

Nature London  
**Dispensation of Annual External Financial Audit**  
**Background Report**  
April 17, 2019

The intent of the following resolution is to dispense with the annual external financial audit and the associated costs, which amount to approximately \$3,000 per year.

The McIlwraith Field Naturalists of London Ontario Incorporated (now known as Nature London) was incorporated as of March 17, 1972 under the Ontario *Corporations Act*.

Accordingly, Nature London has been required to have an annual external audit. It could dispense with the audit only if all the members submitted in writing that they agreed with this dispensation.

As a result of the passage of Ontario's *Cutting Unnecessary Red Tape Act, 2017*, and resulting amendments to the Ontario *Corporations Act*, Nature London has the option to dispense with an annual external audit. The relevant excerpt from the *Cutting Unnecessary Red Tape Act, 2017* follows:

**38 (1) The Act is amended by adding the following section:**

**Exemption from annual audit**

**130.1** (1) Members of a corporation may pass an extraordinary resolution to not appoint an auditor and to not have an audit in respect of the corporation's financial year if the corporation had annual revenue in that financial year of no more than \$100,000 or such other amount as may be prescribed by the regulations made under this Act. 2017, c. 20, Sched. 7, s. 38 (1).

**Validity of resolution**

(2) An extraordinary resolution passed under this section is valid until the next annual meeting of the members. 2017, c. 20, Sched. 7, s. 38 (1).

**Non-application of this section**

(3) This section does not apply to a corporation to which Part V applies. 2017, c. 20, Sched. 7, s. 38 (1).

**Non-application of s. 96.1**

(4) If this section applies to a corporation, section 96.1 does not apply to the corporation, despite subsection 133 (1). 2017, c. 20, Sched. 7, s. 38 (1).

## Definition

- (5) In this section, “extraordinary resolution” means a resolution that is,
- (a) passed by at least 80 per cent of the votes cast at a general meeting of which notice specifying the intention to pass the resolution has been given, or
  - (b) consented to in writing by each member of the corporation entitled to vote at a general meeting of the members or by the member’s attorney. 2017, c. 20, Sched. 7, s. 38 (1).

**Note: On the day subsection 4 (1) of the *Not-for-Profit Corporations Act, 2010* comes into force, section 130.1 of the Act is repealed. (See: 2017, c. 20, Sched. 7, s. 38 (2))**

As noted above, when the new *Not-for-Profit Corporations Act* comes into effect (this is expected sometime in 2020), section 130.1 will be repealed; however, section 76 of the *Not-for-Profit Corporations Act* will carry similar provisions for the dispensation of an external audit.

This is not about the club’s ability to afford an external audit. We have sufficient funds to maintain the current practice of obtaining an annual external audit if that is the wish of the membership. However, it is the opinion of the Board that dispensing with the audit will free up considerable funds (~ \$3000+) without compromising fiscal oversight. Such savings could be reallocated to other program areas to further enhance Nature London’s ability to implement its mandate *To Preserve and Enjoy Nature*.

Accordingly, the Nature London Board of Directors recommends that the members approve an extraordinary resolution at the April 26, 2019 General Meeting to dispense with having an external financial audit for the year ending August 31, 2019.

**It should be noted that this motion will apply only to the 2018-19 fiscal year. A new resolution will need to be introduced each year to continue this practice.**

In lieu of an external financial audit, the Board supports the recommendation of the Finance Committee to perform certain due diligence procedures as outlined in the attached addendum. The members of the Board, including our Treasurer, are unanimous in their belief that the club would be well protected by these due diligence measures.

## **Extraordinary Resolution of the Members of NL**

**That the members of Nature London resolve that the Corporation dispense with the annual external financial audit for the year ending August 31, 2019**

Should this resolution not achieve the 80% majority required to pass, Nature London will continue with its existing practice of conducting an external audit for the 2018-19 year and appoint the auditor at the April 26, 2019 meeting.

## References

*Corporations Act* (<https://www.ontario.ca/laws/statute/90c38>)

*Cutting Unnecessary Red Tape Act* (<https://www.ontario.ca/laws/statute/S17020>)

*Not-for-Profit Corporations Act* (<https://www.ontario.ca/laws/statute/10n15>)

## ADDENDUM

Nature London Finance Committee  
**Proposed Internal Due Diligence Procedures in Lieu of an External Audit**  
January 18, 2019

The Finance Committee will appoint a member on a rotating basis, other than the Treasurer, to perform the procedures indicated below.

### 1) Disbursements

#### a) Chequing account:

- examine one (1) month's bank statement at random and the August 31 statement
- agree all debits to cheque copy/debit advice, supporting documentation, and to general ledger account
- obtain a random sample of paid invoices, agree to cheque copy/debit advice, and check for appropriate approvals and accuracy

#### b) Savings account and Investments

- examine two (2) months' statements at random and make inquiries as to purpose of transactions; check backup as appropriate

### 2) Receipts

#### a) Chequing account:

- examine September bank statement; agree deposits to deposit slip
- agree deposit amounts to journal entry and general ledger

#### b) PayPal account:

- examine one (1) month's statement at random; agree a few monthly entries to accounting spreadsheet
- agree spreadsheet entry to general ledger

### 3) Journal Entries:

- examine a different one (1) month's entries at random
- trace all journal amounts to original documents to ensure accuracy

### 4) Review Financial Statements

- on a quarterly basis, obtain any necessary explanations from Treasurer

### 5) Report

- barring exceptional circumstances that would require a faster response, present a written report to the Board of Directors on all the procedures that were followed, and the findings