonable and compliant with the *Handbook* and the *Act*.
- 65** If the exempt staff<sup>18</sup> of ministers or party leaders or employees of a registered party engage in political activities, the costs related to their involvement in the campaign during normal working hours are election expenses. Expenses of senators, elected members, and exempt staff incurred while campaigning for a candidate must be paid by the official agent since senators, elected members of parliament and exempt staff are not eligible contributors to a candidate's campaign other than in their capacity as individuals.

### Poll Agents

- 66** Unremunerated poll agents are volunteer labour, not election expenses. As indicated in paragraph 57, remuneration of poll agents is deemed a personal expense of the candidate.

<sup>18</sup> Exempt staff are persons appointed by a Minister to perform duties in their office. Such persons are not employees under the *Public Service Employment Act*.

## Reusable Signs

- 67** Section 3.2 of the *Handbook* provides general guidance for the valuation of used signs. When the signs are used in a second or subsequent election, the amount to be recorded as a non-monetary contribution or transfer and an election expense is the current commercial value for similar signs. If the used signs are refurbished, restored or repainted, the amount recorded as an election expense would be the amount it would cost to purchase a sign similar to the restored sign. In this case, the cost of restoration would be eligible for reimbursement if it was paid from the campaign bank account.

## CHAPTER 3

# The Return, Declarations and Reimbursement

## Introduction

- 1 Within four months after polling day (unless at the request of the candidate or official agent the deadline is extended by the Chief Electoral Officer), the official agent must send to the Chief Electoral Officer the auditor's report (see Chapter 6), Checklist for Audits (Form EC 20011 from the Elections Canada website), and the Return, as well as declarations by the candidate and the official agent concerning the Return (see below). This chapter focuses on the Return, the declarations and the subsequent reimbursement of election expenses.

## The Return

- 2 The official agent and the candidate (not the auditor) are responsible for preparing the Return and for declaring that the Return is complete and accurate.

It is important to note that the preparation of the Return by the official agent and the candidate requires:

- the identification of the applicable financial reporting framework, in the context of any relevant laws or regulations
- the preparation of the Return in accordance with that framework
- the inclusion of an adequate description of that framework in the Return

While preparing the Return, the candidate and the official agent need to exercise judgment in making accounting estimates that are reasonable in the circumstances. These judgments are made in the context of the applicable financial reporting framework. (See an analysis of the financial reporting framework applied to preparing the Return in Chapter 5 in the “Acceptability of the Financial Reporting Framework” section).

Under subsection 477.59(2) of the *Act*, the Return must contain the following:

1. a statement of election expenses, including a statement of election expenses incurred for voter contact calling services as defined in section 348.01 provided by a calling service provider as defined in that section, that indicates the name of that provider and the amount of those expenses
2. a statement of electoral campaign expenses, other than election expenses, including a statement of electoral campaign expenses incurred for voter contact calling services as defined in section 348.01 provided by a calling service provider as defined in that section, that indicates the name of that provider and the amount of those expenses
3. a statement of claims that are the subject of proceedings under section 477.58
4. a statement of unpaid claims, including those resulting from loans made to the candidate under section 373
5. a statement of the terms and conditions of each loan made to the candidate under section 373, including the amount of the loan, the interest rate, the lender’s name and address, the dates and amounts of repayments of principal and payments of interest, the unrepaid principal remaining at the end of each calendar year and, if there is a guarantor, the guarantor’s name and address and the amount guaranteed
6. the total amount of contributions received by the candidate
7. the number of contributors
8. the name and address of each contributor who made contributions of a total amount of more than \$200 to the candidate, that total amount, as well as the amount of each contribution and the date on which the candidate received it
9. a statement of the commercial value of goods or services provided and of funds transferred by the candidate to a registered party, to a registered association or to themselves in their capacity as a nomination contestant

10. a statement of the commercial value of goods or services provided and of funds transferred to the candidate from a registered party, a registered association or a nomination contestant
  11. a statement of contributions received but returned in whole or in part to the contributors or otherwise dealt with in accordance with this *Act*
- 3** Together with the Return, the official agent must provide the Chief Electoral Officer with documents evidencing expenses set out in the Return, including bank statements, deposit slips, cancelled cheques, and the candidate's written statement concerning personal expenses referred to in subsections 477.64(1) and 477.59(3). If the Chief Electoral Officer is of the opinion that the documents provided are not sufficient, they may require the official agent to provide by a specified date any additional documents that are necessary (subsection 477.59(4)).

## Composition of the Return

- 4** The information contained in each of the four Parts of the Return (i.e., Parts of Form EC 20120) is summarized in the following paragraphs.

### Part 1—Campaign Information and Declaration

- 5** This Part of the Return contains information on the candidate and the official agent and their declarations as to the completeness and accuracy of the Return. It also refers to the documents that must accompany the Return for both a Full Return and a Nil Return (i.e., no contributions and no expenses).

### Part 2—Cash Inflows

- 6** This Part contains six statements as follows:
- The first statement lists all contributions received from individuals (Part 2a—Statement of Contributions Received). This statement sets out the names and addresses of contributors whose contributions totalled more than \$200, as well as the date each contribution was received and its amount. The statement also sets out the amount of all monetary and non-monetary contributions over \$200 aggregated by individual, the total amount and number of all monetary and

non-monetary contributions of \$200 or less, and the total amount and approximate number of anonymous monetary and non-monetary contributions from individuals of \$20 or less.

- The second statement contains information on the operating loans received, including the name and address of each lender, the date of the loan, information on the principal of the loan, the maximum amount drawn against an overdraft or line of credit along with the name and address of the financial institution, the interest rate charged, and loan guarantors (Part 2b—Statement of Operating Loans).
- The third statement contains information with respect to the contributions returned to donors or otherwise dealt with in accordance with the *Act* (Part 2c—Statement of Contributions Returned to Contributors or Remitted to the Chief Electoral Officer).
- The fourth statement lists all transfers received (i.e., the funds and goods and services transferred from a registered party or a registered electoral district association to the candidate and funds transferred from a nomination contestant to the candidate) (Part 2d—Statement of Transfers Received).
- The fifth statement contains cash inflows other than contributions, loans and transfers, including the non-contribution portions of fundraising functions, bank interest, refunds from suppliers, the returned portion of any cash advances, and proceeds from the sale of assets (Part 2e—Statement of Cash Inflows Other than Contributions, Loans and Transfers).
- The sixth statement is the summary of all contributions, including the amounts and total amount of monetary contributions and non-monetary contributions, the number of contributors, the total amount of loans, transfers received, and other cash inflows (Part 2f—Summary of Contributions, Loans, Transfers and Other Cash Inflows).

### Part 3—Cash Outflows

**7** This Part contains six statements as follows:

- The first statement includes information about electoral campaign expenses, including detailed election expenses, and a summary of the candidate's personal expenses and non-election expenses (Part 3a—Statement of Electoral Campaign Expenses and Other

Outflows). Detailed information on election expenses include the nature of the expense, date, name of the supplier, cheque, amount paid, and unpaid claim and contributed or transferred property and services obtained.

- The second statement provides detailed information about electoral campaign expenses subject to the election expenses limit as stated in Part 3a, column 1 (Part 3b—Statement of Election Expenses Subject to the Limit, from Part 3a, Column 1).
- The third statement provides detailed information about the candidate's personal expenses (Part 3c—Statement of Candidate's Personal Expenses, from Part 3a, Column 2).
- The fourth statement provides details of all other expenses listed and outflows, which include advances, transfers, principal repayments on loans and other expenses (Part 3d—Statement of Other Expenses and Outflows, from Part 3a, Column 3).
- The fifth statement provides detailed information about unpaid claims and loans from Part 3a and 2b (Part 3e—Statement of Unpaid Claims and Loans, from Part 3a and 2b).
- The sixth statement provides detailed information on non-monetary transfers sent to the nomination contestant, registered association and registered party (Part 3f—Statement of Non-Monetary Transfers Sent to Affiliated Political Entities).

## Part 4—Summary and Cash Reconciliation

- 8 This Part of the form (i.e., Campaign Financial Summary) summarizes all the financial information on the Return that will be published by the Chief Electoral Officer. It includes a summary of the cash inflows and outflows reported, as well as a calculation of the campaign's monetary surplus and bank reconciliation as of the date up to which the campaign transactions are reported in the Return.<sup>19</sup>

<sup>19</sup> Refer to Form EC 20120, Part 4, Section A—Date of return.

## Documents Attached to the Return

- 9 Every electoral campaign expense must be properly supported. Documents evidencing expenses including bank statements, deposit slips, cancelled cheques, loan agreements (including all terms and conditions and repayment schedules), complete documentation about the commercial value of the goods and services donated must be provided to the official agent, and the candidate's written statement concerning personal expenses (Form EC 20220) must be attached to the Return (Form EC 20120) (subsection 477.59(3)).
- 10 Together with the Return, the official agent of a candidate shall provide to the Chief Electoral Officer the candidate's written statement concerning personal expenses referred to in subsection 477.64(1) (i.e., Candidate's Statement of Personal Expenses (Form EC 20220)). The candidate must submit this form and supporting vouchers to the official agent within three months of polling day, even if no expense is incurred. This statement must include all personal expenses and expenses of representatives present at polling stations that were paid by the candidate and not reimbursed by the official agent (sections 378, 379, 477.73 and subsections 477.59(3), 477.64(1)).<sup>20</sup> The auditor is not required to audit Form EC 20220. The auditor shall, however, read the financial information set out in Form EC 20220 to identify material inconsistencies (if any) with the audited Return (paragraph 6 of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*). (Refer to the Candidate's Personal Expenses in Relation to an Election section in Chapter 5 for a discussion of the audit of Part 3c of the Return.)

## Reimbursement of Expenses

### Reimbursement of Election Expenses and Personal Expenses

- 11 The *Act* provides for reimbursement of 60% of a candidate's paid election expenses and paid personal expenses, up to 60% of the candidate's maximum election expenses, provided the candidate is elected or receives at least 10% of the number of valid votes cast (paragraphs 477.74(2)(a) and (b), and section 477.73). Only those election

<sup>20</sup> Refer to *Political Financing Handbook for Candidates and Official Agents*, EC 20155, July 2015, 3.3 – "Candidate's personal expense categories."

expenses paid by the official agent out of the campaign bank account and those personal expenses paid either by the official agent out of the campaign bank account or personally by the candidate are included in the calculation of the reimbursement. Non-monetary contributions, including those from the registered electoral district association and from the registered party endorsing the candidate in the electoral district, will not be included in the calculation of the reimbursement. As noted below, the reimbursement is made by the Receiver General in two payments.

- 12** The Return of the Writ is prepared by the returning officer in each electoral district immediately after the sixth day following the date the validation of the results is completed, unless there is a recount (subsection 313(1)). The Return of the Writ is forwarded, without delay, to the Chief Electoral Officer (subsection 314(1)), who will then transmit a certificate to the Receiver General in respect of each electoral district setting out the:
1. name of the candidate elected
  2. name of each candidate who has obtained at least 10% of the number of valid votes cast
  3. the amount that represents 15% of the election expenses limit that each candidate referred to above was allowed to spend (subsection 477.73(1) and section 477.49)

Upon receipt of this certificate, the Receiver General will pay the amount set out in (c) to the official agent of any candidate named in the certificate or to the person designated by the official agent as partial reimbursement for the candidate's election expenses and personal expenses (subsection 477.73(2)).

- 13** When the Chief Electoral Officer receives the auditor's report, the Checklist for Audits, the Return, and all documents evidencing expenses set out in the Return, together with the declarations by the official agent and the candidate concerning the Return or, where required, an update of them, the Chief Electoral Officer, when satisfied that the requirements in subsection 477.56(2) and sections 477.59 to 477.71 have been complied with, will provide the Receiver General with a certificate that:
1. the candidate and the official agent have complied with the requirements of subsection 477.56(2) and sections 477.59 to 477.71 of the *Act*
  2. the auditor's report does not include a statement along the lines set out in subsection 477.62(3) of the *Act* (refer to Chapter 6, section "Other Statements")

3. the candidate has incurred election expenses greater than 30% of the election expense limit
4. sets out the amount of the final instalment of the candidate's election expenses and personal expenses reimbursement (subsection 477.74(2))

The amount referred to in 4 above is the lesser of:

- 60% of the sum of the candidate's paid election expenses and paid personal expenses less the partial reimbursement by the Receiver General referred to above, and
- 60% of the election expenses limit less the partial reimbursement by the Receiver General referred to above (subsection 477.74(2))

- 14** On receipt of this certificate, the Receiver General will pay the amount set out in it to the official agent of the candidate or to the person designated by the official agent (subsection 477.74(4)).
- 15** Where the amount previously paid to the official agent of a candidate, under subsection 477.73(2) of the *Act*, is greater than 60% of the total of the candidate's personal expenses as paid by the candidate or the official agent and the candidate's election expenses paid by the official agent, as set out in the Return, the official agent is to return the excess to the Receiver General (subsection 477.73(3)).

### Reduction of Reimbursement Amount

- 16** If the election expenses, as set out in the election expenses Return, exceed the maximum amount allowed, the amount provided is reduced as follows (without at any time being less than zero) by:
  - one dollar for every dollar that exceeds the maximum amount by less than 5%
  - two dollars for every dollar that exceeds the maximum amount by 5% or more but by less than 10%
  - three dollars for every dollar that exceeds the maximum amount by 10% or more but by less than 12.5%
  - four dollars for every dollar that exceeds the maximum amount by 12.5% or more (subsection 477.74(3))

## Reimbursement of Audit Fees

- 17** On receipt of the documents referred to in subsection 477.59(1) (i.e., the Return, the checklist for audits, the auditor's report, all documents evidencing expenses set out in the Return and the prescribed declarations made by the official agent and the candidate) and the auditor's invoice for the auditor's report, the Chief Electoral Officer would send a certificate to the Receiver General in order to apply for the reimbursement of the auditor's invoice. Elections Canada will pay a subsidy that is the greater of (a) the amount of the expenses incurred for the audit, up to a maximum of the lesser of 3% of the candidate's election expenses and \$1,500, and (b) \$250 (section 477.75). On receipt of this certificate, the Receiver General will pay the subsidy to the auditor of the candidate (section 477.76). Candidates are responsible for paying any audit fees in excess of the subsidy provided by the Chief Electoral Officer.

## Reimbursement of Nomination Deposit

- 18** Candidates are entitled to a full refund of their nomination deposit provided they have complied with the reporting requirements (along with supporting documents) and the unused tax receipts have been returned to Elections Canada within one month after polling day (subsections 477.77(1) and (2)).

## Disposition of Campaign Surplus

- 19** Candidates or their official agents are not allowed to benefit from the election campaign. Section 477.8 indicates that the surplus amount of electoral funds the candidate receives for an election is the excess of the amount of the candidate's electoral revenues. These include any amount that represents a monetary contribution, an election expense, a personal expense, or a nomination deposit for which the candidate was reimbursed, and any other amount that was received by the candidate with respect to the electoral campaign which is not repayable, over:
- the candidate's electoral campaign expenses paid by the official agent
  - any funds transferred by the candidate during the election to a registered party, a registered electoral district association, or to themselves as a nomination contestant in respect of the same election, and any reimbursement referred to above that is transferred to a registered party

The surplus electoral funds are to be transferred as follows:

1. in the case of a candidate who was endorsed by a registered party, to the registered party or to the registered electoral district association of that registered party in the candidate's electoral district
  2. in any other case, to the Receiver General (section 477.82)
- 20** The amount must be paid by the official agent within 60 days of receiving the notice of estimated surplus from the Chief Electoral Officer (subsection 477.81(2)) or, if the candidate has not received a notice, within 60 days of the later of
- receiving the final instalment of the reimbursement of the election expenses and personal expenses and the reimbursement of the candidate's nomination deposit (paragraph 477.81(3)(a))
  - filing the Return, if the candidate did not receive any of these reimbursements (paragraph 477.81(3)(b))
- 21** The *Act* provides for recovery of the payment of an electoral campaign expense that has to be made after the excess amount was returned to the Receiver General. The official agent may apply to the Chief Electoral Officer for repayment of the lesser of the amount of the additional payment and the excess amount of the surplus electoral funds paid to the Receiver General (subsection 477.84(1)).

## Publication of the Return

- 22** The Chief Electoral Officer shall, in a manner deemed appropriate, publish the original electoral campaign returns of candidates and any corrected or revised versions of those returns within one year after the issue of a writ for an election, and any updated version of those Returns as soon as feasible after it is received (subsections 382(1) and (3)). The information contained in the Return of each candidate is posted on the Elections Canada website where it can be easily searched.
- 23** Also, the Chief Electoral Officer is to allow public inspection of the Return, auditor's report, etc., during business hours (subsection 541(1)).

## CHAPTER 4

# Withdrawal or Death of a Candidate, Death or Incapacity of an Official Agent

## Introduction

- 1 It is possible that, during an election campaign, a candidate might withdraw, or a candidate, an official agent or a claimant might die. The *Act* recognizes these possibilities and specifically provides guidance for such events. This chapter briefly addresses these special circumstances.

## Withdrawal of a Candidate

- 2 Subsection 74(1) of the *Act* allows a candidate whose nomination has been confirmed to withdraw at any time prior to 5 p.m. on the closing day for nominations, by filing in person a written statement to that effect with the returning officer.
- 3 In these circumstances, the withdrawn candidate is still subject to the provisions of the *Act* and must follow the law for payments of claims and submission of the Return, auditor's report and Checklist for Audits, and is eligible for the reimbursement of the nomination deposit (section 477.77), but is not eligible for a refund of election expenses (as 10% of the vote could not be obtained). If no contribution was received and no expense incurred, a Nil Return must be submitted together with the auditor's report and Checklist for Audits.

## Death of a Candidate

### Maximum Election Expenses

- 4 If a candidate whose nomination was endorsed by a registered party dies in the period beginning at 2 p.m. on the fifth day before the closing day for nominations and ending on polling day, the election in that electoral district is postponed (section 77) and the base amount for all candidates in that electoral district is increased by 50% (subsection 477.5(2)).

### Statement of Personal Expenses

- 5 If a candidate dies before the end of the three-month period after polling day, a statement of personal expenses is not required (subsection 477.64(2)).

### Declaration Respecting Election Expenses

- 6 If the candidate dies before having sent in the declaration required by paragraph 477.59(1)(d) concerning the Return within the prescribed four-month period after polling day, the following applies:
  - the candidate is deemed to have sent in the declaration in accordance with that subsection
  - the official agent is deemed to have sent the declaration to the Chief Electoral Officer, who is deemed to have received it (paragraph 477.59(9)(c)).

### Submission of the Return

- 7 If a candidate dies before the date specified for the submission of the Return, the official agent still has the responsibility for complying with subsection 477.59(1) of the *Act* (regarding submission of the Return, the Checklist for Audits, auditor's report, etc.).

### Reimbursement of Election Expenses

- 8 If the candidate dies in the period beginning at 2 p.m. on the fifth day before the closing day for nominations and ending on polling day, the deceased is deemed to receive 10% of the valid votes cast. For the other candidates in that electoral district, the Chief Electoral Officer is to set

out an amount of 22.5% in the certificate forwarded to the Receiver General under subsection 477.73(1) (i.e., a first instalment of 22.5% rather than 15% of the election expense limit (paragraph 477.78(b))).

## Death or Incapacity of an Official Agent

- 9** In the case of the death, incapacity, resignation or revocation of appointment of the official agent, the candidate is to appoint another official agent and provide a declaration similar to the declaration contained in the nomination paper (section 477.42).
- 10** If the official agent is dead or legally incapacitated and another official agent for some reason has not been appointed, any bills, charges or claims that suppliers might have must be sent to the candidate (section 477.53).



## CHAPTER 5

# The Audit of a Candidate

### Purpose of Chapter

- 1 Subsection 477.1(2) of the *Act* requires that every candidate, at the time of appointing the official agent, also appoint an auditor. A candidate shall have no more than one official agent and one auditor at a time (section 477.43). Since this type of audit engagement does not recur on an annual basis, the auditor may not be familiar with the unique aspects associated with it. This chapter discusses many of the unique aspects of the audit of a candidate and provides practical guidance for carrying out the audit. In addition, this chapter addresses key issues in connection with the Checklist for Audits that auditors must complete as required by the *Act*.

### Legislative Requirements

#### Eligibility to Act as Auditor

- 2 A person eligible to be an **auditor** is set out in subsection 477.3(1) as “(a) a person who is a member in good standing of a corporation, association or an institute of professional accountants; or (b) a partnership of which every partner is a member in good standing of a corporation, association or an institute of professional accountants.” The following are not eligible to act as an auditor:
  - election officers and members of the staff of returning officers
  - the candidate or any other candidate
  - the official agent of the candidate or any other candidate
  - the chief agent of a registered party or eligible party

- a registered agent of a registered party
  - electoral district agents of registered electoral district associations
  - leadership contestants and their leadership campaign agents
  - nomination contestants and their financial agents
  - financial agents of registered third parties (subsection 477.3(2))
- 3** Further, these individuals cannot participate in the audit or the preparation of the audit report (except to respond to the auditor's request for information) if they are a partner or an associate of an auditor of a candidate, or an employee of either the auditor or the firm in which the auditor is a partner or associate (subsection 477.62(5)). Under the *Act* a person may be appointed as an auditor for a candidate notwithstanding that the person is a member of a partnership that has been appointed as an auditor for a registered party or a candidate in an electoral district other than the electoral district of the candidate for whom the appointment is being made (section 477.4).<sup>21</sup>

### Change of Auditor

- 4** Section 477.42 of the *Act* requires in the event of the death, incapacity, resignation or revocation of the appointment of an auditor, that the candidate, without delay, appoint another auditor.

### Consent Letter for Candidate's Nomination Paper

- 5** Subparagraph 66(1)(a)(iv) requires that the name, address and occupation of the auditor appear on the nomination paper; section 477.41 requires that it be accompanied by a statement in writing, signed by the auditor, stating acceptance for the engagement. An example of a consent letter is set out in Exhibit 1.

### Responsibilities of the Auditor

- 6** The responsibilities of the auditor are twofold:
- to report on the Electoral Campaign Return of the candidate referred to in subsection 477.62(1) of the *Act*
  - to complete and report on the Checklist for Audits referred to in subsection 477.62(2) of the *Act*

In undertaking the audit, the auditor should be aware of both these responsibilities.

<sup>21</sup> According to an Elections Canada interpretation, this section does not preclude the auditor from auditing more than one candidate or other political entity per electoral district.

## Audit of the Return

- 7 The *Act* requires that, as soon as practicable after an election, the auditor shall report to the official agent of the candidate 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 Electoral Campaign Return presents fairly the information contained in the financial records on which it is based (subsection 477.62(1)). (Refer to paragraph 21 below for a discussion of the applicable financial reporting framework applied to preparing the Return.)

## Access of Auditor

- 8 Subsection 477.62(4) of the *Act* entitles the auditor appointed by a candidate to have access at all reasonable times to all records, documents, books, accounts and vouchers held by the official agent and by the candidate, and to such information and explanation that, in the auditor's opinion, are necessary to conduct the audit. These include copies of official receipts issued, bank statements and cancelled cheques, lists of outstanding cheques, copies of all bills, vouchers and pro forma invoices, details of any loans, fund-raising functions, miscellaneous revenue, inventory remaining on hand, as well as the Return.
- 9 Subsection 477.62(4) of the *Act* entitles the auditor appointed by a candidate to "require the candidate and their official agent to provide any information or explanation that, in the auditor's opinion, may be necessary to enable the auditor to prepare the report."

## Deadline for Filing the Return

- 10 Subsection 477.59(7) requires that the auditor's report, the Return, and the completed Checklist for Audits be transmitted to the Chief Electoral Officer within four months of polling day.<sup>22</sup>

## Filing of a Nil Return

- 11 When a candidate incurs no expenses and receives no contributions, a Nil Return should be submitted together with the Candidate's Statement Concerning Personal Expenses (Form EC 20220), the auditor's report

<sup>22</sup> "Polling day," in relation to an election, means the date fixed for voting at the election, which must be at least 36 days after the issue of the writ.

and the Checklist for Audits. The Nil Return includes Part 1 of the Return, which notably requires the official agent to declare that there are no financial transactions. The auditor should perform the necessary auditing procedures to determine that there are in fact no financial transactions. A number of the audit procedures suggested in Exhibit 4 are also relevant to the examination of a Nil Return. Important procedures include: obtaining the bank account statement, a bank confirmation and a representation letter.

## General Audit Considerations

### Auditor Independence and Objectivity

- 12** Auditors must comply with the independence rules of those professional organizations of which they are members to determine whether their objectivity has been impaired. The independence rules released by the respective CPA provincial bodies<sup>23</sup> contain a requirement that threats 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.

There are five categories of independence threats in the rules:

1. a self-interest threat (the auditor could benefit from a financial interest in, or other self-interest conflict with, the client)
2. a self-review threat (the auditor is in a position to exert significant influence over subject matter)
3. an advocacy threat (the auditor promotes the client's position or opinion to the point that objectivity may be impaired)
4. a familiarity threat (the auditor, by virtue of a close relationship with the client becomes too sympathetic to the client's interests)
5. an intimidation threat (the auditor may be deterred from acting objectively and exercising professional skepticism by threats from the client)

The auditor of a federal election candidate should determine that the above threats do not in any way compromise the objectivity of the audit.

<sup>23</sup> For further information, please consult respective CPA provincial bodies.

- 13** Chartered Professional Accountants who are auditors of federal election candidates should note that the independence rules of their provincial accounting body prohibit the auditor from preparing or changing a source document or originating data of the candidate. Also, preparing or changing a journal entry, determining or changing an account code or a classification for a transaction, or preparing or changing another accounting record, is prohibited unless the auditor obtains the approval of the candidate and the official agent.<sup>24</sup> Advising on appropriate accounting policies and acceptable accounting treatments is normally considered acceptable.
- 14** 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.

### Candidate's Return

- 15** This chapter provides guidance to help the auditor perform an audit of the Return. In particular, this Guide should assist the auditor in becoming familiar with issues unique to this type of engagement. As noted in Chapter 6, the auditor's report on the Return will state that the audit has been conducted in accordance with Canadian generally accepted auditing standards. Therefore, the auditor shall comply with the general requirements set out in CAS 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Canadian Auditing Standards*. The specific auditing requirements relating to this type of engagement are included in CAS 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*. Paragraph 10 of CAS 805 specifies that CASs are written in the context of an audit of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. In planning and performing the audit of a single financial statement or of a specific element of a financial statement, the auditor shall comply with all CASs relevant to the audit as necessary in the circumstances of the engagement (paragraph 18 of CAS 200).

<sup>24</sup> For example, see rule 204.4(23) (ia) of Rule 204: Harmonized rules of professional conduct of CPA Canada.

## Unique Aspects of an Audit of a Candidate's Return

### Commercial Values

- 16** As noted in Chapter 2, election expenses include the commercial value of property and services other than volunteer labour contributed to the candidate, whether such property and services are provided free of charge or are paid for in part by the candidate through the official agent. To permit an audit of the amounts recorded in the accounts, it is suggested that the auditor obtain agreement through the engagement letter that the candidate and the official agent will request suppliers to certify the commercial value where the auditor deems it appropriate. If the official agent has not requested suppliers to certify the commercial value and the auditor believes the commercial value may differ substantially from the recorded commercial value, it will be necessary for the auditor to obtain such confirmation directly from suppliers.
- 17** The commercial value of property and services may be misstated either by error or intent. The auditor should therefore question the amount of any voucher that appears to be entered in the Return at less than a reasonable value. Any such misstatement will be important if the correct amount is obvious or its effect, or the cumulative effect of such misstatements, may be material. Materiality in a particular instance depends not only on the amount of the misstatement, but also, for example, on the amount of the candidate's election expenses as compared with the expenditure limitation or reimbursement provisions of the *Act*.

### Candidate's Personal Expenses in Relation to an Election

- 18** A candidate's personal expenses are excluded from election expenses and are consequently not subject to the allowable limit of election expenses. The Chief Electoral Officer may establish categories of personal expenses and fix maximum amounts (subsection 378(2)). Such expenses are reimbursable under the formula for reimbursement discussed in Chapter 3. The auditor is advised to ask the candidate for appropriate vouchers for personal expenses, since the statement concerning personal expenses forms part of the Return (i.e., Part 3c). In addition, as mentioned earlier, although the auditor is not required to audit Form EC 20220 that is transmitted together with the Return to the Chief Electoral Officer to comply with subsection 477.64(1), the auditor shall read the financial information set out in Form EC 20220 to identify

material inconsistencies (if any) with the audited Part 3c of the Return (paragraph 6 of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*).

## Ineligible Contributions

- 19** It is important to note that according to Elections Canada, it is not the auditor's responsibility to ensure that contributors<sup>25</sup> were eligible to make contributions. The auditor should, however, ask the official agent whether any ineligible contributions were received and to confirm that all such ineligible contributions have been included in the "Statement of Contributions Returned to Donors or Remitted to the Chief Electoral Officer" (Part 2c of the Return). Further, regarding the limit of contributions, the auditor's responsibility does not extend beyond making sure that the limit has not been "obviously" exceeded, for example, that no particular contribution is clearly over the annual contribution limit.

## Agreeing the Terms of the Audit Engagement

### Acceptability of the Financial Reporting Framework

- 20** It should be noted that under the CASs, 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 the Return is acceptable. Without an acceptable financial reporting framework, the official agent does not have an appropriate basis for preparing the Return and the auditor does not have suitable criteria for auditing the Return.
- 21** 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 Return, such as the purpose of the Return, the nature of the Return, and whether the applicable financial reporting framework is prescribed by law or regulation.

<sup>25</sup> Contributor is not defined in the *Act*, and the definition of "contribution" means a monetary contribution or a non-monetary contribution (subsection 2(1)). In this context, a contributor may be considered as a person or entity that voluntarily provides a monetary or non-monetary benefit to the candidate without the expectation of a return.

The summaries and the statements in Parts 2, 3 and 4 of the Return are prepared in accordance with the financial reporting provisions prescribed by the *Act* to meet the specific information needs of the regulator.<sup>26</sup> Under the CASs, when a financial reporting framework is designed to meet the financial information needs of specific users, it is determined to be a special purpose framework.<sup>27</sup>

In addition, the auditor must determine whether the special purpose framework is a “fair presentation framework”<sup>28</sup> or a “compliance framework.”<sup>29</sup> A key element in this determination is whether the 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*. Since Elections Canada requires the official agent to complete a prescribed form based on a financial reporting framework that does not meet the definition of a fair presentation framework, the type of special purpose framework applied to prepare this financial information is determined to be a compliance framework.

Since the *Act* prescribes the financial reporting framework to be applied by the official agent in the preparation of the Return 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

- 22** As indicated in Chapter 2, a person is deemed to have been a candidate from the time of accepting a contribution or incurring an electoral campaign expense (section 477). Consequently, the audit period covers not only the election period but also the period prior to the writ

26 The regulator is taken to be the Chief Elections Officer.

27 Refer to CAS 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* paragraphs 6 and A1 for the definition of and examples of a special purpose framework.

28 Paragraph 13(a) of CAS 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Canadian Auditing Standards* defines the term “fair presentation framework” as referring to a financial reporting framework that requires compliance with the requirements of the framework and:

- a. Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- b. acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.

29 The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.

and after polling day, since an electoral campaign expense of a candidate is an expense reasonably incurred as an incidence of the election (section 375).

### Timing of Engagement

- 23** The *Act* requires the official agent to file the Return and the corresponding auditor's report by the same date that the period for payment of claims ends. It is suggested that the audit engagement letter make reference to the date that the completed Return will be available for the final audit.

### Audit Engagement Letter

- 24** The auditor shall agree the terms of the audit engagement with the official agent and the candidate (paragraph 9 of CAS 210, *Agreeing the Terms of Audit Engagements*). The agreed terms of the audit engagement shall be recorded in an audit engagement letter or other suitable form of written agreement (paragraph 10 of CAS 210). It is suggested that the terms of the engagement be agreed prior to accepting the appointment as auditor for a candidate.
- 25** The agreed terms shall specify the following:
- objective and scope of the audit of the Return
  - responsibilities of the auditor
  - responsibilities of the official agent and the candidate
  - identification of the applicable financial reporting framework for the preparation of the Return
  - 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 (paragraph 10 of CAS 210)
- 26** The auditor shall obtain the agreement of the official agent and the candidate that they acknowledge and understand their responsibility:
- for the preparation of the Return in accordance with the applicable financial reporting framework
  - for such internal controls as the official agent and the candidate determine are necessary to enable the preparation of a Return that is free from material misstatement, whether due to fraud or error

- to provide the auditor with:
  - access to all information of which the official agent and the candidate are aware that is relevant to the preparation of the Return such as records, documentation and other matters
  - additional information that the auditor may request from the official agent and the candidate for the purpose of the audit
  - unrestricted access to persons from whom the auditor determines it necessary to obtain audit evidence (paragraph 6 of CAS 210)

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.

- 27** Exhibit 2 provides a suggested form for the engagement letter. Appropriate amendments would, of course, 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 Return

- 28** In this Guide, reference is made to the following CASs concerning communications:
- CAS 260, *Communications with Those Charged with Governance*
  - CAS 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*
  - CAS 450, *Evaluation of Misstatements Identified during the Audit*

## Materiality and Risk in an Audit of a Candidate's Return

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

- 29** CAS 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* requires the auditor to obtain sufficient knowledge of the entity's business to provide a basis for adequately planning and properly executing the audit, including a sufficient understanding of internal control. Therefore, the auditor must understand the campaign activities and controls relevant to the audit (paragraph 12 of CAS 315). More particularly, paragraph 5 of CAS 315

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 6 of CAS 315). This understanding is required regardless of whether there is an expectation that the controls will be relied upon in the performance of the audit. Elections Canada issues prescribed forms that comprise the Return and, together with required receipts, invoices, cancelled cheques, bank account and deposit slips, constitute the bookkeeping system for the official agent.

- 30** 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 official agent, pre-numbered 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 Return.

## Materiality

- 31** Determining materiality is a matter of professional judgment. Paragraph 5 of CAS 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 Return 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.

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

1. materiality for the Return as a whole
2. materiality for particular classes of transactions and account balances
3. performance materiality

- 32** 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 CAS 320).

## Risk Assessment

- 33** 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 Return 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 CAS 200).
- 34** 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 Return (paragraph A37 of CAS 200). The CASs 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 CAS 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.

- 35** 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 Return

- 36** CAS 330 requires that the auditor design and implement overall responses to address the assessed risks of material misstatement at the Return 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 CAS 330, *The Auditor's Responses to Assessed Risks*).
- 37** CAS 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 Return. 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 (paragraphs 6 and 8 of CAS 450, *Evaluation of Misstatements Identified during the Audit*). The auditor shall request that the official agent correct those misstatements (paragraph 8 of CAS 450). If the official agent refuses to correct some or all of the misstatements communicated by the auditor, the auditor shall obtain an understanding of the official agent's reasons for not making the corrections and shall take that understanding into account when evaluating whether the Return as a whole is free from material misstatement (paragraph 9 of CAS 450).
- 38** 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 CAS 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*).
- 39** The auditor shall determine whether uncorrected misstatements are material, individually or in aggregate (paragraph 11 of CAS 450). The auditor should bear in mind the public exposure and sensitivity of the Return when determining materiality. The auditor shall request that uncorrected misstatements be corrected (paragraph 12 of CAS 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 CAS 705, *Modifications to the Opinion in the Independent Auditor's Report*).

- 40** 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 Return as a whole. A summary of such items should be included in or attached to the written representation (paragraph 14 of CAS 450).
- 41** 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 CAS 450).

## Legal and Regulatory Framework and Fraud in an Audit of a Candidate's Return

### Legal and Regulatory Framework

- 42** 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 Return.

The requirements in CAS 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*, are designed to assist the auditor in identifying material misstatement in the Return 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 Return, taken as a whole, is free from material misstatement, whether caused by fraud or error. Paragraph 6 of CAS 250 distinguishes the auditor's responsibilities in relation to compliance with two different categories of laws and regulations as follows:

1. the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the Return
2. other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the Return, 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 licence); non-compliance with such laws and regulations may therefore have a material effect on the Return. Clearly, the *Act*, including Elections Canada's interpretations, has a direct effect on the determination of material amounts and disclosures in the Return. Accordingly, the auditor is therefore required to obtain sufficient appropriate audit evidence regarding compliance with these sections of the *Act*

- 43** 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 Return have been disclosed to the auditor (paragraph 16 of CAS 250).

## Fraud

- 44** CAS 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 Return as a whole is free from material misstatement, whether caused by fraud or error.
- 45** 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 Return 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 Return. 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 Return. 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 CAS 240 (paragraph 39 of CAS 240).

## Audit Evidence in an Audit of a Candidate's Return

- 46** 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

- 47** Although the *Act* does not require the auditor to determine that all financial transactions have been recorded in the candidate's accounting records, it requires the auditor to conduct the audit of the Return in accordance with Canadian generally accepted auditing standards. 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 7(b) of CAS 705) (For a discussion on scope limitation in an audit engagement reported in the auditor's report, see Chapter 6, The Auditor's Report).

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

### Analytical Procedures

- 48** CAS 520, *Analytical Procedures* deals with the auditor's use of analytical procedures as substantive procedures (substantive analytical procedures). As previously mentioned, CAS 315 deals with the use of analytical procedures as risk assessment procedures; CAS 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 Return is consistent with the auditor's understanding of the candidate's campaign (paragraph 6 of CAS 520).

## Confirmation

- 49** 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 CAS 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

- 50** Reference shall be made to CAS 560, *Subsequent Events* concerning audit procedures related to subsequent events, especially to events occurring between the date of the Return 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 Return is issued, or when facts become known to the auditor after the Return has been issued.
- 51** When a payment is made for unpaid claims and loans, the official agent is required to file an updated return with the Chief Electoral Officer (subsection 477.59(10)) within 30 days after the date on which the payment is made. In addition, the official agent is required to file an updated version of the Statement of Unpaid Claims and Loans, from Part 3a and 2b (Part 3e) as of the day that is 18 months after polling day and as of 36 months after polling day (subsections 477.59 (11) and (12)). These subsequent returns do not require an auditor's report; the auditor must however apply the requirements of CAS 560 to comply with the CASs.
- 52** 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 Return have been adjusted or disclosed in accordance with the requirements of the *Act* (paragraph 9 of CAS 560).

## Representation Letter

- 53** 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 CAS 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 Return (paragraph 14 of CAS 580). In accordance with CAS 580, the following representations must be included in the representation letter:
- The official agent and the candidate have fulfilled their responsibility for preparing the Return in accordance with the applicable financial reporting framework (paragraph 10 of CAS 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 CAS 580).
  - All transactions have been recorded and are reflected in the Return (paragraph 11(b) of CAS 580).
- 54** Note that according to CAS 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 CAS 580).
- 55** 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

- 56** 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 CAS 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 CAS 580).

- 57** 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 CAS 705 (paragraph 18 of CAS 580).

## Documentation

- 58** 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 Return to comply with the CASs and applicable legal and regulatory requirements and conclusions reached. CAS 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),<sup>30</sup> 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

- 59** 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.

## Elections Canada Checklist for Audits

- 60** It should be noted that the *Act* defines the powers, duties and functions of the official agent in regard to the administration of the bank account. More particularly, as per subsection 477.46(1): "A candidate's official agent shall open, for the sole purpose of the candidate's electoral campaign, a separate bank account in a Canadian financial institution as defined in section 2 of the *Bank Act*, or in an authorized foreign bank as defined in that section that is not subject to the restrictions and requirements referred to in subsection 524(2) of that *Act*." As per

<sup>30</sup> CAS 230 discusses "Assembly of the Final Audit File" in paragraphs A21 to A24. Paragraph A54 of CSQC-1 mentions that in the case of an audit, for example, such a time limit would ordinarily not be more than 60 days after the date of the auditor's report.

subsection 477.46(2): “The account shall name the account holder as follows: “(*name of official agent*), official agent.” As per subsection 477.46(3): “All of a candidate’s financial transactions in relation to the candidate’s electoral campaign that involve the payment or receipt of money are to be paid from or deposited to the account.”

- 61** Subsection 477.62(2) of the *Act* requires that the auditor’s report include a completed Checklist for Audits in the prescribed form. The Checklist for Audits designed by Elections Canada asks the auditor to report on specified statements in the Checklist for Audits related to the bank account. (Chapter 6 addresses key issues related to the reporting on the Checklist for Audits.)

## CHAPTER 6

# The Auditor's Report on the Return and on Other Legal and Regulatory Requirements

### Introduction

- 1 The *Act* requires the auditor to conduct the audit on the Return in accordance with Canadian generally accepted auditing standards (GAAS) (i.e., in accordance with CASs) and requires other reporting on legal and regulatory requirements in subsection 477.62(1):

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.

This chapter deals with the form and content of the auditor's report on the Return and with other reporting for legal and regulatory requirements.

## Auditor's Report on the Return

### Special Considerations

- 2** 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, the auditor's report will be based on the applicable financial reporting framework.

It is important to note that the following discussion and the auditor's report in Exhibit 6 are based on the assumption that the Return is prepared in accordance with a special purpose compliance framework.<sup>31</sup>

- 3** The auditor's report on the Return shall comply with the following requirements:
- CAS 700, *Forming an Opinion and Reporting on Financial Statements* provides guidance to an auditor engaged to express an opinion on financial information
  - CAS 800, *Special Considerations—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
  - CAS 805, *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 Parts 2, 3 and 4 of the Return.

### Opinion and Inherent Scope Limitation

- 4** When forming an opinion and reporting on the Return, the auditor shall apply the requirements in CAS 700, *Forming an Opinion and Reporting on Financial Statements* adapted as necessary in the circumstances of the engagement (paragraph 11 of CAS 805). The auditor shall form an opinion on whether the Return is prepared, in all material respects, in

<sup>31</sup> See the analysis of the financial reporting framework applied for preparing the Return in Chapter 5, in the "Acceptability of the Financial Reporting Framework" section.

accordance with the applicable financial reporting framework and shall evaluate whether the Return adequately refers to or describes the applicable financial reporting framework (paragraphs 10 and 15 of CAS 700).

- 5** It is important to note that when the Return is prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the Return achieves fair presentation (paragraph 19 of CAS 700).
- 6** As previously discussed in the Audit Evidence in an Audit of a Candidate's Return section (page 56 of this Guide), there is a scope limitation when auditing the Return 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 Return of undetected misstatements, if any, could be material but not pervasive (paragraph 7 of CAS 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 referred to in paragraph 477.62(3)(b) 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.
- 7** When the auditor modifies the opinion on the Return, the auditor shall, in addition to the specific elements required by CAS 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 before the "Qualified Opinion" paragraph in the auditor's report (paragraph 16 of CAS 705). (See Exhibit 6 for an example of a "Basis for Qualified Opinion" and a "Qualified Opinion" paragraph.)
- 8** Since the financial reporting framework applied for preparing the Return 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 Return is prepared, in all material respects, in accordance with the applicable financial reporting framework" (paragraph 23 of CAS 705).

## Description of the Applicable Financial Reporting Framework

- 9 It should be noted that the preparation of the Return by the official agent requires the inclusion of an adequate description of the applicable financial reporting framework in the Return. That description is important because it advises users of the Return on which framework the Return is based. Accordingly, the official agent will have to prepare a note describing the financial reporting framework applied for the preparation of the Return and the note shall be attached to the Return. (Refer to Exhibit 5 for an example.)
- 10 As mentioned above, the auditor shall evaluate whether the Return adequately refers to or describes the applicable financial reporting framework (paragraph 12 of CAS 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 Return (paragraph 14 of CAS 800). (See Exhibit 6 for an example of such a paragraph.)

## Emphasis of Matter

- 11 Since the Return is prepared in accordance with a special purpose framework, the requirements in CAS 800 also apply. The auditor’s report on the Return shall include an “Emphasis of Matter” paragraph alerting users of the auditor’s report that the Return is prepared in accordance with a special purpose framework and that, as a result, the Return may not be suitable for another purpose (paragraph 14 of CAS 800). The auditor shall include this paragraph under an appropriate heading (e.g., “Basis of Accounting”) (paragraph 14 of CAS 800). (See Exhibit 6 for an example of such a paragraph.)
- 12 If the auditor considers it necessary to draw users’ attention to a matter presented or disclosed in the Return that, in the auditor’s judgment, is of such importance that it is fundamental to users’ understanding of the Return, 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 Return. Such a paragraph shall refer only to information presented or disclosed in the Return (paragraph 6 of CAS 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 Return (e.g., to the amounts for

total campaign cash inflows and total election expenses in Part 4 (Campaign Financial Summary) of the Return). Such a paragraph would be added after the "Basis of Accounting" paragraph.

## Other Matter

- 13** If the auditor considers it necessary to communicate a matter other than those presented or disclosed in the Return that, 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 8 of CAS 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 A9 of CAS 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 Return to be made available for public inspection, the auditor will not include a restriction on distribution in the auditor's report. (See Exhibit 6 for an example of a "Basis of Accounting and Restriction on Use" paragraph.)

## Addressee

- 14** The CASs are based on the *International Framework for Assurance Engagements* (the *Framework*),<sup>32</sup> 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." Therefore, since the

<sup>32</sup> *International Framework for Assurance Engagements* prepared by the International Auditing and Assurance Standards Board (IAASB).

official agent is both the “responsible party” and the “intended user,” as required by the *Act*, the auditor’s report must also be addressed to the Chief Electoral Officer to comply with the CASs.

### Date of the Auditor’s Report<sup>33</sup>

- 15** 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 Return, including evidence that:
- all the statements and the summaries that comprise the Return, including the related notes, have been prepared
  - those with the recognized authority have asserted that they have taken responsibility for this Return (paragraph 41 of CAS 700)

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

### Form of Report

- 16** 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 Return, the auditor is required, based on the components of the Return, 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 Return” before the introductory paragraph to clearly distinguish the responsibility to report on the Return from the responsibility to report on other legal and regulatory requirements
  - the name of the addressee (i.e., the official agent as required by the *Act* and the Chief Electoral Officer) to comply with the CASs
  - In the introductory paragraph of the report, state:
    - that the Return has been audited
    - the composition of the Return (i.e., list of all summaries and statements)

<sup>33</sup> Refer to *Reporting Implications of New Auditing and Accounting Standards, Issue No 12*—April 2014 issued by CPA Canada, Q&A 2(f) (i): On what date must the auditor date the auditor’s report?

- the date or period covered by each summary and statement comprising the Return
- that the Return has been prepared by the official agent based on the financial reporting provisions of subsection 477.59(1) of the *Canada Elections Act* and the accounting guidelines issued by Elections Canada
- In the “Official Agent’s Responsibility” paragraph of the report, state that:
  - The official agent is responsible for the preparation of the return and describe the applicable financial reporting framework (i.e., financial reporting provisions of subsection 477.59(1) of the *Canada Elections Act* and the accounting guidelines issued by Elections Canada).
  - The official agent is responsible for the internal controls they consider necessary to enable the preparation of a Return that is free from material misstatement, whether due to fraud or error.
- In the “Auditor’s Responsibility” paragraph, state:
  - The auditor is responsible to express an opinion on the Return based on the audit.
  - The audit was conducted in accordance with Canadian generally accepted auditing standards.
  - Those standards require that the auditor comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Return is free from material misstatement.
  - The auditor’s report shall describe an audit. Auditors may consider including the following information:
    - » 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. In making those risk assessments, the auditor considers internal controls relevant to the preparation of the Return in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- » An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the official agent, as well as the overall presentation of the Return.
  - The auditor believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor’s qualified opinion.
- Include a paragraph entitled “Basis for Qualified Opinion” that describes the inherent scope limitation
- In the “Qualified Opinion” paragraph, state:
  - Except for the possible effects of the matter described in the “Basis for Qualified Opinion” paragraph, the Return is prepared, in all material respects, in accordance with the applicable financial reporting framework (i.e., financial reporting provisions of subsection 477.59(1) of the *Canada Elections Act* and the accounting guidelines issued by Elections Canada).
- In a separate paragraph entitled “Basis of Accounting and Restriction on Use” following the “Qualified Opinion” paragraph, state:
  - The Return is prepared in accordance with a special purpose framework and, as a result, the Return may not be suitable for another purpose.
  - In addition to the required “Basis of Accounting” paragraph, if the auditor considers it appropriate, the auditor’s report is intended solely for specific users. This “Restriction on Use” paragraph is added at the end of the “Basis of Accounting” paragraph. The subtitle is renamed “Basis of Accounting and Restriction on Use.”
- 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:
  - the total campaign cash inflows of \$.... and total election expenses of \$....., shown in the “Campaign Financial Summary,” Part 4 of the Return
- Date the auditor’s report not earlier than the date of approval of the Return 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 subsection 477.62(1) of the *Act*, in my opinion, the Return presents the information contained in the financial records on which it is based.”

- 17** See Exhibit 6 for a sample auditor's report on a candidate's Return including the above issues. This report is considered appropriate for reporting under the *Canada Elections Act*.

## Auditor's Report on Other Legal and Regulatory Requirements

- 18** 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 477.62(1):

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.

Paragraphs 38, 39 and A34 to A36 of CAS 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 38 and 39 of CAS 700:

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, 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 Return” before the introductory paragraph to clearly distinguish the responsibility to report on the Return from the responsibility to report on other legal and regulatory requirements.

## Other Statements

- 19** Subsection 477.62(3) requires that the auditor’s report include any statement that the auditor considers necessary if:
- the Return 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
- 20** Paragraphs 38, 39 and A34 to A36 of CAS 700 deal with these other reporting responsibilities. For instance, for the requirement in paragraph 477.62(3)(c), 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 38 and 39 of CAS 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 Return” before the introductory paragraph to clearly distinguish the responsibility to report on the Return from the responsibility to report on other legal and regulatory requirements.

## Report on the Checklist for Audits

- 21** The *Act* also requires that the auditor’s report include a completed Checklist for Audits in the prescribed form. As mentioned earlier, the checklist effectively asks the auditor to report on specified statements in the Checklist for Audits related to the bank account.
- 22** Paragraphs 38, 39 and A34 to A36 of CAS 700 deal with this other reporting responsibility. In connection with the completed Checklist for Audits, it is suggested that the auditor include a statement in the auditor’s report in accordance with the requirements in paragraphs 38 and 39 of CAS 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. (See Exhibit 6 for a sample statement in the separate section in the auditor’s report, “Report on Other Legal and Regulatory Requirements.”)

## CHAPTER 7

# Use of the Electronic Candidate's Return

## Introduction

- 1 Elections Canada is encouraging the use of its proprietary software to perform the candidate's accounting, prepare the Return and facilitate the submission of the Return. The software should reduce clerical and arithmetic errors, and facilitate balancing of the candidate's bank account and surplus. The auditor should determine whether the most current version of the software has been used to prepare the Return.

Exhibit 7 provides considerations for Electronic Candidate's Returns.

## Filing Process of the Electronic Return

### Version Control

- 2 As mentioned earlier, the Return must be sent to the Chief Electoral Officer by the official agent. The official agent will send the Return in two media: electronic version and hard copy. It is important to note that the hard copy of the audited Return is the official version of the Return.
- 3 Because candidates do not usually have an extensive number of transactions, and many internal control features will usually not be in place, in most cases it would be inefficient to test the internal controls surrounding the use of the software. Rather, it is suggested that the Return be printed, and that all testing be performed on the printed copy.

- 4 When all changes have been made to the electronic version of the Return, the auditor should request an electronic copy of the file. A final printed version should be generated from the official agent's file being sent, and compared to the printed version produced from the auditor's copy of the file to determine that the copy being sent by the official agent is accurate. The auditor's copy of the file should be kept in secure storage where it is protected from accidental damage. The printed copy of the Return should be compared to the final version of the Return that is sent, along with the auditor's report, to the Chief Electoral Officer to determine that the copy provided is the final audited version of the Return.

### **Transmission of Auditor's Reports and Final Version of the Return**

- 5 The official agent will be responsible for sending the final version of the Return, produced in two media, to the Chief Electoral Officer. The hard copy of the Return that will be sent by the official agent to the Chief Electoral Officer must include the audited Return, the declaration signed by the official agent and the candidate, the note describing the financial reporting framework applied in the preparation of the Return, the auditor's report on the Return, the completed Checklist for Audits, together with the Candidate's Statement of Personal Expenses (Form EC 20220) and supporting documents. The electronic version of the Return will only include Form EC 20120.

## EXHIBIT 1

# Sample Consent Letter

(Date)

A. Candidate  
Address

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

I hereby accept the appointment as your auditor pursuant to subsection 477.1 (2) and section 477.3 of the *Canada Elections Act* (the *Act*) relative to the election to be held on (date) in the electoral district of \_\_\_\_\_.

This letter is provided in compliance with section 477.41 of the *Act*.

Yours truly,

(signed) \_\_\_\_\_  
cc: Returning officer



**EXHIBIT 2**

# Sample Audit Engagement Letter

(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 \_\_\_\_\_, 20\_\_\_. 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).

**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 of 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 introductory 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 introductory 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 subtitled “Report on Other Legal and Regulatory Requirements.”

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 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 personal expenses to support the amounts recorded in the Statement of Candidate's Personal Expenses, from part 3a, Column 2 (Part 3c 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 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, 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 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)  
Candidate

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

(signed) \_\_\_\_\_ (Date)  
Official agent



**EXHIBIT 3**

# Sample Representation Letter

(Date)

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

In connection with your audit of the “Candidate’s Electoral Campaign Return” (the “Return”) of \_\_\_\_\_, a candidate in the electoral district of \_\_\_\_\_ in the election held on \_\_\_\_\_, 20\_\_, and in connection also with your completion of the Checklist for Audits in the prescribed form, 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 Return, which comprises:
  - Statement of Contributions Received (Part 2a)
  - Statement of Operating Loans (Part 2b)
  - Statement of Contributions Returned to Contributors or Remitted to the Chief Electoral Officer (Part 2c)
  - Statement of Transfers Received (Part 2d)
  - Statement of Cash Inflows Other Than Contributions, Loans and Transfers (Part 2e)
  - Summary of Contributions, Loans, Transfers and Other Cash Inflows (Part 2f)
  - Statement of Electoral Campaign Expenses and Other Outflows (Part 3a)

- Statement of Election Expenses Subject to the Limit, from Part 3a, Column 1 (Part 3b)
- Statement of Candidate's Personal Expenses, from Part 3a, Column 2 (Part 3c)
- Statement of Other Expenses and Outflows, from Part 3a, Column 3 (Part 3d)
- Statement of Unpaid Claims and Loans, from Part 3a and 2b (Part 3e)
- Statement of Non-Monetary Transfers Sent to Affiliated Political Entities (Part 3f)
- Campaign Financial Summary (Part 4)

for the candidacy of (*name of candidate*), a candidate at the election of a member to serve in the House of Commons of Canada held on the \_\_\_\_ day of \_\_\_\_\_ 20\_\_ in the electoral district of \_\_\_\_\_ in accordance with the financial reporting provisions of subsection 477.59(1) of the *Canada Elections Act* (the "Act") and the accounting guidelines issued by Elections Canada.

2. The date of the Return is (*insert date*).
3. You have been provided a note describing the financial reporting framework applied for preparing the Return to be attached to the Return (see *Exhibit 5 for a sample note*).
4. 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.
5. All loans, advances, deposits, contributions and gifts received and all expenses incurred, including in particular items (a) to (c) below, have been determined and recorded as required by the *Act* and in accordance with the *Handbook*, published by Elections Canada:
  - a. labour other than volunteer labour
  - b. commercial value of property and services
  - c. personal expenses of the candidate
6. The official agent has received all the amounts contributed. No contribution in excess of the amount permitted by the *Act* (\$1,500 as of January 1, 2015, plus annual adjustments) has knowingly been accepted from a particular individual.
7. 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.

8. All contributions received from ineligible contributors were returned to the contributor within 30 days of becoming aware of the ineligibility or, if not possible, the amount of it or, in the case of a non-monetary contribution, an amount of money equal to its value, was paid to the Chief Electoral Officer in accordance with subsection 363(2).
9. 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 except by authorization given by the official agent in accordance with the provisions of sections 381 and 375 and subsection 477.47(4) of the *Act* to the following:  

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10. We have disclosed to you all claims and possible claims against the candidate and/or the official agent, whether or not such claims have been discussed with a lawyer.
11. We are not aware of any illegal or possible illegal acts that have not been disclosed to you.
12. 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, as set out in the attached schedule, are immaterial, both individually and in the aggregate, to the Return 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*).
13. 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 Return, and the results of our assessment of any material misstatements resulting from the fraud.
14. 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 Return (*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 Return*).

15. All subsequent events to the date of the Return that affect the information required to be disclosed or adjusted in this Return have been accounted for or disclosed in the Return.
16. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
17. The amounts shown in the Campaign Financial Summary—Part 4 of the Return for the total campaign cash inflows and total election expenses are \$\_\_\_\_ and \$\_\_\_\_ respectively.
18. For the sole purpose of the candidate's electoral campaign, a separate bank account was opened in a Canadian financial institution as defined in section 2 of the *Bank Act*, or in an authorized foreign bank as defined in that section, that is not subject to the restrictions and requirements referred to in subsection 524(2) of that *Act* (subsection 477.46(1)).
19. The account holder is as follows:  
  
\_\_\_\_\_ (subsection 477.46(2))
20. 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 (subsection 477.46(3)).
21. (Other representations)

Yours truly,

(signed) \_\_\_\_\_  
Candidate

(signed) \_\_\_\_\_  
Official agent

**EXHIBIT 4**

# Considerations in Designing an Audit Program

With respect to the audit of the summary and of the statements in Parts 2 and 3 of the Return, most of the items are covered by standard audit programs, such as those set out in the *Canadian Professional Engagement Manual (CPEM)* published by the Chartered Professional Accountants of Canada, adapted as necessary for the nature of this type of engagement.

The Audit Program in this exhibit can be used in the conduct of the audit of a Return. 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 CASs.

<b>DONE BY</b>	
<b>PRELIMINARY MATTERS</b>	
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 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 official agent and the candidate are familiar with the requirements under the <i>Canada Elections Act</i> that will affect the Return 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.	

<b>DONE BY</b>	
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 Return, availability for discussions and signatures.	
<b>UNDERSTANDING OF THE CAMPAIGN, ITS ENVIRONMENT AND RISK ASSESSMENTS</b>	
<p>8. 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.)</p> <p>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> <p>The following matters should be considered during the observation:</p> <ul style="list-style-type: none"> <li>• size of headquarters, 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> <li>• information as to fund-raising functions that have occurred or are anticipated</li> </ul>	
9. Enquire of the candidate and official agent what their assessment is of the risk the return may be materially misstated due to fraud or any illegal acts.	
10. Determine the risk of material misstatements in the Return and determine that it will be possible to reduce this risk to an acceptably low level with audit evidence obtained from substantive procedures.	

<b>DONE BY</b>	
<b>CONFIRMATION PROCEDURES</b>	
11. Determine whether a confirmation of the maximum election expenses has been received. If not received, confirm the amount with Elections Canada directly.	
12. Consider whether external confirmation procedures are to be performed as substantive audit procedures for the bank and loan balances.	
13. Obtain confirmations from the registered electoral district association, 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.	
14. Obtain confirmations from the registered electoral district association, 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.	
15. 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.	
<b>EXAMINATION OF THE RETURN</b>	
<b>General</b>	
16. Obtain the working copy of the Return (Form EC 20120) and vouchers from the official agent.	
17. Agree the maximum election expenses using the confirmation obtained in step 11 to the permitted limit of election expenses shown in the Campaign Financial Summary of the Return (Part 4).	
<b>Expenses</b>	
18. Agree expenses on the Statement of Electoral Campaign Expenses and Other Outflows (Part 3a); the Statement of Election Expenses Subject to the Limit, from Part 3a, Column 1 (Part 3b); the Statement of Candidate's Personal Expenses, from Part 3a, Column 2 (Part 3c) and the Statement of Other Expenses and Outflows, from Part 3a, Column 3 (Part 3d) to supporting vouchers, obtaining evidence that: <ul style="list-style-type: none"> <li>• The voucher shows the particulars of the expense.</li> </ul>	

<b>DONE BY</b>	
<ul style="list-style-type: none"> <li>• The vendor is properly identified. Vendor for the purposes of the Return is the entity or person whom the official agent has authorized to make a purchase or to whom a payment in the form of cheque or cash or wire transfers is made. For example, for the campaign of Candidate A, the official agent authorized John to purchase stationary from a store. John paid for the stationary using his personal credit card and was later reimbursed by the campaign through a cheque payment made to him. In this case, the vendor is John and not the store from which stationary was purchased because the payment was made by the campaign to John and not the store. For payments made by the official agent electronically via e-transfer or wire-transfer, verify the name of the vendor against the “confirmation of payment” received by the official agent as the bank statement will not have the name of the vendor on it.</li> <li>• There is a voucher attached to the Return for every expense of \$50 or more. Also review the reasonableness of expenses under \$50.</li> <li>• Expenses that meet the definition of an election expense have been properly classified in the Statement of Electoral Campaign Expenses and Other Outflows (Part 3a).</li> <li>• If the voucher shows a commercial value greater than the amount charged, the difference is shown in the contributed or transferred property or service column of the Statement of Electoral Campaign Expenses and Other Outflows (Part 3a) (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>• Any capital expenditures are noted for subsequent follow-up (see step 30).</li> <li>• The amounts included in column 1 of the Statement of Electoral Campaign Expenses and Other Outflows (Part 3a) are properly set out in the Statement of Election Expenses Subject to the Limit, from Part 3a, Column 1 (Part 3b), meet the definition of an election expense, and the explanations of expenses provided are reasonable.</li> <li>• The amounts included in column 2 – Candidate’s personal expenses of the Statement of Electoral Campaign Expenses and Other Outflows (Part 3a) meet the definition of a candidate’s personal expenses and the total amount agrees with the amount recorded in the Statement of Candidate’s Personal Expenses, from Part 3a, Column 2 (Part 3c).</li> </ul>	

	<b>DONE BY</b>
<ul style="list-style-type: none"> <li>The amounts included in column 3 of the Statement of Electoral Campaign Expenses and Other Outflows (Part 3a) are properly set out in the Statement of Other Expenses and Outflows, from Part 3a, Column 3 (Part 3d).</li> <li>The amounts included in column Unpaid Claim of the Statement of Electoral Campaign Expenses and Other Outflows (Part 3a) are properly set out in the Statement of Unpaid Claims and Loans, from Part 3a and 2b (Part 3e).</li> </ul>	
19. 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 from the date of the issue of the writ to the third month after polling day be sent directly to you.	
20. Agree payments, advancements or reimbursement made to the candidate to meet personal expenses to the Statement of Candidate's Personal Expenses, from Part 3a, Column 2 (Part 3c).	
21. Review the vouchers attached to the Return for: <ul style="list-style-type: none"> <li>items not recorded on the Statement of Electoral Campaign Expenses and Other Outflows (Part 3a) or the Statement of Election Expenses Subject to the Limit, from Part 3a, Column 1 (Part 3b) or the Statement of Candidate's Personal Expenses, from Part 3a, Column 2 (Part 3c) or the Statement of Other Expenses and Outflows, from Part 3a, Column 3 (Part 3d)</li> <li>sequential numbering</li> <li>the 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 regarded as the commercial value), obtain evidence as to the reasonableness of the recorded commercial value by:               <ul style="list-style-type: none"> <li>referring to published price lists or competitive quotations received</li> <li>requesting the official agent obtain a letter from the supplier confirming the commercial value</li> <li>confirming directly with the supplier</li> </ul> </li> </ul>	
22. Agree items from step 20 to the Statement of Unpaid Claims and Loans, from Part 3a and 2b (Part 3e).	
23. Reconcile supplier statements (including those obtained directly in step 18) with the amounts shown in the Return.	

<b>DONE BY</b>	
<p>24. Obtain details of unused materials (e.g., unused office supplies, signs, brochures and stakes) on hand at the end of the campaign:</p> <ul style="list-style-type: none"> <li>• Review costing of the items for reasonableness in comparison to the data set out in the vouchers examined in step 20.</li> <li>• Check physical existence of items.</li> <li>• Check whether the cost of these items has been properly excluded from the determination of election expenses, but has been included as electoral campaign expenses other than election expenses (column 3 of Part 3a).</li> </ul>	
<p>25. For payments advanced from the bank by the official agent to establish a fund for another person to pay petty expenses:</p> <ul style="list-style-type: none"> <li>• Review the official agent's written authority to that person to pay petty expenses.</li> <li>• Compare the list of the petty expenses (which that person has provided to the official agent pursuant to paragraph 381(3)(b) of the <i>Act</i>) to the amount advanced and any unspent funds returned. Verify that the expenses are supported by appropriate documentation, which should include a record of the nature of the expenses incurred and proof of their payment.</li> <li>• Agree the confirmation (obtained via step 14) to the total petty expenses on the list of petty expenses.</li> </ul>	
<p>26. Agree all items in the contributed or transferred property or service column of the Statement of Electoral Campaign Expenses and Other Outflows (Part 3a) to the sum of the non-monetary contributions of the Statement of Contributions Received (Part 2a), non-monetary transfers of the Statement of Transfers Received (Part 2d) and non-monetary returned contributions of the Statement of Contributions Returned to Donor or Remitted to the Chief Electoral Officer (Part 2c).</p>	
<p>27. For all non-monetary transfers sent to affiliated political entities, determine whether the Electronic District code on the Return is correct based on ED codes listed on Elections Canada website and confirm these balances directly with the affiliated entities.</p>	
<b>Non-Monetary Contributions</b>	
<p>28. Add the total of non-monetary contributions received (column 2 of Part 2a) and agree that total to the amount shown in the column Non-Monetary on the Summary of Contributions, Loans, Transfers and Other Cash Inflows (Part 2f).</p>	
<p>29. Agree the description of contributors and amount of non-monetary contributions on the Statement of Transfers Received (Part 2d) to the non-monetary contributions shown on the confirmation from the registered electoral district association and from the registered political party (step 13) and also agree the totals to the Summary of Contributions, Loans, Transfers and Other Cash Inflows (Part 2f).</p>	

	<b>DONE BY</b>
30. Check that the calculation of the commercial value of capital assets purchased or used and of reusable signs has been calculated in accordance with the instructions in the <i>Handbook</i> .	
31. If the official agent has excluded some donations from the Return because they represent donated property and services with a commercial value of \$200 or less donated by an eligible contributor not in the business of supplying such property and services, ascertain that such exclusions are appropriate.	
32. Review the identification of volunteer labour.	
<b>Monetary Contributions</b>	
33. Obtain from the official agent a copy of Receipt of Official Receipts (Form EC 20070) received from the returning officer. This manual method of issuing contribution receipts is outdated but still allowed. The most current method is to print receipts electronically from Elections Canada's Electronic Financial Return software. Similar reports are available in the EFR software, including the CRA Contribution Receipts Printed and the Report of Contributions.	
34. Obtain from the Official Agent a copy of Nomination Paper of a Candidate at a Federal Election or By-Election (Form EC 20010) Part 6—Notice of Confirmation or refusal of Nomination. Note the date and time confirmed by the Returning Officer. Note this date is the start of the period for a contribution to be eligible for a receipt for income tax purposes. Contributions received prior to this date are not eligible for a receipt for income tax purposes and should be issued receipts for Elections Canada purposes only.	
35. When examining each contribution, scrutinize the date based on the date of the cheque or contributed item to verify whether it falls within the period eligible for receipt for income tax purposes. This is the period from the confirmation of the nomination of a candidate by the Returning Officer up until the close of the polls on polling day. A deposit may be in transit after the close of the polls if it has been received in person or postmarked prior to the close of the polls but has been deposited at a later date. A contribution dated after the polls close is not eligible for a receipt for income tax purposes and should be issued a receipt for Elections Canada purposes only.	
36. Check the totals obtained by adding the copies of receipts to the corresponding amounts in the Summary of Contributions, Loans, Transfers and Other Cash Inflows (Part 2f) in the column Monetary. Agree both the amounts and the number of contributors. If the amounts do not agree, enquire about the differences (normally those that comprise contributions for which no receipts were issued).	

	<b>DONE BY</b>
<p>37. Scrutinize the receipts to see:</p> <ul style="list-style-type: none"> <li>• that the receipt numbers fall into the range indicated by Form EC 20070 or the CRA Contribution Receipts Printed and the Report of Contributions both available in the EFR software</li> <li>• whether amounts from any contributor exceed \$200 (individually or in total)</li> <li>• that there are no obvious incidences where the amount from any contributor exceeds the current annual contribution limit, either individually or in total. Note that the total of an individual's contributions, the unpaid balance of loans and the amount of any outstanding loan guarantees may not at any time exceed the annual contribution limit.</li> </ul>	
<p>38. Check for contributors over \$200 (and any contributors identified in step 33) of the Statement of Contributions Received (Part 2a)). Check that the name and address of such contributors, the total amount of contributions, the amount of each contribution and the date it was received by the candidate appear on the Statement and agree with the receipts. Check that the receipt numbers fall into the range indicated by Form EC 20070.</p>	
<p>39. If the official agent has authorized others to collect money and issue temporary receipts, enquire as to the procedures used by the official agent to obtain all such funds and issue official receipts.</p>	
<p>40. Check the amount shown on the line Anonymous Contributions of \$20 or Less in the Statement of Contributions Received (Part 2a) that relates the net proceeds of fund-raising events to supporting documentation using the information obtained via step 8. Such documentation includes lists of tickets issued and sold and invoices supporting the cost of the function. The amount of the non-contribution portion of the fundraising activity should be identified in column 1 of the Statement of Cash Inflows Other Than Contributions, Loans and Transfers (Part 2e).</p>	
<p>41. Agree the total for all tickets sold related to ticketed fundraising events to column 1—monetary in the Statement of Contributions Received (Part 2a) and column 1—non-contributed portion of ticketed fundraising revenue in the Statement of Cash Inflows Other Than Contributions, Loans and Transfers (Part 2e).</p>	
<p>42. Agree the description of contributors and amount of monetary contributions on the Statement of Transfers Received (Part 2d) to the monetary contributions shown on the confirmation from the registered electoral district association, the registered political party and the candidate as a nomination contestant (step 13). Agree the totals with the Summary of Contributions, Loans, Transfers and Other Cash Inflows (Part 2f).</p>	

<b>DONE BY</b>	
<p>43. Examine the Statement of Contributions Returned to Donor or Remitted to the Chief Electoral Officer (Part 2c) and ask the official agent whether it includes the following contributions:</p> <ul style="list-style-type: none"> <li>• any contributions received from donors for whom the official agent has become aware of their ineligibility, either because the donor is an individual who is not a Canadian citizen or permanent resident, or the donor has exceeded the contribution limits</li> <li>• any contributions for which the following information is unknown: <ul style="list-style-type: none"> <li>— name of the contributor of more than \$20</li> <li>— name or the address of the contributor of more than \$200</li> </ul> </li> </ul>	
<b>Gifts and Other Advantages</b>	
<p>44. Confirm with the official agent that no gifts or advantages have been made which might reasonably be seen to have been given in order to influence the candidate in the performance of their duties as a member, if elected, other than where permitted by the <i>Act</i> or as a contribution made by an eligible individual under Part 18 of the <i>Act</i>.</p>	
<b>Loans</b>	
<p>45. Obtain an executed copy (if available) of the loan agreement to determine whether all terms and conditions have been appropriately reflected within the Return (i.e., type of lender [individual, financial institution, registered party or registered association], type of loan [term, demand, line of credit or overdraft], interest rate charged [fixed, variable or none], type of guarantor [individual, registered party or registered association] and the amount borrowed or maximum amount overdrawn).</p>	
<p>46. Obtain bank confirmation for the following:</p> <ol style="list-style-type: none"> <li>a. total amount borrowed or maximum amount overdrawn</li> <li>b. principal payments made to date</li> <li>c. interest payments made (Note that interest paid during the election period is an election expense and the amounts paid outside the election period are other electoral expense.)</li> <li>d. interest rate</li> <li>e. terms of repayment</li> <li>f. balance as of the date of the return</li> </ol>	
<p>47. From the confirmation received, reconcile all items (a) to (f) to the Statement of Operating Loans (Part 2b), item (b) and (c) to the Statement of Electoral Campaign Expenses and Other Outflows (Part 3a) and item (f) to the Statement of Unpaid Claims and Loans, from Part 3a and 2b (Part 3e).</p>	
<b>Bank Transactions</b>	
<p>48. 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 of the Campaign Financial Summary (Part 4).</p>	

	<b>DONE BY</b>
49. Obtain all bank statements and cancelled cheques from the official agent for the period from the date of candidate nomination or (if that occurred earlier) the date the candidate is deemed to have been a candidate for the purposes of political financing to the period ending on the cut-off bank statement.	
50. Agree the total deposits on the bank statements to the Total Credits to Bank Account and the Total Campaign Cash Inflows of the Campaign Financial Summary (Part 4).	
51. Agree the total debits on the bank statements to the Total Debits to Bank Account and the Total Campaign Cash Outflows of the Campaign Financial Summary (Part 4).	
52. Agree all cancelled cheques to the: <ul style="list-style-type: none"> <li>• bank statement</li> <li>• total amount of outstanding cheques shown in the Campaign Financial Summary (Part 4)</li> </ul>	
53. Review the bank statements for any other withdrawals, service charges, interest, etc. Agree these amounts to the Statement of Electoral Campaign Expenses and Other Outflows (Part 3a).	
<b>FINALIZATION</b>	
54. Agree all amounts and particulars of the Statement of Electoral Campaign Expenses and Other Outflows (Part 3a), the Summary of Contributions, Loans, Transfers and Other Cash Inflows (Part 2f) and the Campaign Financial Summary (Part 4) to the other parts of the Return or records, as appropriate.	
55. Clear notes made during any campaign visits to information recorded in the Return.	
56. Review the candidate'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 the Statement of Electoral Campaign Expenses and Other Outflows (Part 3a) and discuss the variances with the official agent or the candidate.	
57. Check that everything adds properly on the Return.	
58. 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 Return to the auditor, and whether there are any other developments that affect the Return.	
59. Obtain a representation letter (refer to Exhibit 3).	
60. Obtain the note describing the financial reporting framework attached to the Return from the official agent (refer to Exhibit 5).	
61. Photocopy the audited working copy of the Return (Form EC 20120). Return all vouchers and the working copy to the official agent.	

DONE BY	
62. Obtain the final copy of the Return (Form EC 20120) 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.	
63. Complete the Checklist for Audits and report in the separate section in the auditor's report, Report on Other Legal and Regulatory Requirements. (See Exhibit 6 for an example.)	
64. Determine whether all statements of Part 2, Part 3 and Part 4 are internally consistent.	
AUDITOR'S REPORT	
65. Prepare the auditor's report on the Return. (Chapter 6 of this Guide discusses the content of the auditor's report and Exhibit 6 provides an example.)	
66. Ensure that the date of the auditor's report on the Return will be no earlier than the date of approval of the Return in its final form by the official agent and the candidate.	
67. Consider obtaining evidence of delivery of the auditor's report.	
68. Read the Candidate's Statement of Personal Expenses (Form EC 20220) to make sure there are no inconsistencies with the audited Return.	
DOCUMENTATION PROCEDURES	
69. 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**

# Sample Note Describing the Financial Reporting Framework Applied to Preparing the Return

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

The Candidate's Electoral Campaign Return (the "Return") has been prepared in accordance with the financial reporting provisions of subsection 477.59(1) of the *Canada Elections Act* and the accounting guidelines issued by Elections Canada.

The Return is prepared to assist the official agent and the candidate to meet the requirements of the *Canada Elections Act*. The Return is intended solely for the use of the official agent, the candidate and the Chief Electoral Officer. Accordingly, readers are cautioned that the Return may not be suitable for another purpose. The *Canada Elections Act* requires that the Return be made available for public inspection.



## EXHIBIT 6

# Independent Auditor's Report

### INDEPENDENT AUDITOR'S REPORT

To (*name of official agent*), official agent for (*name of candidate*) for submission to the Chief Electoral Officer of Canada in accordance with subsection 477.62(1) of the *Canada Elections Act*

### REPORT ON THE RETURN

I have audited the accompanying Candidate's Electoral Campaign Return (the "Return") for the candidacy of (*name of candidate*), a candidate at the election of a member to serve in the House of Commons of Canada held on the \_\_ day of \_\_\_\_\_, 20\_\_ in the electoral district of \_\_, which comprises the Statement of Contributions Received (Part 2a), Statement of Operating Loans (Part 2b), Statement of Contributions Returned to Contributors or Remitted to the Chief Electoral Officer (Part 2c), Statement of Transfers Received (Part 2d), Statement of Cash Inflows Other Than Contributions, Loans and Transfers (Part 2e), Summary of Contributions, Loans, Transfers and Other Cash Inflows (Part 2f), Statement of Electoral Campaign Expenses and Other Outflows (Part 3a), Statement of Election Expenses Subject to the Limit, from Part 3a, Column 1 (Part 3b), Statement of Candidate's Personal Expenses, from Part 3a, Column 2 (Part 3c), Statement of Other Expenses and Outflows, from Part 3a, Column 3 (Part 3d), Statement of Unpaid Claims and Loans, from Part 3a and 2b (Part 3e), Statement of Non-Monetary Transfers Sent to Affiliated Political Entities (Part 3f) and Campaign Financial Summary (Part 4) for the electoral campaign ending ...

This Return has been prepared by the official agent for the candidate based on the financial reporting provisions of subsection 477.59(1) of the *Canada Elections Act* and the accounting guidelines issued by Elections Canada.

**The Official Agent's Responsibility for the Return**

The official agent of the campaign is responsible for the preparation of the Return in accordance with the financial reporting provisions of subsection 477.59(1) of the *Canada Elections Act* and the accounting guidelines issued by Elections Canada and for such internal control as the official agent determines is necessary to enable the preparation of a Return that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the Return 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 Return is free of 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. In making those risk assessments, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the official agent, as well as evaluating the overall presentation of the Return.

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 electoral campaigns, the completeness of contributions, loan guarantees 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 campaign's accounting records and I was not able to determine whether any adjustments might be necessary to contributions, loan guarantees 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 Return of *(name of candidate)* is prepared, in all material respects, in accordance with the reporting provisions of subsection 477.59(1) 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 Return, which describes the basis of accounting. The Return is prepared to assist the official agent to meet the requirements of the *Canada Elections Act* and the accounting guidelines issued by Elections Canada. As a result, the Return may not be suitable for another purpose. My report is intended solely for the official agent, the candidate and the Chief Electoral Officer, and should not be used by parties other than the official agent, the candidate or the Chief Electoral Officer.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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.

As per subsection 477.62(2) of the *Canada Elections Act*, I have completed the attached Checklist for Audits and I found no exception.

*(Auditor's signature)*

*(Date of the auditor's report)*

*(Auditor's address)*



## EXHIBIT 7

# Considerations for Electronic Candidate's Return

1. Enquire which version of the software has been used for the preparation of the Return. Determine whether it is the most current version.
2. Obtain, from the official agent, an electronic copy of the Return to be audited.
3. Create a backup copy of the file to facilitate data recovery in the event that data on the original file are accidentally corrupted.
4. Print a copy of the Return from the file obtained from the official agent.
5. Perform audit procedures as set out in Exhibit 4.
6. Advise the official agent of any changes to the Return needed as a result of the audit.
7. Request an electronic copy of the file of the revised Return from the official agent.
8. Create a backup copy of the file.
9. Print the Return from the revised file and compare it to the paper copy of the Return adjusted for the changes (i.e., audited Return).
10. If the Return from the revised file accurately reflects all the audit adjustments, this printed version of the Return is the official version of the Return.
11. Advise the official agent that this Return, with the accompanying auditor's report, represents the official version of the Return and should be forwarded to Elections Canada as required by the *Act*.
12. Archive an accurate electronic copy.
13. Advise the official agent that the file containing the final revised Return may be copied for archival purposes, but that no further changes should be made to the data contained therein.

14. Advise the official agent that the file containing the revised Return (i.e., the electronic version) and the official paper copy of the Return should be transmitted to Elections Canada as required. The hard copy of the Return that will be sent by the official agent to the Chief Electoral Officer must include the audited Return, the declaration signed by the official agent and the candidate, the note describing the financial reporting framework applied in the preparation of the Return, the auditor's report on the Return, the completed Checklist for Audits, together with the Candidate's Statement of Personal Expenses (Form EC 20220) and supporting documents.