

**A GUIDE FOR THE AUDITOR OF A
CANDIDATE IN A FEDERAL ELECTION**

Pursuant to the Canada Elections Act

The Canadian Institute of Chartered Accountants

FOREWORD

The objective of this Guide is to:

- Provide practical guidance to auditors reporting on the “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 Canada Elections Act that came into force on September 1, 2000.
- Determine the auditing procedures required to enable auditors to report on the Return.

The Guide was prepared by CICA staff with the assistance of a task force, who examined the requirements of the Canada Elections Act. Interpretations were obtained from Elections Canada on a number of issues covered in the Guide.

This Guide is now in its fifth edition. Previous editions were published in conjunction with the 1984, 1988, 1993 and 1997 federal elections.

Any views expressed in the Guide are the views of those involved in its preparation and do not constitute an official CICA position. The auditor’s report included in Chapter 6, however, was, at the time of its preparation for inclusion in an earlier edition of this Guide, reviewed by the CICA Auditing Standards Board and is considered appropriate for reporting under the Canada Elections Act and the guidelines issued by Elections Canada.

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Elections Canada staff has reviewed this Guide and concurs with its content.

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Chapter 1

INTRODUCTION

HISTORY AND PURPOSE

- 1 The conduct of Canadian federal elections has long been regulated by the Canada Elections Act. In 1999, a new Act was introduced to replace the existing regulation. It received royal assent on May 31, 2000 and came into force on September 1st, 2000. This publication is based on the requirements of that Act.
- 2 The Act requires each candidate to appoint an official agent who will act as the campaign treasurer and who will ultimately transmit to the Chief Electoral Officer an “Electoral Campaign Return.” 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.
- 3 In October 1974, the CICA issued an Auditing Guideline to provide guidance for the auditor involved in an election audit; this was revised in 1978. The Guideline addressed the terms of engagement, the letter of representation, the auditor’s report and certain other specific problems likely to be encountered by the auditor. More appeared to be required, however. As a result, in 1983, the CICA’s Auditing Standards Committee decided to commission a publication offering more comprehensive information and guidance on the relevant accounting and auditing issues involved in the audit of a candidate. That publication was provided, through the Office of the Chief Electoral Officer (now Elections Canada), to all official agents and auditors of candidates in the 1984, 1988, 1993 and 1997 general elections. This Guide represents an update of the 1997 Guide. Modifications have been made to reflect:
 - section and subsection numbering in the new Act;
 - changes in the rights and responsibilities of the candidate, the official agent and the auditor.

OUTLINE OF GUIDE

- 4 The Guide has been divided into six sections:
 1. Accounting requirements and related issues.
 2. Returns, declarations and other related matters pertaining to the submission of required forms and reimbursement of election expenses.
 3. Special considerations describing the administrative requirements of the Act when a candidate withdraws or a candidate, official agent or claimant dies.
 4. The audit of the candidate, which reviews the requirements of the Act and problems likely to be encountered and provides extensive and practical guidance for conducting the audit.
 5. The auditor’s report.
 6. The use of the electronic candidate’s Return.

OTHER MATERIAL

- 5 Elections Canada has published an *Election Handbook For Candidates, Their Official Agents and Auditors* and also provides a specimen “Electoral Campaign Return” form with a detailed example. The auditor should review this Handbook before conducting the audit.

PROVINCIAL ELECTION LEGISLATION

- 6 At this time, only six provinces – British Columbia, Manitoba, Newfoundland, Nova Scotia, Ontario, and Saskatchewan – require independent audits of a candidate’s Return for provincial elections. Whereas the federal legislation and the legislation of all provinces are designed to limit election expenses, some of the provinces also aim to limit election contributions. There are various differences with respect to contributions, expenses limitations and submission and filing deadlines between the Canada Elections Act and the legislation in the provinces. The Institute of Chartered Accountants of Nova Scotia, the Institute of Chartered Accountants of Ontario, Elections Manitoba and Elections Saskatchewan have issued guidance in respect of audits under the provincial election legislation, and such guidance is under consideration in British Columbia.
- 7 In view of 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.

Chapter 2

ACCOUNTING REQUIREMENTS AND RELATED ISSUES

INTRODUCTION

- 1 In general, the Act limits the amount of expenses that may be incurred by, or on behalf of, a candidate (the *maximum election expenses*). As discussed below, that amount is generally calculated using the number of electors in an electoral district on the preliminary list of electors, or the revised list, whichever is greater, and an appropriate inflation adjustment factor. The calculation is subject to other factors when the number is less than the average number for all electoral districts or when the electoral district is especially large in comparison to the number of electors. To comply with the Act, the candidate, official agent and auditor should be familiar with what constitutes an election expense, as set out in section 407 of the Act, and the requirements concerning the “Electoral Campaign Return” (the Return) (section 451).
- 2 A person whose nomination as a candidate has been confirmed by the Returning Officer is deemed to have been a candidate from the time he or she accepts a contribution or incurs an electoral campaign expense (Section 365). Thus, such contributions and expenses must be reported in the Electoral Campaign Return, and not just those received or incurred since confirmation of the candidate’s nomination.
- 3 All contributions and payments relating to the electoral campaign must be deposited to or paid from a separate bank account opened by the official agent of a candidate 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 (subsections 437(1) and (3)). The account must indicate the date on which it was opened and the name of the account holder as follows: “(name official agent), official agent for (name of candidate, year)” (subsection 437(2)).

This chapter addresses the significant accounting requirements and other issues related to the preparation of the Return.

ELECTORAL CAMPAIGN EXPENSES

- 4 Electoral campaign expenses of a candidate are expenses reasonably incurred as an incidence of the election. They include:
 - the election expenses;
 - the candidate’s personal expenses;
 - the auditor’s fee (section 406).

They also include expenses for a fund-raising activity and expenses to directly promote the nomination of a person as a candidate. Paragraph 11 and paragraphs 32 to 34 provide further details on nomination expenses and on fund-raising expenses.

ELECTION EXPENSES

Inclusions in Election Expenses

- 5 Subsection 407(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 for which the cost was incurred, or the non-monetary contribution received, is used to directly promote or oppose a registered party, its leader or a candidate during an election period.” They include costs incurred for, or a non-monetary contribution relating to:
- production of advertising or promotional material and its distribution, broadcast or publication in any media or by any other means;
 - 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;
 - meeting space and light refreshments;
 - any product or service provided by a government, a Crown corporation, or any other public agency (subsection 407(3)).
- 6 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 service are provided at less than commercial value.¹
- 7 Where the property or service is provided by a person who is not in the business of supplying such property or services 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)).

Exclusions from Election Expenses

- 8 Generally, election expenses are incurred 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 expenses would 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 and other costs of campaign offices incurred before the writ is issued or after polling day. 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 writ issuance and polling day) is an election expense.
 - Interest accruing after polling day on loans outstanding.

¹ “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”.

- Victory parties held after the close of polls.
- Audit fees.
- Charges by lawyers for legal services.
- Costs of recounts.
- Cost 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.

9 An expenditure incurred by a local association in anticipation of a writ of election being issued could constitute an election expense in certain circumstances. For example, a local 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. Such election expense, however, would not be reimbursed (see paragraph 10 of Chapter 3). 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 *Election Handbook For Candidates, Their Official Agents and Auditors* provide further details on expenses excluded from election expenses.

10 The auditor should ascertain that the official agent is aware of the interpretation of Elections Canada, in the *Election Handbook For Candidates, Their Official Agents and Auditors*, 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 ensure that it is properly excluded from election expenses. Such material, 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.

11 In addition, the following are not election expenses under the Act, although they would be recorded in the Return as electoral campaign expenses:

- expenses to directly promote the nomination of a person as a candidate or leader of a registered 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 407(2)). 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* that were 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 439(1)). Fund-raising functions are discussed further in paragraphs 32 to 34 of this Chapter.

Election Expenses Limit

- 12 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 (section 440).
- 13 On October 15 in each year, the Chief Electoral Officer is to calculate the estimated spending limit for each electoral district, based on the list of electors in the Register of Electors, as if an election were then to be held (subsection 442(1)). This estimate may be increased or decreased for an electoral district in the subsequent election period (subsection 442(3)). On or before the 31st 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 7th day before polling day (subsection 105(2)).
- 14 The *maximum election expenses* is calculated on the number of the electors included in the preliminary or revised list of electors, whichever is greater. 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.

PAYMENT OF ELECTORAL CAMPAIGN EXPENSES

Eligibility to Pay Electoral Campaign Expenses

- 15 Electoral campaign expenses must be paid by a candidate's official agent (subsection 438(4)). A person may be authorized in writing by the official agent to pay petty expenses (such as postage, courier charges and office supplies) only to a prescribed limit (subsections 411(1) and 411(2)). Any amount above the prescribed limit must be paid for by the official agent. The *Election Handbook for Candidates, their Official Agents and Auditors* indicates that payments from petty cash funds should only be for amounts less than \$50. The written authorization must specify a maximum amount for the total of petty expenses that the person is authorized to pay (subsection 411(2)). No person other than the candidate or the official agent is permitted to pay the candidate's personal expenses (subsection 438(6)). This is addressed further in paragraphs 19 to 21.
- 16 Any person who has a bill, charge or claim upon a candidate in regard to the election must forward it within three months of polling day. If this is not done, the claimant will lose the right to recover the claim (subsection 444(2)). This does not apply if:
- a claimant dies before the end of the three month period;
 - the Chief Electoral Officer has authorized payment under section 447, following written application, on being satisfied that there are reasonable grounds for doing so;
 - a judge has authorized payment under subsection 448(1)(a).

The official agent should, however, strive to ensure that all bills, claims and other such items are received by the end of the third month to allow for payment.

Timing of Payments

- 17 All expenses incurred on behalf of a candidate during an election must be paid within four months of polling day (subsection 445(1)). This requirement does not apply to claims submitted by a claimant who dies before the end of that period (subsection 444(3)). When the official agent disputes a claim, the claim is deemed to be a disputed claim and the claimant has the option of launching a court action (subsection 449(1)). There are also instances where a claim is unpaid, although it might not be disputed (for example, when a candidate does not have the funds to pay a claim). Such claims are classified as unpaid, undisputed claims. If paid following the Chief Electoral Officer's authorization or a judge's order, the ultimate payment is deemed to have been paid in accordance with the Act (subsection 449(2)).

Support for Electoral Campaign Expenses

- 18 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 (subsection 410(2)). 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 410(1)). Where a person is authorized to pay for 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 411(3)). Failure to document payment is an offence under subsection 497(1)(j) of the Act. Payment of petty expenses in excess of the total authorized amount is an offence under subsection 497(1)(k) of the Act.

OTHER ITEMS

Personal Expenses

- 19 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, childcare, 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 409). 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 (that is, supporting vouchers) or declaring that there was no payment for personal expenses (subsection 456(1)).
- 20 The Act (subsection 409(1)) and the *Election Handbook for Candidates, their Official Agents and Auditors* 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.
 - Cost of temporary lodging for the election.
 - Transportation costs within the electoral district.

- Costs of lodging, meals and incidental charges related to the campaign.
- Other related expenses (such as the cost of family care 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).

21 Other campaign workers may use the material or services acquired for the use of the candidate, provided that 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

22 The Act defines “volunteer labour” as follows:

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)).

23 The *Election Handbook for Candidates, Their Official Agents and Auditors* 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, and a self-employed insurance salesman working for the campaign free of charge doing door-to-door canvassing. Additional examples of volunteer labour would include unemployed or retired persons working anytime.

24 Donated labour is not volunteer labour but represents both a contribution and an election expense. The distinction between volunteer and donated labour may be illustrated as follows:

(a) Volunteer labour includes the situation where a person who is employed donates time while on vacation or outside normal work hours. If unearned time off is provided, at an employer's expense, to an employee to act as an unpaid worker for a candidate, however, the value of this time is a contribution by the employer and an election expense of the candidate (donated labour);

(b) Volunteer labour includes the situation where a person who has control of his or her 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. If the service provided 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).

25 An additional example of donated labour provided in the *Election Handbook for Candidates, Their Official Agents and Auditors* is a self-employed printer who provides a campaign with printing services, free of charge. The amount normally charged would be recorded as both a contribution and an election expense.

26 Incidental expenses of volunteers for items such as meals, lodging and transportation are considered as election expenses (to the extent that they are incurred in order to directly promote or

oppose a candidate during the election period) and should therefore be reported as such in the Candidate's Electoral Campaign Return. If paid by the volunteer, they would also be regarded as non-monetary contributions.

Capital Assets

- 27 A common example of a capital asset is office furniture (for example, desks, tables, filing cabinets). The *Election Handbook for Candidates, Their Official Agents and Auditors* requires that the official agent value the use of capital assets at the current commercial value or the cost of renting a similar asset and record the corresponding amount as an election expense. When the asset is provided either free of charge or at nominal charge, the rule for contributions of property and services applies (refer to paragraphs 6 and 7 of this chapter). 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.

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

- 28 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 travelling 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. This 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 that, in the opinion of the Chief Electoral Officer, it is reasonable and the auditor agrees that the allocation is reasonable and in keeping with the *Election Handbook for Candidates, Their Official Agents and Auditors*.
- 29 If exempt staff² of ministers and party leaders as well as party employees engage in political activities, the costs related to their involvement during the campaign during normal working hours are election expenses.

Poll Agents

- 30 Remuneration of poll agents and any related expenses paid by the campaign, such as meals and transportation, are election expenses.

Reusable Signs

- 31 The *Election Handbook for Candidates, Their Official Agents and Auditors* provides general guidance for the valuation of used signs. When the signs are used in a second or subsequent

² Exempt staff are persons appointed by a Minister to perform duties in his or her office. Such persons are not employees under the Public Service Employment Act.

election, the amount to be recorded as a non-monetary contribution and an election expense is the current commercial value for similar signs (that is, the amount it would cost to purchase similar new 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.

Fund-Raising Functions

- 32 Fund-raising is an activity held for the principal purpose of obtaining funds for the financing of the campaign. All fund-raising functions must be authorized by the official agent. The expenses incurred in holding a fund-raising function are not election expenses except if they are incurred for the production of advertising or promotional material and its distribution, broadcast or publication in any media or by any other means (subsections 407(2) and 407(3)(a)). They are thus not included in the calculation of a candidate's *maximum election expenses*.
- 33 "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 408). Such monetary contributions are revenue of the campaign and must be reported. The cost of fund-raising activities should also be identified in the Return. Official receipts may be issued for the contribution portion of the admission price. The amount must be considered a contribution made by the contributor named on the receipt. This must be reported under the appropriate class of contributor and, for any amount in excess of \$200, the names and addresses of persons or organizations, the amount of the contribution and the category of the contributors must be disclosed.
- 34 Where an activity combines fund-raising and promotion or opposition, that portion of the cost of the activity which directly promotes or opposes during an election must be reported as an election expense.

ELECTION CONTRIBUTIONS

Monetary and Non-Monetary Contributions

- 35 According to the Act, a "monetary contribution" means "an amount of money provided that is not repayable." A "non-monetary contribution" means "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)).

Eligibility to Receive Election Contributions

- 36 Only the official agent can receive election contributions for a particular candidate (subsection 438(2)). That condition applies even to candidates contributing to their own campaign. In addition, all donors to a campaign must be properly identified, including their name, or the name of the chief executive officer or president if the contributor is a numbered company, address and class of contributor³. Where the official agent cannot properly classify a contributor and, for

³ The Act requires identification of the following classes of donors: individuals, businesses, commercial organizations, governments, trade unions, corporations without share capital (other than trade unions), and unincorporated organizations or associations (other than trade unions) (subsection 451(2)(f)).

donations over \$200, where the official agent has been unable to find out the name or address of a contributor, an amount equal to the donation must be paid to the Chief Electoral Officer who should forward it to the Receiver General (section 452). Also, when becoming aware of the ineligibility of a contributor⁴, the official agent should, within 30 days, return the contribution unused to the contributor or, if that is not possible, pay the amount of it or, in the case of a non-monetary contribution, an amount of money equal to its value to the Chief Electoral Officer who should forward it to the Receiver General (subsection 404(2)). The official agent should account for the serial-numbered receipt forms issued when the nomination of the candidate was confirmed. There may be instances (such as cash received by “passing the hat” at rallies) where tax receipts have not been issued. The auditor should be aware of these instances and endeavour to ensure that the official agent has not accepted donations over \$200 that have not been properly identified as required by the Act (subsection 451(2)(h)).

Non-Monetary Contributions

- 37 These take the form of donated property and services (for example, donated labour as described in paragraphs 24 and 25 of this Chapter). Non-monetary contributions must be valued at their commercial value 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. Income tax receipts, however, are not to be issued for donations of property or services. If the property or services are donated by a person or commercial organization which normally sells such property or services, then a no-charge invoice should be provided showing the normal selling price of the property or services donated. If the property or services are donated by a person or commercial organization which does not normally issue invoices, a document should 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. The commercial value of property or services of \$200 or less provided by a person who is not in the business of providing these property or services are deemed to be nil (subsection 2(2)).

⁴ The following are not eligible to make a contribution to a registered party, to one of its trust funds, to an electoral district association or to a candidate:

- (a) a person who is not a Canadian citizen or a permanent resident as defined in subsection 2(1) of the *Immigration Act*;
- (b) a corporation or an association that does not carry on business in Canada;
- (c) a trade union that does not hold bargaining rights for employees in Canada;
- (d) a foreign political party; and
- (e) a foreign government or an agent of one (subsection 404(1)).

Chapter 3

RETURN, DECLARATIONS AND OTHER RELATED MATTERS

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) and the "Electoral Campaign Return" (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.

ELECTORAL CAMPAIGN RETURN

- 2 The Return includes the following with respect to the candidate (subsection 451(2)):
 - A statement of election expenses.
 - A statement of electoral campaign expenses other than election expenses.
 - The candidate's written statement concerning personal expenses.
 - A statement of disputed claims that are the subject of court proceedings.
 - A statement of unpaid claims that are, or may be, the subject of an application to the Chief Electoral Officer or a judge.
 - A statement of contributions received, by various classes of contributors.
 - The number of contributors in each class, together with the name and address of each contributor who made contributions of a total amount of more than \$200 directly or through an electoral district association, a registered party that endorses the candidate or one of its trust funds, or a trust fund established for the election of the candidate; in the case of a numbered company, the name of the chief executive or president of that company should be provided.
 - If it is impossible to identify the source of any contributions totalling in excess of \$200 made through an electoral district association or a trust fund established for the election of the candidate, the name and address of every contributor (where the contributor is a numbered company, the name of the chief executive officer or president) by class who made a contribution of more than \$200 to that electoral district association or trust fund since the election before the one to which the Return relates.
 - A statement of transfers of funds by the candidate to an electoral district association of the registered party that endorses the candidate or to that registered party.
 - A statement of contributions received, but returned to the contributor or otherwise dealt with in accordance with the Act.

COMPOSITION OF THE CANDIDATE'S RETURN

3 The Return comprises the following sections:

- Part 1 – Summary

This summary includes information on the Candidate and the Official Agent. It also refers to the documents that must accompany the Return for both a Full Return and a Nil Return (that is, no contributions **and** no expenses) and provides a summary of the information that will be published.

- Part 2 – Declarations

This contains declarations by the candidate and official agent as to the completeness and accuracy of the Return.

- Part 3 – Statement of Contributions Received – Summary

This statement summarizes, by class of contributors, contributions received (monetary, non-monetary and loans).

- Part 4 – Statement of Contributions Received – Details of Operating Loans

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

- Part 5 – Statement of Contributions Received – Details of Monetary Contributions

This statement lists the name and address of contributors, the class of contributors, and the amounts contributed where a donor's total contributions exceed \$200. Contributions of \$200 or less and funds raised by various activities are each aggregated as a one-line item.

- Part 6 – Statement of Contributions Received – Details of Non-Monetary Contributions

This statement lists the name and address of contributors, the class of contributors and the commercial value of contributions of property or services and discounts granted by suppliers. Contributions of \$200 or less are aggregated as a one-line item.

- Part 7 – Statement of Contributions Received – Contributions Returned to Donor or Otherwise Dealt With in Accordance with the Act

This statement lists the name and address of contributors, the class of contributors, the amount of contributions, or commercial value of contributions of property or services, that were returned to the donor or remitted to the Chief Electoral Officer, indicating the dates they were received and the dates they were returned or remitted.

- Part 8 – Details of Transfers from Electoral District Association

A separate statement must be prepared for each electoral district association. It provides the name and address of the electoral district association, the total amount of contributions of \$200 or less transferred (monetary, non-monetary and loans), the amount of surplus from previous campaigns transferred (monetary and non-monetary and loans), and the total amount of contributions in excess of \$200 transferred (monetary and non-monetary and loans) indicating if the specific donors can be identified. It also lists the name and address of original contributors that contributed more than \$200 or, if they

cannot be identified, the name and address of all donors that contributed more than \$200 since last election, indicating the class of contributors and the amount of the contributions (monetary, non-monetary, loan).

- Part 9 – Details of Transfers from Trust Fund Established for the Election of a Candidate

This statement provides similar information for transfers from trust funds established for the election of a candidate as Part 8 provides for electoral district associations.

- Part 10 – Details of Transfers from the Registered Political Party or one of its Trust Funds

This statement provides similar information for transfers from the registered political party or one of its trust funds as Part 8 provides for electoral district associations.

- Part 11 – Statement of Electoral Campaign Expenses

This statement lists electoral campaign expenses by date, providing details such as the name of the supplier, the cheque and voucher numbers, the amount paid, any discount obtained, any unpaid claim and a classification by nature of the commercial value of property and services obtained, indicating separately amounts not included in election expenses. Columns 1 to 6 of the classification comprise various categories of election expenses. Column 7 lists personal expenses recorded by the official agent and column 8, amounts not included in election expenses. The total of columns 1 to 6, election expenses, is also to be set out on this statement.

- Part 12 – Statement of Electoral Campaign Expenses other than Election Expenses

This statement lists expenses other than election expenses by date, providing details such as the name of the supplier, the cheque and voucher numbers, under the classifications of advances, loan payment, transfers to party, transfers to electoral district association and other. Explanations are also to be provided. The total of the 5 classifications should equal the total in classification column 8 in Part 11.

- Part 13 – Statement Concerning Personal Expenses

This statement is a summary of the candidate's personal expenses classified by nature (costs of transportation to and within the electoral district, temporary lodging, meals, etc.) and distinguishing, Section A, a summary of the personal expenses paid by the candidate (which are not included in Part 11) and, Section B, a summary of those recorded by the official agent. Total personal expenses recorded by the official agent should equal the total in classification column 7 in Part 11. Section C of this statement sets out: (i) the amount reimbursed to the candidate; (ii) the amount of non-monetary contributions; and (iii) the amount of unpaid claims included in Section B.

- Part 14 – Statement of Unpaid Claims

This statement provides a listing of claims that remain unpaid, indicating the name and address of the claimant, the class of contributor, amounts agreed and amounts disputed.

- Form EC 20220 – Candidate’s Statement of Personal Expenses

This statement lists personal expenses paid by the candidate, classified by nature of the commercial value of property and services obtained.

4 If the candidate is outside Canada at the time the Return is submitted, the declaration in Part 2 of the Return may be made by the candidate within 14 days of returning to Canada (subsection 454(1)).

5 As previously stated in Chapter 2, every electoral campaign expense equal to or exceeding \$50 must be properly supported. All vouchers and receipts must be attached to the Return as support for the amounts included in Part 11 and form EC 20220.

UPDATED VERSION OF DOCUMENT REFERRED TO IN THE ELECTORAL CAMPAIGN RETURN

6 The Act requires that updated information be provided by the official agent to the Chief Electoral Officer in the following circumstances, within 30 days of making the payment.

1. Where, because of a creditor’s death, a claim had not been submitted within three months of polling day (subsection 455(1)(a)).
2. Where a judge has approved a payment of a disputed claim or where the Chief Electoral Officer or a judge has authorized a payment of a claim submitted after the prescribed time limit or not paid within the four months deadline (subsection 455(1)(b), (c), and (d)).

7 Reimbursement is similar to that for the original Electoral Campaign Return, as set out below.

8 When the matters referred to in the updated document were previously subject to audit, an updated version of the auditor’s report need not be provided (subsection 455(2)).

AMENDED RETURN

9 The Chief Electoral Officer may:

- correct a document referred to in the Electoral Campaign Return or an updated document, if the correction does not materially affect its substance;
- request, in writing, the candidate or the official agent to correct such a document within a specified period; and
- authorize the correction of such a document on written application of the candidate or official agent, within a specified period, in specified circumstances, which include inadvertence or an honest mistake.

(sections 457 and 458)

REIMBURSEMENT OF ELECTION EXPENSES

- 10 The Act provides for reimbursement of 50% of a candidate's paid election expenses and 50% of a candidate's paid personal expenses, up to a maximum of 50% of the candidate's *maximum election expenses*, provided the candidate is elected or receives at least 15% of the number of valid votes cast. Only those election expenses that were paid by the official agent out of the campaign bank account, and those personal expenses of the candidate either paid by the official agent out of the campaign bank account or by the candidate, are included in the calculation of the reimbursement. All non-monetary contributions, including those from the 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 of election expenses and personal expenses of the candidate. As discussed below, the reimbursement is made by the Receiver General in two payments.
- 11 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 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:
- (a) the name of the candidate elected;
 - (b) the name of each candidate who has obtained at least 15% of the number of valid votes cast; and
 - (c) the amount that represents 15% of the election expenses limit that each candidate referred to above was allowed to spend (subsection 464(1)).
- 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 as partial reimbursement for the candidate's paid election expenses and paid personal expenses (subsection 464(2)).
- 12 When the Chief Electoral Officer receives the auditor's report, the candidate's Electoral Campaign 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 will provide the Receiver General with a certificate that:
- (a) the candidate and the official agent have complied with the requirements of subsection 447(2) and sections 451 to 462 of the Act;
 - (b) the auditor's report does not include a qualifying statement along the lines set out in subsection 453(3) of the Act, (refer to paragraph 4 of Chapter 5 and Chapter 6, The Auditor's Report);
 - (c) the candidate has incurred election expenses greater than 30% of the election expense limit; and
 - (d) sets out the amount of the final instalment of the candidate's election expenses and personal expenses reimbursement (subsection 465(1)).

The amount referred to in (d) is the lesser of:

- the difference between 50% 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
- 50% of the election expenses limit (subsection 465(2)).

- 13 On receipt of this certificate, the Receiver General will pay the amount set out in it to the official agent of the candidate (subsection 465(3)) and will pay to the auditor the amount of the audit fee billed, up to 3% of the candidate's election expenses with a minimum of \$250 and a maximum of \$1,500 (section 467). As indicated in paragraph 12(b), the payment is conditional on the candidate and official agent complying with subsection 465(1) which, among other things, requires that the auditor's report does not include a reservation of opinion (see subsection 453(3)).
- 14 Where the amount previously paid to the official agent of a candidate, under subsection 464(2) of the Act, is greater than 50% of the total of the candidate's personal expenses (as paid by the candidate) and the candidate's election expenses paid by the official agent, as set out in the Electoral Campaign Return, the official agent is to return the excess to the Receiver General (subsection 464(3)).

DISPOSITION OF CAMPAIGN SURPLUS

- 15 Candidates, or their official agents, are not allowed to benefit from the election campaign. Section 471 requires that the surplus electoral funds (the excess of the amount received by the official agent, including the candidate's reimbursement of election expenses and personal expenses, and the candidate's nomination deposit over the amount required to pay the candidate's deposit, election expenses, personal expenses, auditor's fee in excess of the amount paid by the Receiver General, and costs of a recount) must be transferred as follows:
- (a) in the case of a candidate who was endorsed by a registered party, to the registered party or to an electoral district association of that registered party in the candidate's electoral district; or
 - (b) in any other case, to the Receiver General (section 473).
- 16 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 473(1)) 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 paid, and the reimbursement of the candidate's nomination deposit (subsection 472(2)(a)) or of filing the Electoral Campaign Return (subsection 472(2)(b)).
- 17 The Act provides for recovery of any payments required 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 475(1)).

PUBLICATION OF RETURN

- 18 The Chief Electoral Officer shall, in a manner deemed appropriate, publish a summary report or an updated version of one as soon as practicable after receiving an Electoral Campaign Return. In addition, the candidate's Return should be published within one year after the issue of a writ for an election, and any updated version of that Return, as soon as practicable after it is received (section 412). The information contained in the Return of each candidate is posted on the Elections Canada Website and can be easily searched.
- 19 In addition, the Returning Officer is to allow public inspection of the Return and related documents, the auditor's report, and the declarations of the candidate and official agent, and to permit extracts to be taken at a fee of up to \$0.25 per page, during the six month period after receipt. After the initial six month period, they are to be retained by the Returning Officer for a further period of three years (or for such lesser period as the Chief Electoral Officer may specify) (subsections 413 (2) and (3)).
- 20 Also, the Chief Electoral Officer is to allow public inspection of his copy of the Return, auditor's report, etc. during business hours for as long as he has the documents (subsection 541(1)).

Chapter 4

SPECIAL CONSIDERATIONS

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 statement in writing 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, and is eligible for the reimbursement of the nomination deposit (section 468), but is not eligible for a refund of election expenses (as 15% of the vote could not be obtained).

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 2.00 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 441(4)).

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 (unless it has already been submitted) (subsection 456(2)).

Declaration Respecting Election Expenses

- 6 If the candidate dies before having sent in the declaration required by subsection 451(1); and referred to in Chapter 3, 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 (subsection 451(6)).

Submission of Candidate's Electoral Campaign 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 451(1) of the Act (regarding submission of the Electoral Campaign Return, auditor's report, etc.).

Reimbursement of Election Expenses

- 8 When the candidate dies in the period beginning at 2.00 p.m. on the fifth day before the closing day for nominations and ending on polling day, the deceased is deemed to receive 15% 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 464(1) (that is, a first instalment of 22.5%, rather than 15%, of the election expense limit (subsection 469(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 87).
- 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 within three months of polling day to the candidate (subsection 444(1)(b)).

DEATH OF A CLAIMANT

- 11 If a claimant dies within the three-month period after polling day, a new three-month period begins, for purposes of sending an invoice or other document evidencing a claim to the official agent, on the day on which the claimant's legal representative becomes entitled to act for the claimant. (subsection 444(3)).

Chapter 5

THE AUDIT OF A CANDIDATE

PURPOSE OF CHAPTER

- 1 Subsection 83(2) of the Act requires that every candidate, at the time of appointing the official agent, also appoint an auditor. 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.

LEGISLATIVE REQUIREMENTS

Eligibility to Act as Auditor

- 2 The auditor is defined in subsection 85(1) as “a person who is a member in good standing of a corporation, an association or an institute of professional accountants; or a partnership of which every partner is a member in good standing of a corporation, an association or an institute of professional accountants.” No election officer, candidate, official agent of a candidate, chief agent of a registered party or an eligible party, or registered agent of a registered party can act as auditor (subsection 85(2)). Further, these individuals cannot participate in the audit or the preparation of the audit report (except to respond to the auditor’s requests for information) if they are a partner or employee of either the auditor or the firm with which the auditor is associated (subsection 453(5)). 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 85.1). Some provincial institutes also provide additional information on ineligibility of their members¹.

¹ For example, The Institute of Chartered Accountants of Ontario has issued CI-204.1 and CI-204.2. Paragraphs 56 to 59 deal with audit appointments under the Canada Elections Act. Paragraph 57 states that “a member may not be complying with Rule 204.1 [that Institute’s objectivity rule] if the member were to act as auditor of a candidate as well as being

(a) a paid worker during an election for any candidate or any registered party;

(b) a volunteer worker during an election for that candidate or the registered party of that candidate where

(i) the member exercises any function of leadership or direction in that candidate’s or that party’s campaign organization, or

(ii) the member carries on any significant function involving the raising, spending or custody of that candidate’s or that party’s campaign funds.”

Similar restrictions apply if an immediate family member or a partner in a public accountancy firm undertakes such functions.

Consent Letter for Candidate's Nomination Paper

- 3 Subsection 66(1)(a)(iv) requires that the name, address and occupation of the auditor appear on the nomination paper, and section 86 requires that it be accompanied by a statement in writing, signed by the auditor, stating acceptance for the engagement. This is discussed further in paragraph 15.

Requirements of Auditor

- 4 The Act requires that the auditor report to the official agent on the Electoral Campaign Return and make the examinations necessary to state in the auditor's report whether, in his or her opinion, the Electoral Campaign Return presents fairly the information contained in the financial records on which it is based (subsection 453(1)). In addition, the Act requires that the auditor make such statements as considered necessary when:
- the auditor becomes aware that 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 official agent or candidate all the information and explanations required; or
 - based on the examination, it appears that proper accounting records have not been kept by the official agent (subsection 453(3)).
- 5 The first statement represents a reservation of opinion. Reservations of opinion are dealt with in paragraph 9 of Chapter 6. The second and third statements would be dealt in the same manner as additional information and explanations in the auditor's report. Since this statutory requirement is not lengthy, CICA Handbook – Assurance paragraph 5701.03 would allow the auditor's report to be simply modified or expanded to deal with the information. The auditor should, however, assess if the situation encountered constitutes a scope limitation and whether it results in not having sufficient appropriate audit evidence to form an opinion. Examples provided in chapter 6, paragraph 9(b) and (c) illustrate situations that may require the auditor to express a reservation of opinion.
- 6 Subsection 453(2) requires that the auditor's report include a completed checklist for audits in the prescribed form (see paragraph 31).

Access of Auditor

- 7 The auditor is 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, is necessary to conduct the audit. This includes 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, details of fund-raising functions, details of miscellaneous revenue, details of inventory remaining on hand, and the Return.

Representation Letter

- 8 Subsection 453(4) of the Act entitles the auditor appointed by a candidate to "... require the candidate and his or her official agent to provide any information or explanation that, in the auditor's opinion, is necessary to enable the auditor to prepare the report." As a part of the audit evidence, the auditor should obtain written assurance from the candidate and the official agent as to

representations that the auditor considers of significance in forming an opinion. For example, the auditor should obtain written assurance from the candidate and official agent that they are not aware of any violations or possible violations of the Act. Such written assurance could take the form of a representation letter addressed to the auditor. Such a letter would be dated on the date of the auditor's report. 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 a specific engagement.

Deadlines for Filing

- 9 Subsection 451(4) requires that the auditor's report and the Return be transmitted to the Chief Electoral Officer within four months of polling day.

GENERAL AUDIT CONSIDERATIONS

- 10 The remainder of this chapter provides guidance to help the auditor perform an efficient and effective audit. 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 will state that the audit has been conducted in accordance with generally accepted auditing standards and the requirements of the Canada Elections Act. The specific auditing standards relating to this type of engagement are included in the *CICA Handbook* Section 5805 "Audit Reports on Financial Information Other Than Financial Statements." As noted in paragraph 5805.03, when engaged to express an opinion on financial information, the auditor should comply with the general and examination standards, which are set out in Section 5100 "Generally Accepted Auditing Standards."

Specific Issues

Commercial Values

- 11 As noted in paragraph 6 of Chapter 2, election expenses include the commercial value of property and services other than volunteer labour (for definition, see paragraph 22 of Chapter 2) 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, through the engagement letter, the auditor obtain agreement that the candidate and the official agent will obtain statements of commercial value where the auditor deems it appropriate. When this has not been done and the auditor believes that the commercial value may differ substantially from the recorded commercial value, it will be necessary for the auditor to obtain such statements.
- 12 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 would be of importance when the correct amount is obvious, or its effect, or the cumulative effect of such misstatements, may be material. Materiality in a particular instance would depend 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

- 13 A candidate's personal expenses are excluded from election expenses, thus they are not subject to the limit of election expenses that is allowed, although the Chief Electoral Officer may establish categories of personal expenses and fix maximum amounts (subsection 409(2)). Such expenses are reimbursable under the formula for reimbursement discussed in Chapter 3, paragraphs 10 to 14. As discussed previously in Chapter 2, paragraph 19, details of such expenses including documentation of their payment, required under subsection 456(1), has been interpreted to include supporting vouchers. In any event, the auditor is advised to ask the candidate for appropriate vouchers for personal expenses, since the statement of personal expenses is part of the Return.

Timing of Engagement

- 14 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. The auditor needs to clarify, in the terms of the engagement, the date the completed Return will be available for final audit.

Terms of Engagement

- 15 It is important that there be a clear understanding and agreement with the candidate and the candidate's official agent as to the nature of the services the auditor is to provide and the nature of the auditor's report. To avoid any misunderstanding, the agreement should be put in writing. An engagement letter normally provides the clearest record of agreement reached and its use is preferable to other, less formal, arrangements. It is suggested that the terms of the engagement be agreed on prior to accepting the appointment as auditor for a candidate. As indicated in paragraph 3, the nomination paper must be accompanied by a statement in writing signed by the auditor stating acceptance of the engagement. An example of a consent letter is set out as Exhibit 1.
- 16 As the contractual understanding is between the auditor and the candidate, it is appropriate that the candidate also sign the engagement letter. The official agent has no such contractual relationship. As the auditor's report will be addressed to the official agent, however, it is important for the official agent to acknowledge an understanding of the terms of the engagement as set out in the engagement letter.
- 17 Exhibit 2 provides a suggested form of engagement letter. Appropriate amendments would, of course, have to be made to take into account the particular circumstances of a specific engagement. For example:
- paragraphs covering matters such as accounting work, fees, etc. may be added; or
 - the extent to which the auditor and/or staff will refrain from or participate in partisan electoral activity within or outside the candidate's electoral district may need to be included. In determining this, it may be necessary for the auditor to refer to the applicable provincial rules of conduct and interpretations.

MATERIALITY AND RISK IN CONDUCTING THE AUDIT OF A CANDIDATE'S RETURN

Materiality

- 18 Materiality determination is a matter of professional judgment. In making this determination, the public exposure and sensitivity of the Return should be borne in mind. Due to the nature of this engagement, all misstatements discovered by the auditor could be of interest to those inspecting the Return.

Risk

- 19 The nature, extent and timing of the auditor's procedures should be designed so that, in the auditor's opinion, the risk of not detecting a material misstatement in the Return is reduced to an appropriately low level.
- 20 To ensure that proper accounting records are kept, Elections Canada issues prescribed forms that comprise both the Return and, together with required receipts, invoices, cancelled cheques, bank account and deposit slips, the complete bookkeeping system for the official agent.
- 21 Because of the potential for certain expenses, such as donated services, not to 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 division of duties. Therefore, it is appropriate that an examination of each transaction in the Return be performed. Due to the assessments for inherent and control risk, it is imperative that detection risk be low. Because candidates normally do not have an extensive number of transactions, in the opinion of those responsible for the preparation of this Guide, each transaction should be reviewed.

DETECTING AND COMMUNICATING MISSTATEMENTS IN A CANDIDATE'S RETURN

- 22 The auditor should refer to the following *CICA Handbook - Assurance* Sections:
- Section 5135, which deals with the auditor's responsibility to detect material misstatements in the audit of financial statements or other financial information and to communicate such misstatements; and
 - Section 5136, which provides additional guidance to auditors about material misstatements arising from the consequences of illegal acts.
- 23 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. If any misstatements or apparent contraventions of the Act are discovered, the official agent should be informed and asked to remedy the situation and make any necessary corrections to the Return. In addition, because an attitude of professional scepticism should be maintained when performing the audit, the auditor will need to consider whether the misstatements or contraventions of the Act discovered indicate the possibility of other material misstatements existing in the Return. Because of the wide public exposure, any misstatements in the Return that come to the attention of the auditor should be corrected to avoid potential embarrassment to the candidate and the auditor. If such corrections are not made, it must be determined whether or not the misstatement is material; if it is not considered

material, no further action is required. If the misstatement is considered material, however, the auditor should refer to paragraph 9 of Chapter 6 for guidance. When the situation is not remedied by the official agent, the auditor should refer to paragraph 10 of Chapter 6.

CONDUCTING AN AUDIT

Understanding of Internal Control

- 24 Generally accepted auditing standards require that the auditor obtain a sufficient understanding of the internal controls to plan the audit. As discussed above, many desirable internal controls will not 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, prenumbered 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 should visit campaign headquarters during the campaign. That would allow a limited view of the controls and would permit the auditor to obtain information on items such as, for example, major suppliers, volunteer labour and normal campaign expenditures.

Completeness

- 25 It should be noted that the Act does not require the auditor to determine that all financial transactions have been recorded in the candidate's accounting records. 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. The auditor should, nevertheless, be alert for specific circumstances arousing suspicion that the information in the Return is not complete. Such circumstances would include situations where campaign expenditures were significantly in excess of receipts or the reconciliation of the bank account was not properly done. In such a situation, it is possible that some cash receipts (through donations, loans) have not been recorded. The auditor should question how the expenditures were made. In the absence of suspicious circumstances, however, the auditor has no obligation to carry out procedures directed at a determination of the completeness of the accounting records.

Knowledge of Campaign Activities

- 26 In accordance with the first examination standard under generally accepted auditing standards, the auditor should obtain sufficient knowledge of the entity's business to provide a basis for adequately planning and properly executing the audit. This Guide deals with the situation where the "entity's business" is the campaign organization set up to authorize, make, record, monitor and report the candidate's election expenses.

Analysis

- 27 As recommended in *Handbook* Section 5301, "Analysis," the auditor should use analysis in planning the audit to assist in designing the nature, extent and timing of other procedures. For example, the auditor might develop expectations regarding the amounts of expenses by observing matters such as the size of campaign headquarters and quantities and types of campaign literature. Expenditures which are out of line with the auditor's expectations could be subjected to different or more extensive audit procedures than the auditor might otherwise have used. The auditor should also use analysis to assist in evaluating the overall presentation of the expenses by considering, for

example, whether the expenses reported make sense based on the auditor's knowledge of the candidate's campaign activities.

Confirmation

- 28 The auditor should consider using confirmation as a means of obtaining evidence regarding certain matters. The suggested audit program at Exhibit 4 provides examples of such matters under the heading "Confirmation Procedures." If the auditor does use confirmation, the auditor would follow the Recommendations in *Handbook* Section 5303, "Confirmation," and control the process for selecting, preparing and sending confirmation requests and ask the recipient to reply directly to the auditor. The auditor would also consider 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.

Updated Version of Return

- 29 As discussed previously in Chapter 3, paragraph 6, there are various circumstances that require the official agent to file an updated version of the Electoral Campaign Return. As stated in Section 455(2), an updated version of the auditor's report need not be provided if the matters dealt with in the updated versions of the documents have been subjected to an audit. In these circumstances, the auditor's responsibilities under the Act are considered to have been fulfilled when the auditor has reported on the Electoral Campaign Return.

Suggested Audit Program

- 30 To provide for an acceptable level of quality control and standardization in the conduct of the audit of a candidate, a suggested audit program has been set out in Exhibit 4. Although it appears to be quite comprehensive, most of the steps are not extensive in their time requirements.

Audit Checklist (Elections Canada)

- 31 As indicated in paragraph 6 of this Chapter, subsection 453(2) of the Act requires that the auditor's report include a completed checklist for audits in the prescribed form. This form is in the process of being designed by Elections Canada.
- 32 The information requested should not normally require the auditor to perform additional procedures, particularly if the Suggested Audit Program set out in Exhibit 4 to this chapter is used.

Exhibit 1
Sample Consent Letter

Date

A. Candidate
Address

Dear A.:

I hereby accept the appointment as your auditor pursuant to subsection 83(2), sections 85 and 85.1 of the Canada Elections Act relative to the election to be held on (date) in the electoral district of

This letter is provided in compliance with subsection 86 of the Act.

Yours truly,

(signed)

cc: Returning Officer

Exhibit 2
Sample Engagement Letter

A. Candidate,
Address

Date.....

Dear A.:

As a result of our conversation on, I am summarizing my understanding of the terms of my prospective engagement as auditor to report to your official agent under the Canada Elections Act on the Candidate's Electoral Campaign Return relating to your candidacy in the Electoral District of at the Election to be held on, 20.... .

As required by the Act, my report will be addressed to your official agent and will state whether, in my opinion, the Candidate's Electoral Campaign Return presents fairly the information contained in the financial records on which it is based or will contain an assertion that an opinion cannot be expressed. As required by the Act, in my report I shall express a reservation in my audit opinion if I become aware that the Return to which the report relates does not present fairly the information contained in the financial records on which it is based and required by Section 451 to be detailed in the candidate's Return. Also, as required by subsection 453(3) of the Act, I will make additional statements as I consider necessary if, in my opinion:

- (a) I have not received from you or your official agent all the information and explanation that I have required, or
- (b) proper accounting records have not been kept by your official agent so far as appears from my examination.

It should be noted that the Act does not require me to report that all financial transactions pertaining to the candidacy have been included in the accounting records, and in my report I shall state this fact. Of course, if my audit reveals that there had been a significant omission from the accounting records, it would be necessary for me to disclose this fact in my report.

My audit will be such as to enable me to report as required under the Act. The timely preparation and completeness of the accounting records and the Return, which is to be prepared in accordance with the accounting provisions of the Act, are the responsibility of your official agent. 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 reservation or additional statement, my report will be similar to the enclosed sample auditor's report.

The Act provides that suppliers should render accounts within three months after polling day and allows an additional month for your official agent to pay such accounts. 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.

You have agreed to provide appropriate vouchers for personal expenses to support the amounts recorded in the Candidate's Statement of Personal Expenses (form EC 20220).

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.

Because my audit will be planned and conducted to enable me to express a professional opinion on the Candidate's Electoral Campaign Return, it will not be designed, and cannot necessarily be expected, to identify fraud and other irregularities. Of course, the discovery of irregularities may still result from my examination and, if so, they will be reported to you.

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. Concurrent with the issuance of my report, I shall require that certain assurances that I consider of significance when forming my opinion be provided to me in writing by you and your official agent in a manner similar to the enclosed sample representation letter.

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 to a maximum amount. The Receiver General reimbursement is conditional on the requirements of the Act being met, including the production of all the documents and that the auditor's report does not contain any reservation or additional statements referred to in subsection 453(3). Otherwise you will be responsible for the full payment of the fees.

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.

Yours truly,

(signed)

Auditor

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

(date)

(signed)

Candidate

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

(date)

(signed)

Official Agent

Exhibit 3
Sample Representation Letter

Date

Dear :

In connection with your audit of the Candidate's Electoral Campaign Return of, a candidate in the Electoral District of in the election held on, we assure you that to the best of our knowledge and belief:

- 1) you have been afforded access to all the records, documents, books, accounts and vouchers held by the official agent and held by the candidate relating to the election,
2) 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 Canada Elections Act and in accordance with the Election Handbook for Candidates, their Official Agents and Auditors published by Elections Canada:
(a) labour other than volunteer labour,
(b) commercial value of property and services,
(c) personal expenses of the candidate,
3) the official agent has received all the amounts contributed to meet the election expenses (as defined in the Act) of the candidate,
4) all persons or organizations indicated on the receipt forms made such donations on their own behalf and not as nominees for other persons or organizations,
5) all contributions received from ineligible contributors have been 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 404(2).
6) 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 411 and 446 and subsection 438(4) of the Act to the following:
.....
.....
.....,
7) the amounts shown in the Summary Page of the Electoral Campaign Return for contributions and total election expenses are \$....., and \$..... respectively.
8) We are not aware of any violations or possible violations of the Act (or we have disclosed to you all facts related to violations or possible violations of the Act).
9) (other representations).

Yours truly,

(signed)

Candidate

(signed)

Official Agent

Exhibit 4
Suggested Audit Program

Done By

PRELIMINARY MATTERS

1. 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 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 5.)
3. Enquire whether the official agent and the candidate are familiar with the requirements under the Canada Elections Act 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.
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 ensure 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.

CONFIRMATION PROCEDURES

8. Ensure that a confirmation of the maximum election expenses has been received. If not received, confirm the amount with Elections Canada directly.
9. Obtain a cut-off bank statement and a bank confirmation, including details of loans and loan interest, directly from the bank. (The balance should be confirmed as at the date of the cut-off statement, which should be near the anticipated auditor's report date, after substantially all cheques have cleared.)
10. Obtain confirmations from the electoral district association, the registered political party and its trust funds, and any trust fund established for the election of the candidate, as to contributions of money and the commercial value of donated property and services. The confirmation should also include the following information:
 - confirmation that the amount transferred to the candidate was from the surplus that existed at the end of the prior election; or/and
 - the names of those entities or individuals and, in the case of a numbered company, the name of the chief executive officer or of the president of that company, that have contributed more than \$200 to the candidate through the electoral district association or registered political party, or one of its trust funds, or a trust fund established for the election of the candidate;

Done By

- In the absence of information on the specific contributors who contributed through an electoral district association or a trust fund established for the election of the candidate, the name and address of every contributor, entities or individuals and, in the case of a numbered company, the name of the chief executive officer or of the president of that company, that have made contributions of more than \$200 since the last election.
 - The amount of contributions of \$200 or less and number of contributors that contributed to the candidate through the electoral district association or trust fund established for the election of the candidate.
 - The amount transferred from the candidate to the electoral district association or registered party.
11. 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.

OBSERVATION PROCEDURE

12. If practicable, during the campaign personally visit and observe the operations at the campaign headquarters. Under normal circumstances, two visits, one close to polling day, should be adequate.

The following matters should be considered during the observation:

- Size of headquarters, to ensure that rent expense is reasonable
- Quantities and types of campaign literature
- Duties of campaign workers present in relation to financial matters
- General campaign operations
- Internal controls that appear to be in place
- Information as to fund-raising functions that have occurred or are anticipated.

EXAMINATION OF THE RETURN

General

13. Obtain the working copy of the Electoral Campaign Return (EC 20120B, Parts 1 to 14 and form EC 20220) and vouchers from the official agent.
14. Agree the *maximum election expenses* using the confirmation obtained in step 8 to the “permitted limit of election expenses” shown in the Summary of the Return (Part 1).

Expenses

15. Agree expenses on the “Statement of Electoral Campaign Expenses” (Part 11) and the “Statement Concerning Personal Expenses” (Part 13) and the “Candidate’s Statement of Personal Expenses” (form EC 20220) to supporting

vouchers, obtaining evidence that:

- (a) The voucher shows particulars of the expense.
 - (b) There is a voucher attached to the Return for every expense of \$50 or more. Also review the reasonableness of expenses under \$50.
 - (c) The expenses that meet the definition of an election expense have been properly classified in the “Statement of Electoral Campaign Expenses” (Part 11).
 - (d) If the voucher shows a commercial value greater than the amount charged, the difference is shown in the discount column (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).
 - (e) Any capital expenditures are noted for subsequent follow-up (see step 26).
 - (f) The amounts included in column 8 of the “Statement of Electoral Campaign Expenses” (Part 11) are set properly in the “Statement of Electoral Campaign Expenses other than Election Expenses” (Part 12), do not meet the definition of an election expense, and the explanations of expenses provided are reasonable.
 - (g) The amounts included in column 7 – “Candidates personal expenses recorded by official agent”– of the “Statement of Electoral Campaign Expenses” (Part 11) meet the definition of a candidate’s personal expenses and the total amount agrees with the amount recorded at line 12 of Section B of the “Statement Concerning Personal Expenses” (Part 13).
 - (h) The amounts recorded in the “Candidate’s Statement of Personal Expenses” (form EC 20220) meet the definition of a candidate’s personal expenses and have been properly classified in the statement and agree with the amounts recorded in Section A of the “Statement Concerning Personal Expenses” (Part 13).
16. If there is reason to believe that certain election expenses have not been recorded, send a confirmation to major suppliers, where purchases are known to have been made on credit, requesting that copies of their monthly statements from the date of the issue of the writ to the third month after polling day be sent directly to you.
17. Agree payments advanced or reimbursement made to the candidate to meet personal expenses to the “Statement Concerning Personal Expenses” (Part 13).
18. Review the vouchers attached to the Return for:
- (a) Items not recorded on the “Statement of Electoral Campaign Expenses” (Part 11) or the “Statement Concerning Personal Expenses” (Part 13) or on the “Candidate’s Statement of Personal Expenses” (form EC 20220).
 - (b) Sequential numbering.
 - (c) The reasonableness of the commercial values shown on the invoice. If an

Done By

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 would be regarded as the commercial value), obtain evidence as to the reasonableness of the recorded commercial value by:

- (i) Referring to published price lists or competitive quotations received;
or
 - (ii) Requesting the official agent to obtain a letter from the supplier confirming the commercial value; or
 - (iii) Confirming directly with the supplier.
19. Agree items from step 18(a) to the “Statement of Unpaid Claims” (Part 14).
 20. Reconcile suppliers statements (including those obtained direct in step 16) with the amounts shown in the Return.
 21. Obtain details of unused materials (for example, unused office supplies, signs, brochures and stakes) on hand at the end of the campaign.
 - (a) Review costing of the items for reasonableness in comparison to the data set out in the vouchers examined in step 18.
 - (b) Check physical existence of items.
 - (c) Check to ensure that 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 (Part 12).
 22. For payments advanced by the official agent from the bank to establish a fund for another person to pay petty expenses:
 - (a) Review the official agent’s written authority to that person to pay petty expenses.
 - (b) Compare the list of the petty expenses (which that person has provided to the official agent pursuant to subsection 411(3)(b)) 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.
 - (c) Agree the confirmation (obtained via step 11) to the total petty expenses on the list of petty expenses.
 23. Agree all items in the discount column of the “Statement of Electoral Campaign Expenses” (Part 11) to the “Statement of Contributions received – Details of Non-Monetary Contributions” (Part 6).

Non-Monetary Contributions

24. For each class of contributors, add the total on the “Details of Non-Monetary Contributions” (Part 6) and agree that total with the amount shown in the column “Non-Monetary” for that class on the “Statement of Contributions received – Summary” (Part 3).

Done By

25. Agree the description of contributors and amount of non-monetary contributions on the “Details of Transfers from Electoral District Association” (Part 8), “Details of Transfers from Trust Fund Established for a Candidate” (Part 9) and “Details of Transfers from the Registered Political Party or one of its Trust Funds” (Part 10) to the non-monetary contributions shown on the confirmation from the electoral district association, any trust fund established for the election of the candidate and from the registered political party and its trust funds (step 10) and also agree to the “Statement of Contributions Received – Details of Non-Monetary Contributions” (Part 6).
26. 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 *Election Handbook For Candidates, Their Official Agents and Auditors*. (See Chapter 2 paragraph 27.)
27. 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 a contributor not in the business of supplying such property and services, ascertain that such exclusion is appropriate.
28. Review the identification of volunteer labour. In addition, enquire whether a corporation or other organization, in wishing to fully support a candidate, assigned employees to work on the campaign. (This would not represent volunteer labour but a contribution by the company. If there is an unusually large corporate donation, the auditor should ask whether that corporation also provided staff support.)

Monetary Contributions

29. Obtain from the official agent a copy of Form EC 20050 received by the returning officer.
30. Check the totals obtained by adding the copies of tax receipts for each class of contributor to the corresponding amounts in the “Statement of Contributions Received – Summary” (Part 3) 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).
31. Scrutinize the tax receipts for each class of contributor to see:
 - (a) That the receipt numbers fall into the range indicated by Form EC 20050.
 - (b) Whether amounts from any contributor exceed \$200 (individually or in total).
32. Check for contributors “over \$200” (and any contributors identified in step 31(b)) to the “Statement of Contributions Received – Details of Monetary Contributions” (Part 5). Check that the receipt numbers fall into the range indicated by Form EC 20050.
33. 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

Done By

funds and issue official tax receipts.

34. Check the amounts shown in the “Statement of Contributions Received – Details of Monetary Contributions” (Part 5) that relate to the net proceeds of fund-raising events to supporting documentation using the information obtained via step 12. Such documentation would include lists of tickets issued, sold and invoices supporting the cost of the function.
35. Agree the description of contributors and amount of monetary contributions and loans on the “Details of Transfers from Electoral District Association” (Part 8) and on the “Details of Transfers from Trust Fund Established for a Candidate” (Part 9) and “Details of Transfers from the Registered Political Party or one of its Trust Funds” (Part 10) to the monetary and loan contributions shown on the confirmation from the electoral district association, any trust fund established for the election of the candidate and from the registered political party and its trust funds (step 10) and also agree to the “Statement of Contributions Received – Details of Monetary Contributions” (Part 5).
36. Agree the amounts and number of contributions shown in the “Statement of Contributions Received – Details of Monetary Contributions” (Part 5) to the amounts and number of contributions shown in the column “Monetary” of the “Statement of Contributions Received – Summary” (Part 3).
37. Examine the “Statement of Contributions Received – Contributions Returned to Donor or Otherwise Dealt With in Accordance with the Act” (Part 7) and ask the official agent if it includes the following contributions: contributions received from donors for whom the official agent has become aware of their ineligibility; anonymous contributions of more than \$200; and contributions for which the official agent cannot determine the class to which the contributor belongs.

Bank Transactions

38. Perform (obtain) bank reconciliation. Reconcile the balance per the bank as at the date of the cut-off statement and bank confirmation to the difference between cash receipts and cash disbursements per the Return, (this reconciliation would also have to include any amount received to cover the costs of a fund raising activity since the revenues relating to such costs are not considered or reported as contributions.)
39. Agree the balance per the cut-off bank statement to the bank confirmation.
40. Obtain all bank statements and cancelled cheques from the official agent for the period from the date of candidate nomination to the period ending before the cut-off bank statement.
41. Agree the total deposits per the bank statements to the “Statement of Contributions received – Summary” (Part 3). The total of the columns “Monetary” and “Loans” should equal the total cash received per the bank statement, except for amounts received to cover the costs of a fund raising activity, since they are not considered or reported as contributions.
42. Agree all cancelled cheques to:

- (a) the bank statement;
 - (b) the “Statement of Electoral Campaign Expenses” (Part 11), or “Statement Concerning Personal Expenses” (Part 13) or the “Candidate’s Statement of Personal Expenses” (form EC 20220).
43. Review the bank statements for any other withdrawals, service charges, interest, etc. Agree these amounts to the “Statement of Electoral Campaign Expenses” (Part 11) or to the column “amount repaid” of the “Statement of Contributions Received – Details of Operating Loans” (Part 4).
44. Agree bank loans per the bank confirmation to the “Statement of Contributions Received – Details of Operating Loans” (Part 4).

FINALIZATION

45. Agree all amounts and particulars per the “Statement of Electoral Campaign Expenses” (Part 11), and the “Statement of Contributions Received – Summary” (Part 3) to the other parts of the Return or records, as appropriate.
46. Clear notes made during any campaign visits to information recorded in the Return.
47. 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” (Part 11) and discuss the variances with the official agent or campaign manager.
48. Check all additions on the Return.
49. In lieu of a subsequent events review, 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.
50. Obtain a representation letter (refer to Exhibit 3).
51. Photocopy the audited working copy of the Return (EC 20120B, Parts 1 to 14 and form EC 20220). Return all vouchers and the working copy to the official agent.
52. Obtain the final copy of the Return (EC 20120, Parts 1 to 14 and form EC 20220). Ensure that no changes have been made from the final version of the audited working copy.

AUDITOR’S REPORT

53. Prepare an auditor’s report, including any reservations of opinion resulting from the results of the audit procedures. (Chapter 6 of this Guide contains a suggested form of report).
54. Consider obtaining evidence of delivery of the auditor’s report.

Chapter 6

THE AUDITOR'S REPORT

INTRODUCTION

1 The Act specifies the nature of the auditor's examination of the Electoral Campaign Return in subsection 453(1):

... the auditor of a candidate shall report to the candidate's official agent on the Electoral Campaign Return... and shall 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.

2 The use of the wording "the Return presents fairly the information contained in the financial records on which it is based" in the auditor's report helps to avoid any possible implication that the auditor is expressing an opinion as to the completeness of the accounting records. As discussed in Chapter 5, it is not practicable to determine whether all revenues and expenses are recorded in this type of engagement where much of the revenue is in the form of donations. The Act does not, therefore, require that the auditor express an opinion as to the completeness of the Return. This is discussed further in Chapter 5.

3 The Act, together with the guidance issued by Elections Canada, provides the details of the accounting treatment required for the Return. In arriving at the opinion as to the fairness of presentation of information contained in the books and records, the auditor should be guided by such requirements. Accordingly, in most circumstances, it is informative for the auditor to refer expressly to the Act and the guidelines (the Election Handbook For Candidates, Their Official Agents and Auditors) issued by Elections Canada in the auditor's report.

4 Some of the guidance in the CICA Handbook – Assurance sections dealing with reports on financial statements is also applicable to reports under the Canada Elections Act. For example, specific auditing guidance relating to this type of engagement is included in Section 5805 "Audit Reports on Financial Information Other than Financial Statements." Also, when the auditor needs to express a reservation of opinion, Section 5510 of the CICA Handbook – Assurance should be referred to.

ELECTORAL CAMPAIGN RETURN SUMMARY PAGE

5 The Electoral Campaign Return includes a Summary Page. The Act does not require the auditor to report specifically on the Summary. It is, however, necessary for the auditor's report to refer specifically to the Summary, as Elections Canada will, in due course, publish the Summary and the name of the auditor. Reference is made to the Summary in a paragraph in the auditor's report after the opinion paragraph. This reference includes specifying amounts for total contributions and total election expenses in order to help Elections Canada recognize circumstances where the Return submitted differs from that provided to the auditor for examination.

EXPLANATORY INFORMATION

- 6 The impracticability of verifying that all financial transactions have been included in the financial records does not, under the Act, constitute a qualification of the auditor's opinion, as the Act does not require the auditor to report that all transactions have been recorded. It is important, nevertheless, that this impracticability be explained in the auditor's report, and the explanation should make it clear that this is inherent in the nature of the financial transactions relating to a candidacy and that, accordingly, the Act does not impose such a requirement on the auditor. This limitation should be described in the scope paragraph of the auditor's report. Exhibit 5 provides sample wording.

FORM OF REPORT

- 7 A measure of uniformity in the form of auditor's reports is desirable because it helps readers to identify any unusual circumstances. When engaged to express an opinion on the Candidate's Electoral Campaign Return, the auditor should:
- in the introductory paragraph of the report, state that:
 - the Return has been audited;
 - the financial information is the responsibility of the official agent of the candidate; and
 - it is the auditor's responsibility to express an opinion on the financial information based on the audit;
 - in the scope paragraph of the report, state that:
 - the audit was conducted in accordance with generally accepted auditing standards;
 - those standards require that the audit be planned and performed to obtain reasonable assurance whether the financial information is free of material misstatement; and
 - an audit includes:
 - examining, on a test basis, evidence supporting the amounts and disclosures in the financial information;
 - assessing the accounting principles used and significant estimates made by the candidate; and
 - evaluating the overall presentation of the financial information;
 - the Act does not require the auditor to report, nor is it practicable to determine, that the accounting records include all transactions relating to the candidacy;
 - in the opinion paragraph:
 - express an opinion on the candidate's Return or assert that an opinion cannot be expressed. When an opinion is expressed, the auditor would indicate whether the Return presents fairly the information contained in the financial records on which it is based in

accordance with the accounting treatment prescribed by the Act and the Guidelines issued by Elections Canada. When an opinion cannot be expressed, the reasons would be stated;

- in a separate paragraph following the opinion paragraph, state that:
 - the amounts shown in the “Summary Page” of the Electoral Campaign Return are the same as the related totals in the Return, referring specifically to the amounts of total contributions and total election expense.

8 When an auditor is reporting on a candidate’s Return and is able to express an opinion without reservation, the report should be in the form set out in Exhibit 5. This report was, at the time of its preparation for inclusion in an earlier edition of this Guide, reviewed by the CICA Auditing Standards Board and is considered appropriate for reporting under the Canada Elections Act and the guidelines issued by Elections Canada.

RESERVATIONS OF OPINION

9 Some situations in an audit of a candidate’s Return may require the auditor to express a reservation of opinion or make additional statutory statements as required under subsection 453(3) of the Act. These include:

- (a) Items incorrectly included in the Return. For example, the auditor may consider that a certain expenditure included in the Return as an election expense is instead related to the candidate’s securing nomination by the local association of a political party. Because nomination expenses are not election expenses as defined in the Act (except if the expenses are for the production of advertising or promotional material and its distribution, broadcast or publication in any media or by any other means), their inclusion in the Return as election expenses would not constitute fair presentation in accordance with the required accounting treatment. In view of the special nature and purpose of the return, errors material enough to warrant a reservation of opinion should, in most circumstances, be considered sufficiently material to warrant an adverse opinion.
- (b) The auditor may not have received adequate explanation of the items included in the Return. Auditing deficiencies may be such that the auditor has an insufficient basis for an opinion as to whether the Return presents fairly the information contained in the accounting records. For example, the auditor may not have received all the information necessary in respect of the commercial value of property and services recorded in the accounting records. In such an instance, for a reason similar to that outlined in paragraph 9(a), a qualification of opinion would not usually be an appropriate form of reservation. Rather, such auditing deficiencies should, in most circumstances, be considered sufficiently material to warrant a denial of opinion.
- (c) If the auditor notices that transactions pertaining to the candidacy have been omitted from the accounting records, there may be reason to suspect that further omissions exist. For example, the deliberate concealment by the official agent of a significant transaction would constitute a suspicious circumstance, whereas an isolated instance of clerical error might not. Where suspicious circumstances exist, the auditor needs to take reasonable steps to seek satisfactory

explanation of those circumstances. When the auditor has specific reason to believe that further omissions likely exist but is unable so to determine, the auditor's report would normally contain a denial of opinion.

- 10 An auditor may encounter what appears to be an illegality and not be satisfied by any explanation with respect to it. If the auditor is not sure as to what action to take, legal counsel should be consulted before completing the auditor's report.

Exhibit 5

**Auditor’s Report
on Candidate’s Return Respecting Electoral Campaign Return
Pursuant to the Canada Elections Act**

To *(name of Official Agent)*, Official Agent for *(name of candidate)*,

I have audited the Candidate’s Electoral Campaign Return (prepared in accordance with the accounting requirements of Sections 2 and 404 through 414 as well as 436 through 478 of the Canada Elections Act and the accounting guidelines issued by Elections Canada) 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 This financial information is your responsibility as Official Agent for the candidate. My responsibility is to express an opinion on this financial information based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the requirements of Section 453 of the Canada Elections Act. Generally accepted auditing standards require that I plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by the Official Agent of the candidate, as well as evaluating the overall presentation of the financial information. The Act does not, however, require me to report, nor was it practicable for me to determine, that the accounting records include all transactions relating to the candidacy of *(name of candidate)*.

In my opinion, the Electoral Campaign Return of *(name of candidate)* presents fairly, in all material respects, the information contained in the financial records on which it is based in accordance with the accounting requirements of the Canada Elections Act and the accounting guidelines issued by Elections Canada.

Further, I report that the amounts shown in the Summary of the Electoral Campaign Return, including contributions of \$..... and total election expenses of \$....., are the same as the related totals in the Return.

City
Date

(signed)
Auditor

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 to facilitate the submission of the Return. While the software should reduce clerical and arithmetic errors, and facilitate balancing of the candidate's bank account and surplus, there are some special considerations that the auditor should be aware of.

FILING PROCESS OF THE ELECTRONIC RETURN

Version Control

- 2 Although the software will facilitate the preparation of the Return and will allow filing to be done by submission of an electronic file, a printed copy of the Return, complete with declarations and the auditor's report, also needs to be sent to the Chief Electoral Officer. The electronic copy will be compared to the printed copy and in case of differences between the two, the paper copy will be regarded as the official version of the Return.
- 3 The fact that two media are being used should not present any additional difficulties to the auditor. The auditor will have to ensure that the Return being audited is the latest version and that no subsequent amendments are made to the electronic version without the knowledge of the auditor.
- 4 As discussed in paragraph 21 of Chapter 5, candidates do not usually have extensive number of transactions. Therefore, it would be inefficient to test the internal controls surrounding the use of the software. Rather, the Return should be printed, and all testing performed on the printed copy. Subsequent revisions should also be printed, thereby ensuring that an up-to-date hard copy is kept by the auditor.
- 5 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 ensure 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 later compared to the final version of the Return that is sent, along with the auditor's report, to the Chief Electoral Officer to ensure that the copy provided is the final audited version of the Return.

Transmission of Auditor's Report

- 6 The Official Agent will be responsible for transmitting the file containing the final version of the Return to the Chief Electoral Officer. Because of this, there exists the potential for accidental or deliberate changes to be made to the Return. In order to reduce such risks, the separate paragraph in the auditor's report states the total of the contributions and election expenses that were contained in the audited Summary of the Electoral Campaign Return.

Exhibit 6

Additional Considerations for Electronic Candidate's Returns

1. Obtain, from the official agent, an electronic copy of the Return to be audited.
2. Create a back-up copy of the file to facilitate data recovery in the situation where data on the original file are accidentally corrupted.
3. Print a copy of the Return from the file obtained from the official agent.
4. Perform audit procedures as set out in Exhibit 4.
5. Advise the official agent of any changes to the Return that are needed as a result of the audit.
6. Request an electronic copy of the file having the revised Return from the official agent.
7. Create a back-up copy of the file.
8. Print out the Return using the revised file and compare to the paper copy of the audited Return adjusted for the changes required as a result of the audit.
9. If the Return accurately reflects all of the audit adjustments, attach an auditor's report, in prescribed format, to the printed version of the Return.
10. Advise the official agent that this Return, with accompanying auditor's report, represents the official version of the Return, and should be forwarded to Elections Canada as required by the Act.
11. An accurate electronic copy can now be archived by the auditor.
12. 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.
13. Advise the official agent that the file containing the revised Return and the official paper copy of the Return should be transmitted to Elections Canada as required, along with the auditor's report.