

The Question:

We are a small (under \$1M) charity. The board has appointed one of its directors to be treasurer. That same person is also the chair of the audit committee. Is that permitted?

The Answer:

There is no prohibition against the same person acting as both treasurer and audit committee chair of a non-profit organization, but there are risks involved.

The Role of the Treasurer

The treasurer is an officer of the organization. The role of the treasurer is to supervise the organization's financial condition and report on it to the board.

The duties of the treasurer include ensuring that:

- the books of account and accounting records of the corporation are kept as required by law,
- proper financial statements are submitted to the board,
- the accounts of the organization are audited by the auditor appointed by the members, and that
- the annual budget is prepared and submitted to the board.

In smaller organizations with few staff, the treasurer may have a very hands-on role in terms of keeping the financial records and preparing budgets and financial statements.

The Role of the Audit Committee

The board of directors is responsible for the stewardship of the organization. The board must be able to provide objective oversight of the management of the organization, including its financial condition.

The Audit Committee acts on behalf of the board in overseeing the organization's financial reporting, the audit of the annual financial statements, and risk management and internal controls. Its duties include:

- reviewing financial statements and external reports (including annual statements and reports to funders),
- reviewing and recommending to the full board the approval of the audited financial statements,
- reviewing all aspects of the external audit, and
- overseeing the organization's internal controls and financial risk management.

The Risks of Combining Roles

Having the treasurer sit as a member of the audit committee is not an ideal situation, but it is fairly common in smaller non-profit organizations, particularly those which have a combined finance and audit committee or in which the audit committee functions as both a finance and audit committee. This is often due to a shortage of volunteer directors with the necessary financial background.

When the same individual serves as both the treasurer and the *chair* of the audit committee, there is a potential for conflict as this person, while acting as chair of the audit committee, will be overseeing

themselves in their capacity as treasurer. This effectively removes one level of checks and balances around the organization's finances.

While having the treasurer sit on the audit committee may be unavoidable, the organization might want to consider whether there is another director who could chair the committee in order to minimize the potential for conflict. The board should also ensure that directors and officers have a clear, written definition of their duties. This can help directors to focus on their oversight responsibilities rather than some of the more "hands on" services that they may also provide.

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