

Reporting on Organizations Incorporated under the British Columbia Societies Act

The new *British Columbia Societies Act* (the “BC Societies Act”) came into effect on November 28, 2016 and applies to all societies as at this date with a two-year transition period which ends on November 28, 2018. The requirement for the Auditor to report that the accounting principles have been applied on a consistent basis with the prior year has carried forward into the new Act from the previous legislation.

Excerpt from the BC Societies Act:

Auditor's report

117(1) The auditor of a society must

- 1) prepare for the members of the society a report on the financial statements that are to be presented to the members at an annual general meeting, and*
- 2) state in the report referred to in paragraph (a) whether, in the auditor's opinion, the financial statements
 - a. fairly reflect, in all material respects, for the period under review, the financial position of the society and the results of its operations,*
 - b. were prepared in accordance with generally accepted accounting principles, and*
 - c. in the case of financial statements other than the first financial statements, were prepared on a basis consistent with the basis on which the financial statements that related to the preceding period were prepared.**
- 3) If an opinion given by an auditor in a report made under subsection (1) is subject to qualification, the auditor must state, in the report, the reasons for the qualification.*

This disclosure must be included on the Auditor’s Report (or alternatively the Practitioner’s Review Engagement Report) as a *Report on Other Legal and Regulatory Requirements* which should be located between the opinion paragraph and the date and signature. An example of the wording is provided in an illustrative Auditor’s Report on the next page.

See our [Clear-Cut: Disclosures Under the BC Societies Act](#) for further discussion and examples of financial statements disclosures required under the BC Societies Act.

Illustrative Auditor's Report with Report on Other Legal and Regulatory Requirements

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion [Presuming a qualification is not required]

We have audited the financial statements of ABC Society, which comprise the statement of financial position as at December 31, 20X1, and the statement of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ABC Society as at March 31, 20X1, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Continuation of Auditor's Report with Report on Other Legal and Regulatory Requirements

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's signature]

[Date of the Auditor's Report]

[Auditor's address]