



December 6, 2024

# A Guide to Financial Audits

The obligation in the [Societies Act](#) to conduct annual "audits" does not necessarily mean a full accounting audit. The word is used more generally by Corporate Registries to mean a review of the financial statements by an **independent party**.

## Annual general meeting

**25** A society shall hold an annual general meeting and shall present at that meeting a financial statement setting out its income, disbursements, assets and liabilities, audited and signed by the society's auditor.

This can be an accountant who does a full audit or an accountant doing a "notice to reader" letter, or by two community members not connected to the board verifying the information in the financial statements.

Who does the audit is usually specified in the League's bylaws, in the Financial Procedures or Audit Procedures section. More information is often included in the Annual General Meeting section. Leagues must follow their bylaws and not doing so may leave the League board and Treasurer vulnerable to questions from both members and granting agencies.

The audit is a second set of eyes **independent from the board, who is appointed by and reports to the AGM**. In this way the Treasurer reports the financials (Statement of Financial Position and Income Statement at minimum) to the AGM and then the auditor either reports to the AGM or signs a letter saying that the statements do reflect the true financial position of the League.

**Getting a full accountant audit every year is unnecessary for a Community League and is an undue expense of funds and volunteer time.** The majority of Leagues use community members appointed at the previous AGM and then an accountant every 3 to 5 years.

## Audit Types/Options for Leagues:

1. Notice to Reader (Accountant): At the AGM, appoint an accountant firm to do a notice to reader (the accountant verifies the financial statements but does not do the testing an audit requires and is therefore much less expensive and invasive)





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2. Community Audit: At the AGM, appoint 2 League members not associated with the board to review the statements (in comparison to the register and bank balances) and sign [THIS](#) type of letter

3. Full Professional Audit (Accounting): At the AGM appoint an accountant firm company capable of full audit for Not for Profit

### **What Should Audited Financials Look Like When Submitted to Corporate Registries and to funding agencies?**

- They should be in a pdf format
- Signed by the auditors (if an accounting firm they will have their letter or brand on it and if community auditors provide their names, roles (members of the League), and signatures (see template linked above)
- Clearly illustrate WHO the auditors were (just signatures is not sufficient if we can't tell who did the audit (see the template above)

### **Who to Call at the EFCL?**

If you need more support with understanding audits for your Community League, reach out to our staff at the EFCL: [leaguesupport@efcl.org](mailto:leaguesupport@efcl.org)

### **Relevant Links:**

Government of Alberta Societies Act: <https://open.alberta.ca/publications/s14>

