



Written Opinions, Guidelines and Interpretation Notes

Guideline: 2015-05

Guideline for the External Audit of a *Registered Party Return in Respect of General Election Expenses*

Comments made during formal consultation period December 8, 2015–January 8, 2016

Comments received from the Conservative Party of Canada	Elections Canada response to the Conservative Party of Canada
<p>Preamble</p> <p>1. Page 4, Audit reports: “Both audit reports must be submitted at the same time as the election expenses return – that is, eight months after election day.”</p> <p>Possible solution: Please insert “a maximum of” eight months after election day.</p>	<p>Preamble</p> <p>1. The text in the guideline has been modified to read as follows:</p> <p>“Both audit reports must be submitted at the same time as the election expenses return – that is, up to a maximum of eight months after election day.”</p>
<p>Appendix 1 – Applicable Requirements of the <i>Canada Elections Act</i></p> <p>1. 376(1): This section comes across as Elections Canada seeking assurance on completeness of eligible election expenses from the auditor.</p> <p>a. Possible solution: Clarify or make reference to the completeness qualification in some way.</p>	<p>Appendix 1 – Applicable Requirements of the <i>Canada Elections Act</i></p> <p>1. The text in Appendix 1 regarding subsection 376(1) has been modified to clarify that the assurance being sought is in relation to reported election expenses. It now reads as follows:</p> <p>“Election expenses</p> <p>The auditor has to ensure that reported election expenses meet the following definitions:”</p>

<p>2. 426(3): The inclusion of “contributions” appears to be a redundant requirement as contributions are audited via the Annual Transaction Return, which is provided to Elections Canada on an annual basis and is qualified on completeness.</p> <ol style="list-style-type: none"> Possible solution #1: Remove reference to contributions as they are audited via the Annual Transaction Return. Possible solution #2: Insert some language to clarify that the auditor merely has to ensure that only a registered agent of the registered party accepted contributions to the registered party, but that they don’t need to audit contribution transactions as they would as part of the year-end audit and audit of the Annual Transaction Return. <p>3. 426(4)(a): This section refers to section 364 of the <i>Canada Elections Act</i>, which brings in contributions and transfers. Both of these are audited via the Annual Transaction Return, which is provided to Elections Canada on an annual basis and is qualified on completeness.</p> <ol style="list-style-type: none"> Possible solution #1: Remove reference to contributions and transfers as they are audited via the Annual Transaction Return. Possible solution #2: Insert some language to clarify that the auditor merely has to ensure that only a registered agent of the registered party accepted or provided goods or services (contributions) or transfers, but that they don’t need to audit the detailed transactions, as this would form part of the year-end audit and audit of the Annual Transaction Return. <p>4. General comments on Appendix 1</p> <ol style="list-style-type: none"> It is not appropriate to have “any” or “all” type statements in this section. Elections Canada should be more specific in what they would like the auditor to do. It is not entirely clear that “Elections Canada is not looking for completeness of the numbers; they are more concerned about accuracy 	<p>2. 426(3) and</p> <p>3. 426(4)(a)</p> <p>It is necessary to include subsection 426(3) and paragraph 426(4)(a) in Appendix 1 among the applicable requirements to be audited. Election expenses could include property or services received by way of non-monetary contributions, which are to be reported as such in the <i>Registered Party Return in Respect of General Election Expenses</i> (in Part 2, under “Contributed or transferred property or service”).</p> <p>4. General comments on Appendix 1</p> <p>The text of the guideline has been modified to clarify that Elections Canada intends for the audit to focus on the accuracy of what are being reported as election expenses, not necessarily on the completeness of the numbers or of the return in</p>
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<p>and occurrence”.</p> <p>b. The auditor cannot opine on completeness for any of these criteria.</p>	<p>general.</p>
<p>Appendix 2 – Sample Audit Engagement Letter</p> <ol style="list-style-type: none"> 1. My responsibilities, paragraph 2, page 10, sentence 1: The objective does not agree to the CAS 805 opinion. Language in the engagement letter should agree to language in the opinion. (This issue is also notable on page 4, first paragraph under section 1, “Audit report on the information...”.) 2. Page 11, paragraph 5, sentence 2: The report is not addressed to the Chief Electoral Officer. 3. Page 12, paragraph 2: The paragraph indicates that a separate report on 4460 is required under 438(2). 	<p>Appendix 2 – Sample Audit Engagement Letter</p> <ol style="list-style-type: none"> 1. Paragraph 2 in Appendix 2 has been modified to conform to the language in CAS 805. 2. The sentence about audit reports being addressed to the Chief Electoral Officer has been removed. 3. The paragraph relates to the second opinion, required by subsection 438(2) of the <i>Canada Elections Act</i>, that is to be submitted in a separate report prepared under <i>CPA Canada Handbook – Assurance</i>, section 5815 (not section 4460), <i>Special Reports – Audit Reports on Compliance with Agreements, Statutes and Regulations</i>. The paragraph outlines the purpose of that separate report.
<p>Appendix 3 – Sample Audit Report Under CAS 805</p> <ol style="list-style-type: none"> 1. Paragraph 1: Specify the accounting guidelines issued by Elections Canada, i.e. “The return was prepared by the Chief Agent of the XXX party based on the provisions of section 437 of the <i>Canada Elections Act</i> and the accounting guidelines ‘titled...’ ... ‘dated...’ issued by Elections Canada.” <ol style="list-style-type: none"> a. This issue should also be addressed elsewhere in the document, i.e. in the qualified opinion paragraph and basis of accounting and restrictions on use paragraph. 2. Basis of Accounting and Restriction on Use, sentence 1: Add Note 1 describing the basis of accounting. “In accordance with section 437 of the <i>Canada Elections Act</i>” is not sufficient to describe the financial reporting framework used to prepare the return. 	<p>Appendix 3 – Sample Audit Report Under CAS 805</p> <ol style="list-style-type: none"> 1. The text in Appendix 3 has been modified to reference the specific Elections Canada guideline in the first paragraph and in the Qualified Opinion and Basis of Accounting and Restriction on Use paragraphs. 2. The first sentence of the paragraph has been modified to read as follows: “Without modifying my opinion, I draw attention to the Note to the Return, which describes the basis of

<p>3. Report on Other Legal and Regulatory Requirements: Given that the opinion is qualified on expenses, this paragraph seems to imply that the auditor is declaring that total expenses are below the threshold; but the auditor cannot make such a declaration.</p>	<p>accounting.”</p> <p>3. Subsection 431(1) of the <i>Canada Elections Act</i>, which prohibits a chief agent from incurring election expenses beyond the limit established under section 430, is a relevant inclusion in Appendix 1. It is a key provision to be complied with under Division 1 and, in particular, under its subdivision on the financial administration of registered parties. Even in the context of a qualified statement, assessing whether total reported election expenses are below the established limit should be possible, and would provide valuable information in support of an audit opinion on compliance.</p>
<p>Appendix 4 – Sample Special Audit Report under Section 5815</p> <p>1. Paragraph 1, end of sentence 1: Add “and the interpretations of such requirements as set out in Note 1 attached”.</p> <p>The auditor is required to attach Appendix 1 as Note 1 to the auditor’s report.</p>	<p>Appendix 4 – Sample Special Audit Report under Section 5815</p> <p>1. The sentence in the first paragraph has been modified to read as follows:</p> <p>“I have audited Registered Party XXX for compliance as at Month XX, 20XX, with the criteria established by the applicable requirements of Division 1 (General Financial Provisions) and Division 2 (Political Parties) of Part 18 (Financial Administration) of the <i>Canada Elections Act</i>, as per subsection 438(1) of the Act (“the legal provisions”) and the interpretation of such requirements as set out in the attached Note 1.”</p>

Comments received from the Liberal Party of Canada	Elections Canada response to the Liberal Party of Canada
<p>Given the subject matter of the draft Guideline and which organizations it will have the most impact upon, we believe that seeking comments from the public accounting industry and the auditors of registered parties is an important element in finalizing this particular guideline. As we understand, Elections Canada had previously consulted with Chartered Professional Accountants Canada (CPA) regarding the subject matter of the material in the draft Guideline. Following the issuance of this draft Guideline, we further understand CPA consulted with the National Offices of Deloitte and PricewaterhouseCoopers.</p> <p>As part of our review of the draft Guideline, the Party did consult with PricewaterhouseCoopers, and we understand that they will further consult with CPA, which should lead to the submission of additional comments to Elections Canada outside of the statutory, formal OGI process. As a result, the Party's comments on this draft Guideline are limited.</p> <p>One of the points of discussion between PricewaterhouseCoopers and the Party is that CPA has published three publications to aid auditors in discharging their obligations with respect to the audit of (i) Candidates, (ii) Electoral District Associations, and (iii) Third Parties. These publications provide additional guidance to auditors which is not available from other sources.</p> <p>We do not believe that Appendix 1 of the Guideline provides sufficient guidance to an auditor to ensure that the specific procedures of an election expenses compliance audit will be consistent from auditor to auditor, particularly among the auditors of parties not represented in Parliament as the auditors of the smaller parties tend to be from smaller organizations with limited experience of the <i>Canada Elections Act</i>. Consequently, we believe that Appendix 1 requires significant revision to include specific procedures that the Chief Electoral Officer would like an auditor to undertake.</p>	<p>Appendix 1 (general comment)</p> <p>Appendix 1 provides auditors with general guidance on applicable requirements of the <i>Canada Elections Act</i>. Its purpose is to assist in setting parameters for the audit mandate related to registered parties' compliance with applicable sections of Part 18, divisions 1 and 2. It is not meant to provide auditors with detailed or specific procedures, such as an audit program, as these should be developed based on existing industry standards and guides as well as the individual needs of each audit mandate.</p> <p>However, in response to comments received, Elections Canada modified the text of the guideline in an attempt to improve overall clarity and usability for both registered parties and external auditors.</p>

<p>Specific comments</p> <p>In the auditor’s paragraph “Basis for Qualified Opinion” on page 16, the reader is made aware that the opinion is qualified as to ensuring completeness of general election expenses in the party return. The reference to 376(1) on page 7 does not seem to take into consideration that qualification.</p>	<p>Appendix 1 (specific comments)</p> <p>The text in Appendix 1 regarding subsection 376(1) has been modified to clarify that the assurance being sought is in relation to reported election expenses. It now reads as follows:</p> <p>“Election expenses</p> <p>The auditor has to ensure that reported election expenses meet the following definitions:”</p>
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The Commissioner of Canada Elections did not submit comments regarding OGI 2015-05

The following parties did not submit comments regarding OGI 2015-05:

- Alliance of the North
- Animal Alliance Environment Voters Party of Canada
- Bloc Québécois
- Canada Party
- Canadian Action Party
- Christian Heritage Party of Canada
- Communist Party of Canada
- Democratic Advancement Party of Canada
- Forces et Démocratie
- Green Party of Canada
- Libertarian Party of Canada
- Marijuana Party
- Marxist-Leninist Party of Canada
- New Democratic Party
- Party for Accountability, Competency and Transparency
- Pirate Party of Canada
- Progressive Canadian Party
- Rhinoceros Party
- Seniors Party of Canada
- The Bridge Party of Canada
- United Party of Canada

Special Note

Elections Canada prepared this guideline based on the Canadian Auditing Standards and Other Assurance Standards from the CPA Canada Handbook - Assurance, which are available to auditors (see the Chartered Professional Accountants (CPA) of Canada’s website [www.cpacanada.ca] and the CPA Canada Store [www.castore.ca]). Elections Canada has collaborated and exchanged information with CPA Canada during the development and drafting process of this guideline.