

# Targeted Control Audit of Financial Management by Returning Officers 2023 By-elections **FINAL Report**

Chief Planning and Audit Officer Branch  
Internal Audit Division  
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# Executive Summary

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## What we examined

This audit looked at the management of key financial responsibilities by the returning officers (ROs) who ran five by-elections that took place in 2023. Samples of payroll, office, rental and lease expenses were selected and tested against pre-established criteria to determine if ROs managed these expenses in accordance with applicable acts, regulations, policies and procedures.

## Why it is important

ROs have many responsibilities to execute within very short timeframes once an election or by-election is called. Following the Audit of Financial Management by Returning Officers after the general election in 2021, the Internal Audit Division determined that performing ongoing audits of ROs' financial activities would strengthen the control environment and could help identify opportunities for improvement at various levels of the organization.

## What we found

Most transactions examined were executed accurately and in compliance with the relevant instructions. However, in one electoral district, we found that the RO had incorrectly accounted for and submitted hours for employees who worked at the office before the writs were issued. In cases where an office is authorized to open before the writ is issued, management should document and share instructions for processing payroll transactions.

## Management's response

Management agrees with the audit findings, has accepted the recommendation included in the report and has developed a management action plan to address the recommendation. The [management action plan](#) has been integrated into this report.

# Statement of Assurance

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In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence has been gathered to support the accuracy of the audit conclusion. The audit findings and conclusion are based on a comparison of the conditions as they existed at the time, as described in the audit scope, against pre-established audit criteria that were agreed upon by management. The audit findings and conclusion are applicable only to the activity examined.

The planning and conduct of this audit engagement were guided by the Government of Canada's *Policy on Internal Audit* and related instruments.

# 1. Introduction

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## 1.1. Authority for Audit

The mission of the Internal Audit Division (IAD) of the Chief Planning and Audit Officer Branch is to provide independent and objective assurance services. These services are designed to add value and improve Elections Canada's operations. Internal Audit helps Elections Canada accomplish its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of risk management, control and governance. Elections Canada's [Internal Audit Charter](#) dictates the responsibilities and accountabilities of the internal audit function and provides authority to carry out the audits identified in the risk-based audit plan.

## 1.2. Context

Elections Canada's core responsibility is to prepare for, deliver and report on federal elections, by-elections and referendums in accordance with the legislative framework, while ensuring integrity throughout the electoral process and promoting regulatory compliance. Returning officers (ROs) are appointed by the Chief Electoral Officer (CEO) and are the officers responsible for conducting events in each of the federal electoral districts in Canada.

Among other duties, the RO is responsible for managing a multitude of complex financial processes with the support of staff from Elections Canada's headquarters (ECHQ). These duties include:

- registering and submitting payment claims for all office staff and election officers
- paying and reconciling all expenses related to their office and additional assistant RO's office operation such as supplies, meeting rooms and printing expenses
- renting their offices and polling places and related equipment
- verifying that all expenses are necessary, complete, correct and in accordance with the contractual arrangements, RO manual, budget limits and CEO instructions
- managing public funds with prudence and sound judgment in accordance with the Code of Professional Conduct for Election Administrators, applicable laws, government policies and regulations, and Elections Canada headquarters' instructions

Given the monetary significance, short time frame in which expenses are incurred and paid, widely dispersed locations of the ROs and other risks identified by the Internal Audit Division, an audit of financial management activities by ROs was conducted in 2022. The audit yielded seven recommendations and management action plans are currently undergoing completion. To complement the 2022 audit and to promote continuous improvement of the RO financial processes, targeted control audits of financial management by ROs during by-elections were identified in the 2023-2025 risk-based audit plan.

### **1.3. Objectives**

This targeted control audit sought to provide reasonable assurance to senior management that returning officers are properly exercising the financial authorities granted to them by the *Canada Elections Act* (CEA) and within the principles prescribed in the *Financial Administration Act* (FAA).

Specifically, the objective of this audit was to confirm that financial activities undertaken by returning officers are in accordance with applicable acts, regulations, policies and procedures.

### **1.4. Scope**

The scope of the audit is returning officers' financial management activities related to operations within their electoral district during the 2023 by-elections:

#### **June 19, 2023**

- 24053 - Notre-Dame-de-Grâce–Westmount
- 35080 - Oxford
- 46007 - Portage–Lisgar
- 46014 - Winnipeg South Centre

#### **July 24, 2023**

- 48007 - Calgary Heritage

The audit excluded the day-to-day operations of Elections Canada's headquarters functions, for example, Operational Planning and Administration and Field Financial Management and Operations, except where their activities and approvals were relevant to the testing of controls in the field.

### **1.5. Approach and Methodology**

Internal audit at Elections Canada is guided by the Government of Canada's *Policy on Internal Audit* and related policy instruments, which include conducting audits in accordance with the Institute of Internal Auditor's *Standards for the Professional Practice of Internal Auditing* (the *Standards*).

The planning phase consisted of reviewing the criteria used during the 2022 audit of financial management by ROs and applying the relevant principles to this audit. Tasks included:

- Identifying and obtaining financial data related to the electoral events for analysis
- Document review—collect and review all relevant acts, directives, regulations; review returning officer manuals and training material; identify other relevant corporate data (e.g. internal controls over financial management documentation)
- Choosing the relevant audit criteria to focus on the targeted controls
- Development of testing procedures and testing strategy

The audit fieldwork was conducted from February to April 2024. This phase included:

- Interviews of returning officers
- Data analysis, data validation, and testing of sample transactions
- Analysis and documentation of observations and findings

After fieldwork concluded, recommendations for management were developed in areas where opportunities for control improvements were identified. These recommendations were cross-referenced with those from the 2022 audit of financial management by ROs and new recommendations were made for areas that were not previously covered.

## 2. Findings and Recommendations

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The recommendations below are intended to complement those made in the [2022 audit of financial management by ROs](#). Various management action plans are in progress to address those recommendations.

### **Objective 1: To confirm that financial activities undertaken by returning officers are in accordance with applicable acts, regulations, policies and procedures.**

Each RO holds responsibility for delivering all aspects of a general election in their respective electoral districts. RO policies and procedures originate from a multitude of sources, which must all compliment each other for an effective result. Various directorates, divisions and units within the Field Governance and Operational Readiness (FGOR) branch support ROs by creating procedures, training, manuals and other guidance for the various operational functions they must carry out during an election period. However, for financial functions, the Deputy Chief Financial Officer (DCFO) supports ROs by creating policies, procedures, training, manuals and other guidance.

The group that communicates directly with ROs on operations is FGOR. On financial matters, such as expense payments and payroll, ROs communicate with DCFO's Field Financial Management and Operations (FFMO) division. It is essential that these groups be synchronized in their activities. FGOR and DCFO have been working to continually improve their coordination to reduce any potential confusion by ROs.

#### **2.1.1. Financial Transactions**

From the 5 by-elections in scope for this audit, an audit sample was generated to include a variety of financial transactions across the electoral districts. Within the sample, transactions related to office and polling location rentals, acquisition card charges and petty cash usage were included. No issues were found within the sample for these transactions.

#### **2.1.2. Payroll Analysis**

As highlighted in the 2022 audit of financial management by ROs, the use of the Returning Officer Payment System (ROPS) presents various limitations. The plan to introduce a new payment system is a step in the right direction, though it is expected to take some time before it is fully implemented. In the meantime, ROs will need to continue using ROPS. In discussions with ROs, there are instances where they feel the need to develop methods to overcome ROPS limitations in order to submit work hours for their staff. Without a clear method to submit special timesheet cases that ROPS is not equipped to handle, inconsistent timesheet accounting and payroll reliability poses many risks to the organization. In some cases, election officers are not signing off on timesheets with the true representation of worked hours, compromising the integrity of their attestations. In addition, overtime calculations

may not be accurate and the reliability of using claimed hours for future budgeting purposes is weakened.

A finding in this audit involved the treatment of work hours that are completed by election workers before the issue of the writs. In general, election workers are not hired before an election is called and therefore do not work before then. The system that is used to enter election worker hours, ROPS, does not allow any work hours to be entered for dates before the writ is issued. However, there are cases, including one of the sample payroll transactions, where election workers were authorized to be hired and work before the writ was issued. Authorization for this early work usually involves the need to assist with setup or training in anticipating of an election.

Work that takes place before a writ is issued can be authorized in one of two ways, through a pre-event mandate or through direction from FGOR with CEO approval. When election workers are provided with a pre-event mandate, the number of hours allowed to be worked is clear and there is a unique platform for claiming these hours. Conversely, there are election workers who are asked to work prior to the writ issuance but are not provided with a pre-event mandate because the funding of their hours requires a different accounting treatment. Without a pre-event mandate, these election workers do not have a platform to claim hours worked before the issue of a writ because ROPS is not capable of accepting entries for that time period. This leads to confusion for the ROs as they are not provided with any written instructions on how to claim the hours in this situation. In one payroll sample, the RO elected to pay out the hours worked before the issue of the writ by sporadically adding additional hours to legitimate election period timesheets in order to compensate the election officer for work that was actually completed in the previous period. As a result, the timesheets did not accurately reflect when the actual work was completed, and this may have led to the payment of overtime when it was not warranted.

The CEO authorization for certain election officers to work prior to the issuance of the writ is managed by FGOR, while all related financial aspects are managed by DCFO. The processing of hours for payment is managed by FFMO. Given that the work needed by election officers prior to the issue of the writ can differ across electoral districts and elections, FFMO cannot pre-emptively plan for the entry of these hours. In these situations, it is vital that FFMO obtains a list of the election workers that were authorized to work before the issue of the writ so the payroll can be processed correctly.

Overall, since ROPS limitations will continue to exist until a new solution is implemented, ROs should not be employing individual methods to overcome these shortcomings. It is imperative that timesheets are accurately finalized, with hours entered for the dates in which they were completed. FFMO will need to develop and employ a workflow to handle work hours that are completed before the issuance of the writs and this procedure will need to be clearly explained to the ROs.

## **Recommendation 1**

It is recommended that Field Financial Management and Operations develops and documents procedures to process timesheets for hours worked before issue of the writ, and updates returning officer training with the process to submit timesheets for such hours.

### **2.1.3. Budget Management**

Part of RO expense management is ensuring funds are available prior to incurring expenses. When ROs must make a purchase that is above the budgeted amount, they must request an increase in funds. In keeping with the principles of the FAA, this request should be made before the purchase is made. The sample revealed one situation where an expense may have been incurred prior to seeking approval of additional funds. The auditor had difficulty in obtaining and verifying the facts related to this situation which may indicate weaknesses in the event budget management process with respect to requesting additional funds. IAD will continue to test controls related to funds requests in future electoral events to determine if there are opportunities for improvement that can be identified.

## 2. Acknowledgements and Contacts

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We wish to express our appreciation to the staff and management of Field Governance and Operational Readiness, the Office of the Chief Financial Officer, and the ROs who participated in this audit.

**Audit contact:**

Assistant Director, Internal Audit

**Management contact:**

Senior Director, Field Governance and Operational Readiness

Deputy Chief Financial Officer

# Appendix A: Audit Criteria

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**Objective #1:** To confirm that financial activities undertaken by returning officers are in accordance with applicable acts, regulations, policies and procedures.

## Criteria

- 1.1. Financial transactions are authorized according to established processes.
- 1.2. All expenses are reviewed and approved prior to payment.
- 1.3. Procurement activities are undertaken according to the prescribed processes.
- 1.4. Returning officers monitor their expenditures and remain within budget.
- 1.5. Expenditures incurred are accurately submitted and are allowable as per the Tariff of Fees, FAA, CEA, Treasury Board of Canada Secretariat policy instruments and Elections Canada policies and procedures.
- 1.6. Ineligible expenses are identified and acted upon by Elections Canada headquarters.
- 1.7. When errors are identified, returning officers are provided with additional support and training.

# Appendix B: Recommendations and Management Action Plans

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Recommendation	Management Action Plan
<p>1. It is recommended that Field Financial Management and Operations develops and documents procedures to process timesheets for hours worked before issue of the writ, and updates returning officer training with the process to submit timesheets for such hours.</p>	<p>Management agrees with this recommendation.</p> <p>A modification to the programming of ROPS has already been requested, which should be ready before the end of 2024. This modification gives the financial officer the option, during pay period one only, to enter hours on a date before writ drop by using a special password. The employee should fill out a regular timesheet, reflecting the actual hours worked in the actual days they occurred. These hours would be approved normally by the RO in the payment authorization report for the pay period. Once in place, this procedure will be included in the financial officer manual (which is part of the RO manual).</p> <p>In the meantime, an interim procedure has already been implemented, communicated to FGOR and included in the financial officer training that is delivered by FFMO before every event. Until the permanent solution is implemented, the financial officer should send the RO signed timesheet for pre-writ hours to FFMO so that it can be entered manually at headquarters. Once this is done, these hours will be approved by the RO in the payment authorization report. This procedure has been included in the revised financial officer manual, which will be published shortly.</p> <p>All actions are to be completed by December 31, 2024.</p>