

**AUDIT OF THIRD PARTY
ADVERTISING IN A FEDERAL
ELECTION**

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

The Canadian Institute of Chartered Accountants

FOREWORD

One of the requirements on the new *Canada Elections Act* that came into force on September 1, 2000 is that a third party that incurs election advertising expenses of \$5,000 or more must appoint an auditor who will express an opinion on the “Third Party Election Advertising Report” that has to be filed with the Chief Electoral Officer.

This Supplement to the *Guide for the Auditor of a Candidate in a Federal Election* provides practical guidance to auditors on issues relating to third party election advertising.

Any views expressed in this Supplement are the views of those involved in its preparation and do not constitute an official CICA position.

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David J. Moore, CA
Research Studies Director

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AUDIT OF THIRD PARTY ADVERTISING IN A FEDERAL ELECTION

INTRODUCTION

- 1 Under the *Canada Elections Act*, a third party must register immediately after having incurred election advertising expenses of \$500 or more, and must do so after the issue of the writ. The third party must also appoint a financial agent. In addition, the Act requires a third party that incurs election advertising expenses of \$5,000 or more to appoint an auditor who will issue a report on the Third Party Election Advertising Report. The Act specifies the rights and responsibilities of the third party, the financial agent and the auditor. These rights and responsibilities, more specifically the legislative requirements relating to accounting, financial reports and the audit of the Third Party Election Advertising Report, are examined in the following paragraphs.

ACCOUNTING REQUIREMENTS

Definition of a Third Party

- 2 Section 349 of the Act defines a third party as “a person or group, other than a candidate, registered party or electoral district association of a registered party.” A group is defined as “an unincorporated trade union, trade association or other group of persons acting together by mutual consent for a common purpose.” A person or group is therefore required to register with the Chief Electoral Officer after incurring election advertising expenses of \$500 or more. The application must be accompanied by a declaration signed by the financial agent (subsection 353(3)). If a third party is a trade union, corporation or other entity with a governing body, the application must include a copy of the resolution passed by its governing body authorizing it to incur election advertising expenses (subsection 353(5)). A third party must identify itself in any election advertising placed by it and indicate that it has authorized the advertising (section 352).

Election Advertising Expenses

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

- the distribution of a book, or the promotion of the sale of a book, for no less than its commercial value, if the book was planned to be made available to the public regardless of whether there was to be an election;
- the transmission of a document directly by a person or a group to their members, employees or shareholders, as the case may be;
- the transmission by an individual, on a non-commercial basis on the Internet, of that person's personal political views (section 319).

5 Where costs incurred are for more than one purpose and include third party election advertising, an allocation of the costs involved will have to be made. The *Election Handbook for Third Parties, their Financial Agents and Auditors* requires that the method of calculation of allocated costs be detailed in the Third Party Election Advertising Report and, if reported election advertising expenses amount to \$5 000 or more, the auditor of the third party should agree that the allocation is reasonable.

Maximum Election Advertising Expenses¹

6 During an election period in relation to a general election, a third party may not incur election advertising expenses of a total amount of more than \$150,000 (subsection 350(1)). In addition, during an election period, a third party may not spend more than \$3,000 of this total amount to promote or oppose the election of one or more candidates in a given electoral district (subsection 350(2)). The following activities in particular are considered as election advertising for promoting or opposing the election of one or more candidates in a given electoral district: naming them, showing their likeness, identifying them by their respective political affiliations, or taking position on an issue with which they are particularly associated (subsection 350(2)). The spending limits for election advertising expenses are indexed by the inflation adjustment factor published by the Chief Electoral Officer in the *Canada Gazette* (subsection 350(5) and section 414). The inflation adjustment factor for the November 27, 2000 federal election is 1.017 and the spending limits are, therefore, \$152,550, in total, and \$3,051, per electoral district.

7 A third party cannot attempt to circumvent a limit set out for election advertising expenses by splitting itself into two or more third parties or acting in collusion with another third party so that their combined election advertising expenses exceed the limit set out (section 351).

¹ On October 23, 2000, the Court of Queen's Bench of Alberta issued an injunction suspending the enforcement of the spending limits until the constitutionality of the third party election advertising provisions has been considered. This injunction was upheld by the Alberta Court of Appeal on October 25, 2000. On November 10, 2000, however, the Supreme Court of Canada suspended the injunction. The Chief Electoral Officer has announced that the spending limits will be in force for the remainder of the federal election. They will not apply, however, to third party election advertising between October 22 and November 10, 2000.

Eligibility to Pay Election Advertising Expenses

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

Contributions

- 9 Contributions made during an election period to a registered third party for election advertising purposes must be accepted by its financial agent (subsection 357(1)). Although a financial agent may authorize a person to accept contributions, this does not limit the responsibility of the financial agent (subsection 357(2)). In addition, all contributors must be properly identified. No third party may use a contribution for election advertising if the third party does not know the name and address of the contributor or is otherwise unable to determine within which class of contributor they fall (subsection 357(3)). Contributors must belong to one of the following classes: 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 359(6)). Furthermore, no third party may use a contribution for election advertising purposes if the contributor is:
- a person who is not a Canadian citizen or a permanent resident;
 - a corporation or an association that does not carry on business in Canada;
 - a trade union that does not hold bargaining rights for employees in Canada;
 - a foreign political party;
 - a foreign government or an agent of one (section 358).
- 10 If the third party is unable to identify which contributions were received for election advertising purposes, the third party must list the names and addresses of every contributor who donated a total of more than \$200 in the period beginning six months before the issue of the writ and ending on polling day (subsection 359(7)).

Support for Election Advertising Expenses

- 11 There should always be adequate support for election advertising expenses in excess of \$50. At the request of the Chief Electoral Officer, a third party must provide the original of any bill, voucher or receipt in relation to an election advertising expense that is in an amount of more than \$50 (subsection 359(9)).

THIRD PARTY REPORT

Third Party Election Advertising Report

- 12 Within four months after polling day, a third party must file an Election Advertising Report with the Chief Electoral Officer (subsection 359(1)). The report contains:
- A list of election advertising expenses intended to promote or oppose the election of one or more candidates in a given electoral district, and the time and place of the broadcast or publication of the advertisements to which the expenses relate (subsection 359(2)(a)(i)).

- A list of other election advertising expenses and the time and place of broadcast or publication of the advertisements to which the expenses relate (subsection 359(2)(a)(ii)).
- The amount, by class of contributor (see paragraph 9), of contributions (including loans) for election advertising purposes that were received in the period beginning six months before the issue of the writ and ending on polling day (par. 359(4)(a)).
- For each contributor who made contributions (including loans) of a total amount of more than \$200, their name, address and class, and the amount and date of each contribution (par. 359(4)(b)). If the contributor is a numbered company, the name of the chief executive officer or president of that company (par. 359(4)(b.1)).
- The amount that was paid out of the third party's own funds for election advertising purposes (par. 359(4)(c)).

13 The third party is responsible for preparing the report. In addition, “an election advertising report shall include the signed declarations of the financial agent and, if different, of the person who signed the application [for registration]... that the report is accurate” (subsection 359(8)). In cases where no election advertising expenses were incurred, the report must mention this fact.

Composition of the Third Party Election Advertising Report

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

Part 1 – Summary

This contains information on the third party and the financial agent. It also sets out the number of contributors and the total amount of contributions, as well as the total amount and details of election advertising expenses incurred to promote or oppose the election of one or more candidates in a given electoral district, and of other election advertising expenses not reported on Part 7. It also lists the documents submitted and filed by the financial agent.

Part 2 – Declarations

This contains declarations by the financial agent and by the person who signed the application for registration, if different from financial agent, as to the completeness and accuracy of the Report. The declarations must be made and signed in the presence of a returning officer, assistant returning officer, judge, notary public, justice of the peace or of any commissioner for taking affidavit.

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

This statement summarizes, by class of contributors, the aggregate amounts and number of contributors who have provided money, goods or services by way of contribution or loan or gift to the third party, showing separately monetary and non-monetary contributions, loans and the total. The amount of third party's assets used (that is, the amount paid out of the third party's own funds) is also to be disclosed.

Part 4 – Details of Contributions Received for Election Advertising Purposes [359(4)(a), (b) and (359(5)]– Statement of Operating Loans

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

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

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

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

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

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

This lists direct election advertising expenses by date and place of the advertisements (that is the place (media) where the advertising was published or broadcast) providing details on the name of the supplier, the voucher number, the amount paid, discount and unpaid claim, together with totals.

Part 8 – Statement of Election Advertising Expenses Not Reported on Part 7

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

- 15 Where the donors that contributed for election advertising purposes cannot be identified, Parts 4, 5 and 6 of the Return are to include information on each donor who contributed in excess of \$200 in the period of six months before the issue of the writ and ending on polling day (subsection 359(7)).
- 16 Every election advertising expense in excess of \$50 must be properly supported.

Publication of the Third Party Election Advertising Report

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

AUDIT OF THE THIRD PARTY ELECTION ADVERTISING REPORT

Audit of the Third Party Election Advertising Report

- 18 In accordance with subsection 355(1) of the Act, a third party that incurs election advertising expenses in an aggregate amount of \$5,000 or more must appoint an auditor without delay.

Eligibility to Act as Auditor

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

Consent Letter

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

Requirements of Auditor

- 21 According to subsection 360(2), the third party’s auditor reports on the Election Advertising Report and makes any examination that will enable the auditor to give an opinion as to whether the Third Party Election Advertising Report presents fairly the information contained in the accounting records on which it is based. In addition, according to subsection 360(3) of the Act, the auditor must make such statements as considered necessary when:
- the auditor becomes aware that the Third Party Election Advertising Report does not present fairly the information contained in the accounting records on which it is based;
 - the auditor has not received from the third party all of the information and explanations required; or
 - proper accounting records have not been kept by the third party.
- 22 The first statement represents a reservation of opinion. Reservations of opinion are addressed in paragraph 9 of Chapter 6 of the main Guide. The two other statements are considered 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 to deal with the information. The auditor should, however, assess if the situation encountered constitutes a scope limitation and whether a reservation should be included in the report. Paragraphs 9(b) and 9(c) of Chapter 6 of the main Guide illustrate situations that may require the auditor to express a reservation of opinion.

- 23 As explained in paragraph 6 of Chapter 6 of the main Guide, 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 third party election advertising activities 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 of this Supplement provides sample wording.

Access to Information

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

Representation Letter

- 25 Under subsection 360(4) of the Act, the third party’s auditor “may require the third party to provide any information or explanation, that, in the auditor’s opinion, is necessary to enable the auditor to prepare the report.” As part of the audit evidence, the auditor should obtain written assurance from the third party and the financial agent as to representations that the auditor considers of significance in forming an opinion. For example, the auditor should obtain written assurance from the third party and financial agent that they are not aware of any violations or possible violations of the Act, or that they have indicated to the auditor all the facts relating to any violations or possible violations of the Act. Such written assurance could take the form of a representation letter addressed to the auditor which should be dated on the date of the auditor’s report. Included at the end of this Supplement is an example of a representation letter (Exhibit 3) which may easily be amended to take into account the particular circumstances of each engagement.

Deadlines for Filing

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

Terms of Engagement

- 27 It is important that there be a clear understanding and agreement with the third party and the third party’s financial agent as to the nature of the services the auditor is to provide and the nature of the auditor’s report. 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 third party.

- 28 As the contractual understanding is between the auditor and the third party, the third party should also sign the engagement letter. The financial agent has no such contractual relationship. As the auditor's report will be addressed to the financial agent, however, it is important for the financial agent to acknowledge an understanding of the terms of the engagement as set out in the engagement letter. Exhibit 2 of this Supplement provides a suggested form of engagement letter. Appropriate amendments would, of course, have to be made to take into account the particular circumstances of a specific engagement.

Suggested Audit Program

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

Other Audit Considerations

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

Opening of a Separate Bank Account

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

**Exhibit 1
Sample Consent Letter**

Date

A. Third Party
Address

Dear A.:

I hereby accept the appointment as your auditor pursuant to section 355 of the Canada Elections Act relative to the election to be held on20...(date) .

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

Yours truly,

(signed)

cc: Chief Electoral Officer

Exhibit 2
Sample Engagement Letter

A. Third Party,
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 financial agent under the Canada Elections Act on the Third Party Election Advertising Report relating to the Election to be held on, 20.... .

My report will be addressed to your financial agent..... and, as required by the Act, will state whether, in my opinion, the Third Party Election Advertising Report 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 Third Party Election Advertising 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 359 to be detailed in the Third Party Election Advertising Report. Also, as required by the Act, I will make additional statements as I consider necessary if, in my opinion:

- (a) I have not received from you or your financial agent all the information and explanation that I have required, or
- (b) proper accounting records have not been kept by you or your financial 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 election advertising 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 Third Party Election Advertising Report, which is to be prepared in accordance with the accounting provisions of the Act, are the responsibility of your financial agent. My responsibility as auditor does not extend beyond the reporting function outlined above and, accordingly, does not include ensuring that you and your financial agent comply with all the requirements of the Act.

In the absence of circumstances that would prevent me from expressing an opinion without reservation or additional statement, my report will be similar to the enclosed sample auditor's report.

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

You have also agreed that you or your financial agent will ensure that invoices for property and services will state the current market price when this price is more than the price charged to the financial agent.

Because my audit will be planned and conducted to enable me to express a professional opinion on the Third Party Election Advertising Report, 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 financial 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 financial 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.

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

Yours truly,

(signed)

Auditor

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

(date)

(signed)

Third Party

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

(date)

(signed)

Financial Agent

Exhibit 3
Sample Representation Letter

Date

Dear :

In connection with your audit of the Third Party Election Advertising Report of, a Third Party 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 financial agent and held by the Third Party relating to the election,
- 2) you have been notified of all bank accounts used for election advertising purposes,
- 3) all loans, advances, deposits, contributions and gifts received for election advertising purposes and all election advertising expenses incurred, including in particular items (a) and (b) below, have been determined and recorded as required by the Canada Elections Act and in accordance with the *Election Handbook for Third Parties, their Financial Agents and Auditors* published by Elections Canada:
 - (a) labour other than volunteer labour,
 - (b) commercial value of property and services,
- 4) the financial agent has received all the amounts contributed to meet the election advertising expenses (as defined in the Act) of the Third Party,
- 5) all persons or organizations made such donations on their own behalf and not as nominees for other persons or organizations,
- 6) no election advertising expenses (as defined in the Act) have been incurred by any person or organization other than the Third Party and the financial agent or by the following authorized persons or organizations:
.....
.....
.....
- 7) the amounts shown in the “Summary” of the Third Party Election Advertising Report for contributions and total election advertising expenses are \$....., and \$..... respectively,
- 8) we are not aware of 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)

Third Party

(signed)

Financial Agent

**Exhibit 4
Suggested Audit Program**

Done By

PRELIMINARY MATTERS

1. Send a letter to the third party consenting to act as auditor to the third party as soon as notification of appointment is received. (Refer to Exhibit 1 for an example.)
2. Send an engagement letter to the third party. (Refer to Exhibit 2 for an example.) Note that a sample representation letter and auditor's report are to be enclosed. (Refer to Exhibits 3 and 5.)
3. Enquire whether the financial agent and the third party are familiar with the requirements under the Canada Elections Act that will affect the report and the audit work thereon.
4. Enquire whether the financial agent has delegated authority to incur election advertising expenses and collect contributions for election advertising purposes and note the name of such persons for subsequent follow-up.
5. Enquire whether any capital expenditures have been made or are anticipated.
6. Obtain from the financial agent a copy of the detailed election advertising expenses budget.
7. Discuss with the financial agent and the third party the expected timing of the audit of the report, availability for discussions and signatures.
8. If the third party is a trade union, corporation or other entity with a governing body, examine the resolution passed by its governing body authorizing it to incur election advertising expenses. Ask if any resolution specifies the total amount authorized for election advertising expenses.
9. Although the use of a separate bank account is not required by the Act, recommend such use to the third party and the financial agent.

CONFIRMATION PROCEDURES

10. Obtain a cut-off bank(s) statement(s) and a bank confirmation, including details of loans and loan interest, directly from the bank. (The balance should be confirmed as at the date of the cut-off statement, which should be near the anticipated auditor's report date after substantially all cheques have cleared.) [N.B: As the Act does not require the use of a separate bank account, there could be more than one bank account that was used for election advertising activities.]
11. Obtain from any person to whom the financial agent has delegated spending authority a confirmation as to the amount of expenses paid or payable by that person.

OBSERVATION PROCEDURE

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

The following matters should be considered during the observation:

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

EXAMINATION OF THE REPORT

General

13. Obtain the working copy of the Third Party Election Advertising Report and vouchers from the financial agent.

Expenses

14. Agree expenses on Part 7 "Statement of Election Advertising Expenses to Promote or Oppose the Election of One or More Candidates in a Given Electoral District" and Part 8 "Statement of Election Advertising Expenses not Reported on Part 7" to supporting vouchers, obtaining evidence that:
- (a) The voucher shows particulars of the expense.
 - (b) There is a voucher attached to the report for every expense of more than \$50. Also review the reasonableness of expenses of \$50 or less.
 - (c) The expenses that meet the definition of an election advertising expense have been properly classified in Part 7, the "Statement of Election Advertising Expenses to Promote or Oppose the Election of One or More Candidates in a Given Electoral District."
 - (d) If the voucher shows a commercial value greater than the amount charged, the amount shown is the commercial value (unless the commercial value is \$200 or less and the contributor is not in the business of supplying such property and services, in which case the commercial value is deemed to be nil).
 - (e) Any capital expenditures are noted for subsequent follow-up (see step 20).
15. If there is reason to believe that certain election advertising expenses have not been recorded, send a confirmation to major suppliers, where purchases are known to have been made on credit, requesting that copies of their monthly

statements from the date of the issue of the writ to the third month after polling day be sent directly to you.

16. Review the vouchers attached to the report for:
 - (a) Items not recorded on Part 7 “Statement of Election Advertising Expenses to Promote or Oppose the Election of One or More Candidates in a Given Electoral District” and Part 8 “Statement of Election Advertising Expenses not Reported on Part 7.”
 - (b) Sequential numbering.
 - (c) The reasonableness of the commercial values shown on the invoice. If an invoice is felt to have a commercial value that may differ substantially from the recorded commercial value (where no separate commercial value is indicated on the invoice, the face value of the invoice 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 financial agent to obtain a letter from the supplier confirming the commercial value; or
 - (iii) Confirming directly with the supplier.
17. Reconcile suppliers’ statements (including those obtained direct in step 15) with the amounts shown in the Part 7 or Part 8.
18. Obtain details of unused materials (for example, unused office supplies, brochures, etc.) 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 14.
 - (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 advertising expenses.

Contributions – Property and Services and Discounts

19. For each class of contributors, add the total amounts and number of contributors on Part 6 “Details of Contributions Received for Election Advertising Purposes – Non-monetary Contributions” and agree these totals to the amounts and number of contributors shown in Part 3 “Statement of Contributions Received for Election Advertising Purposes – Summary.”
20. Check that the calculation of the commercial value of capital assets purchased or used has been calculated in accordance with the instructions in the *Election Handbook for Third Parties, their Financial Agents and Auditors*.
21. If the financial agent has excluded some donations from the report 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.

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22. Review the identification of volunteer labour. In addition, enquire whether a corporation or other organization, in wishing to fully support a third party, assigned employees to work on the campaign. (This would not represent volunteer labour but a contribution by the company. If there is an unusually large corporate donation, the auditor should ask whether that corporation also provided staff support.)

Contributions of Money

23. Check for contributors “over \$200” to Part 5 “Details of Contributions Received for Election Advertising Purposes – Monetary Contributions.”
24. If the financial agent has authorized others to collect money, enquire as to the procedures used by the financial agent to obtain all such funds.
25. Check the amounts shown in Part 5 “Details of Contributions Received for Election Advertising Purposes – Monetary Contributions” as 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.
26. For each class of contributors, add the total amounts and number of contributors shown in Part 5 “Details of Contributions Received for Election Advertising Purposes – Monetary Contributions” and agree these totals to the amounts and number of contributors shown in Part 3 “Statement of Contributions Received for Election Advertising Purposes – Summary.”
27. For each class of contributors, add the total amount of loans and number of contributors on Part 4 “Details of contributions Received for Election Advertising Purposes – Statement of Operating Loans” and agree these totals to the amounts and number of contributors shown in Part 3 “Statement of Contributions Received for Election Advertising Purposes – Summary.”

Bank Transactions

28. Enquire about the bank account(s) used by the third party and financial agent (there may be more than one, the Act does not require the use of a separate bank account). If possible, perform (obtain) bank reconciliation. If there is a separate bank account for the third party’s election advertising operations, reconcile the balance per the bank as at the date of the cut-off statement and bank confirmation to the difference between cash receipts and cash disbursements per the Report.
29. Agree the balance per the cut-off bank statement(s) to the bank confirmation(s).
30. Obtain all bank statements in which there were election advertising operations and cancelled cheques from the financial agent for the period from 6 months before the issue of the writ to the period ending on polling day.
31. Agree all cancelled cheques to:
 - (a) The bank statement(s).
 - (b) Part 7 “Statement of Election Advertising Expenses to Promote or Oppose

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the Election of One or More Candidates in a Given Electoral District” and to Part 8 “Statement of Election Advertising Expenses not Reported on Part 7.”

- (c) Obtain explanations for cheques not reported as election expenses in the Report.
- 32. Review the bank statements for any other withdrawals, service charges, interest, etc. Agree these amounts to Part 8 “Statement of Election Advertising Expenses not Reported on Part 7.”
- 33. Agree bank loans per the bank confirmation to Part 4 “Details of Contributions Received for Election Advertising Purposes – Statement of Operating Loans.”

FINALIZATION

- 34. Agree all amounts per Part 1 “Summary” to the other parts of the Report or records as appropriate.
- 35. Clear notes made during any campaign visits to information recorded in the Report.
- 36. Review the third party’s campaign diary (or other available campaign plans) and consider whether the expenses on the whole appear reasonable. Compare the budget received via step 6 with Part 7 “Statement of Election Advertising Expenses to Promote or Oppose the Election of One or More Candidates in a Given Electoral District” and Part 8 “Statement of Election Advertising Expenses not Reported on Part 7” and discuss the variances with the financial agent or campaign manager.
- 37. Check all additions on the Report.
- 38. In lieu of a subsequent events review, ask the financial agent whether any payments have been made or any claims received after providing the completed Report to the auditor, and whether there are any other developments that affect the Report.
- 39. Obtain a representation letter (refer to Exhibit 3).
- 40. Photocopy the audited working copy of the Report (EC20228). Return all vouchers and the working copy to the financial agent.
- 41. Obtain the final copy of the Report (EC20228). Ensure that no changes have been made from the final version of the audited working copy.

AUDITOR’S REPORT

- 42. Prepare an auditor’s report, including any reservations of opinion resulting from the performance of the audit procedures. (Exhibit 5 of this Supplement contains a suggested form of report).
- 43. Consider obtaining evidence of delivery of the auditor’s report.

Exhibit 5

**Auditor's Report
on Third Party Election Advertising Report
Pursuant to the Canada Elections Act**

To (*name of Financial Agent*), Financial Agent for (*name of Third Party*).

I have audited the Third Party Election Advertising Report (prepared in accordance with the accounting requirements of Sections 349 through 362 of the Canada Elections Act and the accounting guidelines issued by Elections Canada) for (*name of Third Party*), in respect of the election held on the day of 20..... This financial information is your responsibility as Financial Agent for the Third Party. 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 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 Financial Agent of the Third Party, 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 Election Advertising by (*name of Third Party*).

In my opinion, the Third Party Election Advertising Report of (*name of Third Party*) 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 Third Party Election Advertising Report, including contributions of \$..... and total election advertising expenses of \$....., are the same as the related totals in the Third Party Election Advertising Report.

City
Date

(signed)
Auditor