

## Do We Need an Audit?

By Keith Myra and Kim Marcy

Although legal and other requirements vary from one congregation to the next, for sure, either an audit, a review engagement or an internal review will be required at the end of each fiscal year. These three options, from most preferable to least preferable, are defined as follows:

1. **Audit** – This is the most thorough option and provides the highest level of assurance that the congregation's financial statements accurately reflect its financial position, are free of material misstatement and that any internal control weaknesses are identified. An audit is conducted by an individual with a CPA/CA designation who is also certified as a licensed public accountant.
2. **Review Engagement** – A review engagement is less intensive than an audit and must be conducted by an individual with a CPA/CA designation and licensed as a public accountant.
3. **Internal Review** – An internal review is the minimum level requirement for congregations and is less thorough than the previous two options. Internal reviews are conducted by two unrelated individuals, both knowledgeable in finances and at arm's length from the church council and other congregational officers. Internal reviewers could be congregational members who are not involved in the day to day financial operation of the congregation, or for greater independence, non-licensed accounting professionals from outside the congregation.

Where resources allow, congregations are strongly encouraged to consider a full audit performed by a certified professional as this minimizes risk to both the congregation and members of the congregational council. Unfortunately, the cost of an audit can often be prohibitive for many small and medium-sized congregations and it is more practical to use one of the other two options instead.

Note that for congregations incorporated federally under the Canada Not-For-Profit Corporations Act (CNCA), an audit is required unless 1) total annual revenues are below \$50,000, in which case a review engagement is required unless the congregation votes unanimously to waive this requirement, or 2) total annual revenues fall between \$50,000 and \$250,000, in which case members may vote for a review engagement instead.

For congregations that are incorporated provincially:

### Ontario

For those congregations still incorporated under the old Corporations Act (expires in 2024), an audit is required.

Exception: For congregations with revenue <\$100,000, if 80% of members decide at a congregational meeting not to appoint an auditor and not to have an audit of a financial year. At minimum an internal review is still required.

For those congregations incorporated under the Ontario Not-for-Profit Act, 2010 (ONCA), the following chart summarizes what type of financial review your congregation requires:

Amount of revenue per financial year	Type of financial review
\$100,000 or less	Waive*
More than \$100,000, but less than \$500,000	Review engagement*
\$500,000 or more	Audit

\*Approval to waive an audit or to waive both an audit and review engagement requires an extraordinary resolution, which is approval from at least 80 per cent of the votes cast at a special members' meeting where there are enough members to take a vote or if all voting members consent in writing.

Quebec (Companies Act) – An audit is required unless members vote annually not to appoint an auditor.

New Brunswick (Companies Act) and Nova Scotia (Societies Act) – no requirement for an audit or a review engagement.

In addition to your congregation's incorporation status, your congregation's constitution may stipulate certain audit or review requirements.